

Delivering Value with Oracle E- Business Suite Advanced Procurement 12.1

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EXECUTIVE OVERVIEW

Over the last ten years the procurement function has been largely defined by a transformation from a tactical, cost-oriented component of corporate overhead into a strategic discipline that is focused on creating value. But in light of the current economic environment, the need procurement transformation is taking on new urgency.

As procurement organizations embark on transformation, their focus must extend beyond basic block-and-tackling of controlling business processes. High performance organizations are increasingly looking at strategies to boost the effectiveness of their most important procurement assets -people. Common strategies include

- Equipping buyers with tools to maximize effectiveness
- Expanding Procurement's oversight into new categories
- Increasing focus on suppliers as a source of innovation and market expansion.

The latest release of Oracle Advanced Procurement was created to help procurement executives drive these strategies. This white paper is intended to help organizations understand the benefits of upgrading to 12.1. It provides an overview of the capabilities and the potential benefits that help accelerate organizational transformation.

INTRODUCTION

During the last 10 years, the market for procurement technologies has been totally reshaped by a series of innovations. And while most have provided benefit, none have been created solely to improve the day-to-day end-user experience of the procurement professional. For example, self-service requisitioning tools do a great job of streamlining employee requisitioning, but did not fundamentally alter the end-user experience of procurement professionals. Similarly, sourcing applications have a solid record of helping to drive cost reductions, but oftentimes sourcing only accounts for a fraction of a procurement professional's workday. Oracle Advanced Procurement Release 12.1 will reverse this trend by delivering applications that

revolutionize the user experience and improve the working lives of buying professionals.

Together with enhancements in Release 12, Oracle Advanced Procurement 12.1 is the procurement professional's release. It has been created to meet the changing needs of procurement professionals by providing:

- Unified work center for all procurement responsibilities
- Improved support for complex goods and services
- Expanded supplier management and enablement.

The balance of this paper is divided into three sections that summarize the major enhancements and describe the associated business value.

UNIFIED WORK CENTER FOR ALL PROCUREMENT RESPONSIBILITIES

Buying professionals know that to save the most money, they need to consistently apply the right methods to all elements of procurement processes. But this is much easier said than done. In the real world, users juggle multiple projects and day-to-day tasks that require them to 'place and chase' orders, jump between screens, cut and paste, and wrestle paper in order to get things done. This creates an environment of waste, weak compliance, and increases the probability of savings falling through cracks. These savings are not small. According to some estimates up to 30% of negotiated savings never reach the bottom line. What's more, it creates other challenges, including lower job satisfaction and lower productivity. Oracle Advanced Procurement was designed to address these challenges with the introduction of the Professional Buyer's Work Center (PBWC) that consolidates all procurement responsibilities.

Establish Professional Buyer Command and Control

The latest release provides procurement professionals with new opportunities to increase focus on strategic functions and improve compliance with the Professional Buyers Work Center and Two-Way Word Synchronization.

Consolidate Procurement Responsibilities with Professional Buyers Work Center

One of the major enhancements is the Professional Buyer's Work Center (PBWC) that serves as a central 'launch pad' from which professional buyers can assume command and control. It provides an intuitive web-based UI that puts key procurement functions at the fingertips in an elegant and consistent layout. For example, with only a few clicks users can quickly assess the day's priorities with consolidated alerts and to-do lists. Professional buyers can handle urgent requisitions, and then easily move on to complete requirements definition in sourcing event. PBWC allows professional buyers to easily:

- Understand status at a glance
- Process requisitions

- Run sourcing events
- Create and manage orders and agreements
- Confirm service delivery
- Manage supplier information.

PBWC represents a major enhancement from earlier releases- especially for heavy Purchasing users. With minimal training, Purchasing users will experience dramatic improvements in usability with fewer pop ups, streamlined workflows and fewer steps to complete tasks.

Improve Contract Compliance with Two-Way Word Synchronization for Oracle Procurement Contracts

Two-Way Word Synchronization improves compliance to policy and negotiated contracts by helping users to import the ‘right’ changes into Oracle Procurement Contracts. In prior releases, contract drafts could be exported as Word documents for the purposes of redlining and collaborating with suppliers or legal teams.

The current release goes a step further by also providing the ability to import Word drafts back into the contracting application. Any modifications to the draft are easily identified as ‘nonstandard’ and rules enforce policies for mandatory and protected clauses. Offline changes are easily rejected or accepted for faster contract binding and improved long-term contract enforcement.

Automate Tedious Tasks and Improve User Experience

The latest release automates time-consuming tasks with Tolerance Based Auto-Approvals and improves the user experience with Negotiation Styles

Cut Cycle Time & Approval Steps with Tolerance Based Auto-Approvals

Enhanced Auto Approval capabilities eliminate the time-consuming task of approving minor change requests of purchase orders (PO). By establishing tolerances that define a ‘minor’ change (e.g. 1% downward price revision), PO revisions from requestors and suppliers can be automatically approved without buyer review. In the event that changes exceed a requisitioner’s (or a buyer’s) authority, embedded workflow drives escalation to the right approval levels. By reducing the ‘noise’ of trivial tasks, buyers will be able to focus on major exceptions or turn their attention to more strategic tasks.

Match Sourcing Capabilities to Opportunities with Negotiation Styles

Negotiation Styles allow organizations to tailor the Sourcing user interface to match the needs of different use cases. For example, buying organizations can expose or hide unneeded features for simple RFI’s. In cases of larger, more complex opportunities, they can enable and display advanced features such as multi-attribute scoring, cost factors, location-based pricing, and price differentials.

Drive Center-Led Procurement Methods

New capabilities enable procurement organizations to centralize what is common, while decentralizing unique categories and processes with Multi-Org Access Control, and Unified Catalog Architecture.

Power Shared-Services with Multi-Org Access Control

Oracle Purchasing leverages the new Multi-Org Access Control (MOAC) capabilities to support the implementation of center-led procurement in shared services organizations. Buyers can now process requisitions, agreements, and orders spanning multiple operating units with just a click. This improves efficiency by eliminating the need to log out, close windows, switch responsibilities, and log in again to complete a simple task in another operating unit.

Reduce Maintenance and Improve Security with Advanced Catalog Features

New enhancements introduce a Unified Catalog Architecture that offers improved content authoring, maintenance, and security. Users can now import catalogs or items directly into Sourcing events and export them from Sourcing awards. This is exceptionally valuable in negotiating complex market-baskets with large numbers of line items and quickly making them available to requisitioners. Catalog authoring is also enhanced by providing suppliers with the ability to upload and maintain content. This not only offloads a burdensome task from the procurement group, but also improves the timeliness of updates, and eliminates back-and-forth e-mail traffic, and version control issues. The newest release also supports the role of Catalog Administrators that can be authorized to oversee routine maintenance. The application can be configured to automatically approve minor changes while using workflow to route significant changes for approval prior to publishing. It also offers full audit trail to easily track any changes that are neatly summarized and subject to the approvals prior to publishing.

IMPROVED SUPPORT FOR COMPLEX GOODS AND SERVICES

Given the need to drive year-over-year improvements, procurement departments cannot afford to rest on their laurels or tackle the same categories year after year.

The need for continuous improvement is leading procurement organizations to tackle complex categories that have traditionally lacked formal oversight. In this regard, services categories are of particular importance because they represent a historically difficult area to control. Furthermore, services are growing in importance as suppliers are increasingly bundling (value-add) services with products as a means to drive differentiation, limit commoditization, or delay the impact of supplier rationalization efforts.

New enhancements provide improve support for complex goods and services. From service specification, through contracting, and payment, Oracle Advanced Procurement has been created to tame complexity and drive auditability.

Improve Sourcing with Better Requirements Specification and Collaboration

Advancements provide improved requirements definition, accelerated bid management, and simplified negotiations for complex categories.

Improve Requirements Definition with Advanced Requisitioning & Approvals

Getting better results begins with creating better documentation of requirements. In the case of complex categories, new support for Complex Approvals helps to drive timely (and broader) collaboration between purchasing professionals and requisitioners. New integration with the Oracle Approvals Management provides improved routing of purchase requisitions. This facilitates:

- Parallel Approvals that give the option to speed up the approvals process by routing a requisition to multiple approvers simultaneously.
- Position Hierarchy based approvals that allow organizations to create approval structures that remain stable regardless of personnel changes
- Support for “For Your Information” (FYI) notifications to keep key individuals abreast of buying decisions without requiring any action on their part.

Accelerate Bid Management

Oracle Sourcing Release 12.1 provides enhanced XML spreadsheet formatting. Although this might seem to be a straightforward enhancement, the benefits are far reaching. For example, improved spreadsheet integration helps to promote collaboration because suppliers benefit from a familiar UI, an easy mechanism for bid submission, an offline mechanism for compiling responses, and immediate feedback on their bids based on scoring formulas. In turn, buyers can be assured of the best possible responses from suppliers and are better equipped to evaluate bids. For example, the new spreadsheet based formatting provides a familiar look-and-feel for streamlined usability. Spreadsheets provide a single place to download data, compare bids, as well as the ability to use existing macros for evaluation.

Simplified Negotiations for Complex Categories

New capabilities are designed specifically to drive better communication during negotiations and contract development for complex categories. Because people often need to work with hard copies of lengthy documents, Sourcing now provides an easy way to generate Acrobat (.PDF) copies of negotiation documents. Even while negotiations are still in draft, Sourcing can generate buyer-specific copies (that include all information, including invitation lists and cost factors) as well as supplier-specific copies that will include only relevant information (and exclude data like Invitation Lists). Sourcing managers can now also add complex payment arrangements to sourcing documents.

Align Supplier Agreements & Payment with Contract Financing

New enhancements provide opportunities to address the subtleties of payment for services with expanded options for defining, tracking, and completing payment through Contract Financing.

Streamline Payment Definition & Management with Contract Financing

Complex categories can require more elaborate contracts and more extensive payment options. Oracle Advanced Procurement can now account for this complexity by providing procurement organizations with expanded options for defining, tracking, and completing payment. Included are the following Contract Financing types:

- Advances and Recoupment of advances
- Progress Payments based on cost, stage of completion or performance milestones
- Retainage and Retainage Release.

These are extremely useful in gaining control in categories with complex payment requirements such as field engineering, facilities management, construction services, etc.

Improve Control of Payment Advances and Recoupment

Some procurement scenarios require buying organizations to pay advances to suppliers before any work or product delivery has been performed (e.g. in order to provide working capital to smaller contractors). With new enhancements, buying organizations can negotiate contracts that define terms of advances paid to suppliers before any work is performed. Requests for advances submitted by the suppliers are verified against the advance limits set forth in the contract. These advance payments are automatically liquidated or recouped from payment requests.

Drive Compliance with Expanded Sourcing and Payment Options

New enhancements provide procurement professionals with avenues to drive supplier performance compliance through Progress Payments, Retainage/Release, and Work Confirmations.

Ensure Compliance with Sourcing Regulations

In some markets, public and private sector enterprises are required to follow formal two-stage negotiation process in which technical and commercial aspects of supplier's bids are separately evaluated. In Release 12.1 Oracle Sourcing provides complete support for this process. Organizations can now evaluate the technical feasibility and merit of bids while commercial aspects remain sealed. In cases where the suppliers fail the technical evaluation, the commercial part of the bid remains sealed. Evaluators can then analyze the commercial aspects (such as price and delivery terms) of bids that are deemed to be 'qualified' on the basis of technical

evaluation. This helps to ensure a more impartial evaluation because the commercial aspects of non-qualifying do not exert undue influence.

Create the Right Incentives and Streamline Processes with Progress Payments

Tying payment to performance is a proven method of driving better results. New enhancements can incorporate a detailed Progress Payment schedule as part of the contract. Users can establish a payment schedule comprised of 'pay items' that specify the work component, the dollar amount, and due date for completion. This provides maximum flexibility in defining pay items based on progress. Options include payments:

- Based on a 'Milestone' that needs to be fully complete before payment can be claimed by the contractor.
- Based on a 'Rate' of work completion. Payments for these can be claimed as units of work are completed.
- Based on a 'Lump Sum' amount allocated to a portion of work against which payments can be released. Unlike milestone pay items, contractors can report partial progress against such pay items and request payments.

Enforce Retainage & Authorize Release of Payments

For services categories that include retainage of funds by the purchasing organization, sourcing managers can negotiate and formalize terms with suppliers. These terms can be captured as part of a contract and include:

- Retainage Rate determines the percentage of the amount requested that will be withheld before releasing payments to the supplier.
- Maximum Retainage Amount: Puts a cap on the total amount that can be withheld from payments released to the supplier.

At the end of the project or when the agreed criteria are met, the withheld amount can be released upon receipt of a retainage release request from the supplier.

Close the Loop with Work Confirmations

New enhancements streamline the process for suppliers to report progress in the form of Work Confirmation Requests. Work Confirmation Requests are submitted by suppliers and routed for approval via a configurable workflow engine. In cases where the status of completion isn't straightforward, the solution provides for the online negotiation of the amount of work eligible for payment.

EXPANDED SUPPLIER MANAGEMENT and ENABLEMENT

An old adage tells us that 'you can't get blood from a stone'. Similarly, purchasing organizations shouldn't expect suppliers to negotiate their profit margins to the point of no return. Indeed, the strategy of squeezing supplier's margins indefinitely has proven to carry dire consequences. Notable examples are found in the auto

industry as some manufacturers find themselves at a severe competitive disadvantage because their suppliers are:

- Unable to invest in developing new technology
- Unwilling to share ground breaking innovations
- ‘Fired’ customers and sought alternate markets for their goods and services.

Other examples of the consequences of seeking lower unit-costs are abundant as purchasing organizations often find themselves struggling with excess transportation costs, taxes, and new supply risks.

High performing organizations are taking a different approach. Instead of negotiating for margin improvement at the expense of suppliers, they are driving mutual cost reduction, expanding supplybase management, and improving supplier performance. The new release includes several enhancements to support these strategies.

Drive Mutual Cost Reductions

Procurement organizations can drive mutual cost reduction and eliminate problems born of information latency through Complex Procurement Collaboration, PO Lifecycle Tracking, Non-PO Invoices, and Supplier Catalog Authoring.

Leverage Supplier’s Internal Cost Drivers

In sourcing scenarios that require multiple bids based on different volume commitments, pricing tiers submitted by suppliers typically reflect their internal cost structures. For sourcing teams however, analyzing dissimilar price tiers from suppliers can be cumbersome, complex, and time-consuming. In Release 12.1, the process of analyzing dissimilar pricing proposals is streamlined by the use of Oracle Sourcing Optimization. Oracle Sourcing Optimization analyzes all price tiers submitted in supplier bids and provides a recommendation on the best award quantity to each supplier. Award quantities specified in the recommendation can be used to assign the correct unit price to the resulting purchasing documents.

Extend Payment Efficiencies to Non-Purchase Order Categories

In a perfect world, it would be practical to enforce a ‘no-PO, no pay’ policy. But in the real world, there are urgent matters that can’t wait for a formal purchase order.

There are also categories like utilities where PO’s don’t always make sense. To address these requirements iSupplier Portal now supports submission of non-PO invoices by suppliers. Non-PO invoice submissions by suppliers are subject to multiple approvals where users can validate amounts and add the right accounting information.

Improve Supply Base Management

New enhancements enable procurement professionals to develop and execute supplier management strategies through Prospective Supplier Registration, Oracle Contract Management , Clause Usage analysis, and Compliance Analysis.

Improve the Quality of Prospective Suppliers with Prospective Vendor Registration

Prospective Supplier Registration has been significantly enhanced so that buying organizations can gather the information they need to properly pre-qualify the suppliers. The Prospective Supplier Registration process is simple to setup and users have the flexibility to configure questionnaires (by category, geography etc.). Once supplier submissions are completed, Oracle iSupplier portal can leverage the Approval Management Engine to drive approval workflows necessary to process and approve registration requests.

Expand Options for Creating Contracts

With Release 12.1 organizations now have the option of Oracle Contract Management. It is a user-friendly, stand-alone contract lifecycle management application for business and legal professionals. Oracle Contract Management offers intuitive online authoring and negotiation, electronic approvals and signatures, as well as centralized storage and retrieval. For example, users can quickly and easily create agreements from scratch for miscellaneous or one-off contracts. But in cases of greater importance, users can leverage Contract Templates and Terms Library to create contracts based on corporate standards. This provides users with the flexibility they require and while ensuring that everyone adheres to standards necessary for compliance.

Understand your Supplier Agreements with Clause Usage & Compliance Analysis

Expanding supplybase management requires that organizations look beyond prospective suppliers and tackle opportunities in all phases of procurement. For this reason, organizations are increasingly undertaking periodic evaluations of contracts that govern existing supplier relationships. New enhancements simplify the task by providing users with the ability to find contracts where specific clauses have been used or have been modified. Searches are flexible and results can be filtered by a number of criteria, summarized by clause type, clause title, and exported to Microsoft Excel for analysis. Enhancements also expand the Contract Expert to enable administrators to set rules that represent corporate policy. Any deviations are reflected as deviations to ensure proper visibility during review and approvals. All policy deviations are reported to approvers in the Contract Deviations Report.

Keep Contract Information at Your Fingertips

In Release 12.1 of Oracle Contract Management can leverage Oracle's Secure Enterprise Search (SES) to help users find whatever information they are looking for. SES provides flexibility to search for keywords across structured text (e.g. contract terms) and unstructured text (e.g. paragraphs contained in attached documents). Search capabilities in 12.1 provide also provide for the use of

additional attributes to further refine results. For example, contract number, contract name, supplier name, contract status, start date, and end date can all be used to narrow searching.

Drive Improvements in Supplier Performance

The latest release drives continuous improvement in supplier performance by delivering timely score carding and increasing supplier self-service.

Drive Timely Feedback with Supplier Performance Management & Scorecarding

The first step to improving performance is helping suppliers understand their current performance. Now Oracle Advanced Procurement offers integration between Oracle Daily Business Intelligence and Oracle iSupplier Portal. This allows a buying organization 'publish' a quantitative analysis of each supplier's performance that is updated on a daily basis. An intuitive web based layout makes it easy for suppliers to slice and dice the information, build a picture of their performance, and establish a baseline for future improvements.

Boost Portal Usage with Supplier Managed User Management

Procurement organizations can now help suppliers to help themselves by handing over user account management to authorized administrators within supplier organizations. Authorized end users at supplier sites can be granted the role of Supplier User Administrator. They can then take on routine tasks like password administration, adding user accounts, or altering the security access rights for each user within their company.

CONCLUSION

Procurement transformation is not new, but it does require new approaches to sustain success. Oracle Advanced Procurement was created to enable procurement organizations to maximize return on their most important asset- procurement professionals. Along with Release 12, Oracle Advanced Procurement 12.1 is the Procurement Professional's release and provides organizations with:

- A consolidated Work Center for all procurement responsibilities.
- Improved support for complex goods and services.
- Expanded supplier management and enablement.

In combination, these capabilities provide new opportunities to accelerate transformation and provide enterprises with sustainable, year-over-year improvements.



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