

An Oracle White Paper
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Finance Shared Services in Oracle E-Business Suite Release 12.1

Executive Overview

In today's global economy, the implementation of shared services is an obvious choice for businesses focused on cost-cutting initiatives. But shared services does more than save money—it readies businesses to gain maximum competitive advantage both now and once the economy rebounds.

Finance organizations can achieve significant cost savings by centralizing back-office business services and/or moving them to a country with lower wages or taxes. This allows them to consolidate finance systems, establish a global processing standard, and eliminate redundancies. Standardizing common business practices not only improves the timeliness, consistency, and accuracy of data, but it also reduces the number of points to control for corporate governance which translates to reduced compliance and auditing costs. In addition, shared service organizations often provide better quality of service; when you have a small number of users just doing one function, such as procurement, they will be experts at that function, and they will be able to do it better and faster. This allows companies to free up their resources to focus more on core revenue-generating activities.

Whether you have adopted a formal or informal shared services model or are considering it, this white paper will help you understand how Oracle E-Business Suite Financials Release 12.1 supports shared services.

Introduction

In the early 1990s, Oracle made advancements in their database technology that allowed Oracle Applications to build a security layer on top of a single database installation. This allowed Oracle products, such as Oracle Payables and Oracle Receivables, to partition or segregate transactions by organizational units called operating units through a single product installation. This organization model is referred to as multiple organizations or Multi-Org, which paved the way for Oracle Applications' support for shared services.

Verizon successfully unified financial, real estate, and supply chain processes. "We took these functions and put them in a centralized organization where subject-matter experts reside," Ruesterholz says. "For example, in VSO we have expertise in real estate. By applying that expertise across a portfolio of 130 million square feet, VSO has been able to change the operational model to eliminate millions of square feet, reduce energy and maintenance costs, and increase employee satisfaction with facilities. But the real power of the model is the transformation that has occurred across Verizon. The new structure has enabled the business units to sharpen their focus on serving their customers, which in turn has contributed to winning greater market share."

— Virginia Ruesterholz, President VSO, Verizon

In 1998, Oracle began its own global transformation, consolidating 52 ERP instances and moving in-country finance operations into shared service centers. Today, Oracle operates one global shared service center and five regional centers that serve 105,000 employees in 197 countries, and 22 languages—all on a single global instance of Oracle E-Business Suite. Oracle has saved over two billion dollars through its transformation program focused on simplification, standardization, automation, and the adoption of shared services.

Other Oracle customers, such as Experian, achieved similar benefits. Experian upgraded to Oracle E-Business Suite Release 12, moving to a single global instance and three regional shared service centers that span 30 countries. By establishing a global chart of accounts, they managed to complete its financial close to agreed service level agreements in the first month after the upgrade.

Oracle E-Business Suite Financials Release 12.1 provides enhanced support for shared services, helping companies

- Ensure consistent business practices and standardization through centralized business functions
- Streamline processing and reduce transaction processing costs
- Comply with global and local reporting requirements while gaining greater enterprise-wide visibility

"With Oracle E-Business Suite applications and our shared service centers, we have standardized processes across the system, reduced IT resource redundancies, extended visibility into our operations, and fine-tuned our supply chain and financial processes to yield new levels of operational efficiency."

— Jason DeSantis, Division Chief Information Officer, University Hospitals Information Technology & Solutions

Ensure Consistency through Centralized Business Functions

Oracle E-Business Suite Financials Release 12.1 offers configurable rules engines and centralized business functions to help finance organizations enforce enterprise-wide standards and common business practices.

Common Accounting Engine

A common accounting engine that is leveraged by Oracle subledgers lets you standardize your accounting policies, document them in the form of user-defined accounting rules, and distribute them across the entire enterprise—ensuring that everyone adheres to the same set of accounting standards. The rules you define centrally determine the appropriate accounting for all transactions, allowing your shared services staff to process transactions quickly without worrying about how the accounting entries are generated.

The highly configurable accounting engine is flexible enough to create accounting entries based on virtually any attribute of a transaction. For example, the expense account for a payables invoice could be based on the item or purchase order distribution. A deferred revenue account on a receivables transaction can be broken out by different lines of business based on the nature of the revenue. No matter how many variations a company may have, the centralized accounting engine can address these dynamic and multifaceted business requirements in a very controlled and standardized fashion.

Additionally, you can define date-effective accounting rules in advance to anticipate changes in accounting treatment. For example, you can change your accounting rules to anticipate changes in development costs from being expensed in U.S. GAAP to being capitalized in IFRS. This is especially useful in today's environment as accounting standards are converging and changing. Again, because the accounting engine is centralized, you only have to update your rules in one place and then deploy them across multiple subledgers, even third-party source systems.

Centralized Banks and Payment Engine

Payments and collections can be processed more efficiently in a shared services environment with the new centralized payment engine and newly structured bank account model.

Oracle Payments is the centralized payments engine for funds disbursement and capture, servicing multiple products, such as Oracle Payables and Receivables. The highly configurable, centralized engine enables straight-through payment processing based on industry-standard protocols, with a dashboard for process visibility and management.

The new bank account model provides a single access point for defining and maintaining internal bank accounts for use by Oracle Payables, Oracle Receivables, Oracle Advanced Collections, Oracle Payroll, Oracle Cash Management, and Oracle Treasury. A legal entity owns the bank account, and any or all operating units associated with that legal entity are permitted to use that bank account for selected purposes, such as payroll, treasury, receivables, etc. This new architecture reduces bank account maintenance and reconciliation efforts because your bank accounts can now be shared.

Both the new payments engine and bank model dramatically increases the efficiency of your shared service centers because you can initiate a single payment run that spans multiple operating units, currencies, payment methods, and bank accounts.

Simplified Tax Compliance

Oracle E-Business Tax is a centralized tax engine that reduces the cost and complexity of complying with multiple tax authorities. This centralized tax repository delivers consistent tax services to all E-Business Suite business flows through one application interface.

Tax content such as tax jurisdictions, tax rates and tax rules are stored centrally and a tax determination engine uses these rules to calculate transaction taxes (sales, use, VAT, etc.) based on the place of supply, the parties involved and other applicability rules. All noteworthy tax information for each taxable transaction is recorded in a central tax repository that can be used by management and tax authorities for managing, auditing and reporting purposes. It also integrates with external tax vendors, such as Vertex and Taxware in the United States, for maintaining country-specific tax content.

The automation of tax processing through a central integrated engine improves the efficiency of your shared services organization and reduces errors. Your shared services staff can leverage the central setup and maintenance of tax rules by your tax or accounting personnel. An internal (or multi-entity) subscription model allows the tax rules to be shared across legal entities, along with the ability to apply business rules that enforce company-wide tax content. If you need to make changes to any of your tax rules, there's an online tax simulator that allows you to test your tax calculations on actual transactions before committing your changes.

Streamline Processing

According to a recent study in IBM's Global CFO Study, transaction processing still dominates Finance's workload; Finance spends 49% of their time on transaction processing and only 26% on decision support.

Progressive organizations where shared service centers are implemented constantly seek ways to decrease costs per transaction. By consolidating and rationalizing services across business units and eliminating back-office duplication, it drives down costs per transaction by maintaining a focused, highly efficient team. Oracle E-Business Suite Financials Release 12.1 helps shared services drive down costs further through productivity improvements, including automation and self-service.

"Using a single instance of Oracle for financial and purchasing management across 57 NHS organizations drives down costs, cuts inefficiencies, and delivers greater value to tax payers without compromising on quality."

— Bob Telford, Program Director, NEP Shared System Group

Improved Productivity

Shared service centers will often have one person enter transactions and access data for multiple operating or business units. Multi-Organization Access Control (MOAC) enables shared services personnel to enter transactions, process data, view information, and run reports on behalf of multiple business units or operating units that they have access to. For example, the same user can run reports across multiple operating units in a single submission or perform heads-down invoice entry for five different operating units without changing responsibilities. This may not seem very significant, but over hundreds of transactions this will eliminate extra steps, save your users time, and ultimately reduce transaction processing costs.

Oracle E-Business Suite Financials Release 12.1 also makes ledger access and processing more efficient. Not only can your shared service personnel access and process data for an unlimited number of ledgers without changing responsibilities, but they can also group ledgers into a ledger set and then perform processing on the entire group. For example, you can perform common close processes, such as running financial statements, translating and revaluing balances, and opening and closing periods across multiple ledgers in one submission.

Highly Automated Processes

Automating repetitive, high-volume transaction processing has a significant impact on helping shared service centers be even more productive and efficient, resulting in lower labor costs, less errors from manual intervention, and improved quality of service.

Prior to Release 12.1, Oracle E-Business Suite provided robust automation in many business flows to eliminate user intervention. For example, the following shows how the processing of internal requisitions in the procure-to-pay flow could be completely automated in a shared service environment:

- An employee enters a requisition for supplies using Oracle iProcurement, a self-service application.
- After the requisition is approved, a purchase order is automatically created.
- The supplier sends an Advanced Shipping Notice (ASBN or ASN), which Oracle Purchasing uses to automatically create a receipt.
- The Evaluated Receipt Settlement program runs as scheduled looking for the receipt to automatically create an invoice in Oracle Payables.

"Automated and centralized purchasing has resulted in huge procurement savings," Smith said. "With the Oracle solution, we have reduced the administrative costs associated with procurement. In addition, we are set to save US\$82 million (GBP50 million) per year by reducing the US\$903 million (GBP550 million) spent each year with external suppliers by a significant 10%. Costs are driven down through quantity discounts and centralized buying."

— Gerry Smith, Head of Shared Services, Her Majesty's Prison Service

- The invoice is approved and paid electronically in the next payment batch.

With each new release, including Oracle E-Business Suite Release 12.1, Oracle has continued to enhance business process automation.

In the area of invoice processing, largely still paper-based, Oracle delivers out-of-the-box imaging integration that provides automatic scanning and intelligent document recognition of supplier invoices, eliminating the need for 3rd party imaging solutions. Scanning and intelligent document recognition automatically routes images to data entry clerks for faster completion, approval, and payment processing. By extracting both the invoice header and line information, it allows the system to perform two and three-way matching to a purchase order and receipt. It also allows the system to process partial shipments by pairing line item information with the associated purchase order details.

In the area of payment processing, if you have suppliers who also happen to be your customers, you can process fewer payments, by netting your payables to your receivables balances. A selection program automatically pulls information from Oracle Receivables and Oracle Payables to determine the final netted amount, allowing you to eliminate unnecessary payments, save on transaction fees, and reduce administrative costs.

Efficient Self-Service

To help organizations reduce costs further, Oracle E-Business Suite Release 12.1 continues to offer enhancements to shift administrative tasks to self service. With self-service, the task of performing a transaction is distributed to the originator of the transaction who has an inherent interest in the successful and timely processing of a specific transaction.

Self Service invoice entry has been extended to include unplanned invoices or non-PO based invoices. Suppliers can enter their unplanned invoices via Oracle iSupplier Portal and answer their own questions by viewing the invoice and payment status online. This self-service portal reduces the burden on the Payables department, reduces transaction processing costs and improves supplier relations.

If disputes arise with a supplier invoice, designated users can negotiate directly with suppliers online via Oracle iSupplier Portal. In other words, if an invoice is placed on hold because the invoice price, quantity, or amount differs from the Purchase Order, then buyers or Payables staff can directly negotiate with the suppliers to negotiate and resolve the issue. Workflow routes notifications to suppliers and buyers where suppliers are able to accept the suggested changes, withdraw their invoice, or submit a counter proposal. All changes and comments entered during the negotiation process are

tracked in Payables and can be viewed at any time. Once all issues are finally resolved, the hold is automatically removed from the invoice, making the invoice valid for payment. This eliminates the need to send multiple emails or make phone calls, ultimately decreasing administrative costs.

In the area of reporting, many customers have strong preferences about the formatting of different types of reports. Some users want to use certain fonts, colors, and logos; others want embedded images or charts. Often times, users need to wait for IT to help them customize reports and layouts.

90% of the reports in Oracle E-Business Suite Financials Release 12.1 leverage BI Publisher, Oracle's enterprise reporting server. Oracle BI Publisher allows end users to author, manage, and deliver all types of highly formatted documents instead of relying on the standard canned layouts and reports. End-users can easily create their own reports by copying existing report templates and modifying them using tools they are already familiar with, such as Microsoft Word or Adobe PDF.

Global and Local Reporting Compliance with Increased Enterprise Insight

Globalization adds a whole new level of complexity to doing business. On one hand, companies must address different country's accounting, tax, and reporting requirements. For example, most organizations with foreign subsidiaries prepare consolidated financial statements according to International Financial Reporting Standards (IFRS), U.S. Generally Accepted Accounting Principles (GAAP) and local, statutory requirements. On the other hand, global companies struggle to gain enterprise-wide visibility because they have data scattered in multiple locations or information silos.

Oracle E-Business Suite Financials Release 12.1 helps organizations meet multiple reporting requirements and gain enterprise-wide visibility.

Simultaneous, Multiple Accounting

The centralized accounting infrastructure, mentioned previously, enables companies to comply with multiple accounting requirements concurrently in a single instance. Different accounting regulations are satisfied by maintaining and applying different sets of accounting rules to different sets of transactions, or by accounting for the same transaction with multiple accounting methods. The different accounting representations are maintained in separate ledgers, each complying with a different set of accounting principles.

Because the accounting engine automatically applies accounting rules to transactions, you don't need to staff your shared services center with experts on every accounting standard. Each set of accounting rules can be defined and maintained by people knowledgeable in the accounting principles and regulations of a particular region. For example, the corporate accounting department can define accounting rules according to corporate accounting policy and deploy these rules to all local subsidiaries that must abide by them for consolidation reporting. Local staff can focus on local accounting practices and regulations, and define and maintain them as a separate set of rules. When a

"Oracle's scalable, secure architecture and highly configurable processes are designed for shared service. They enable us to meet the widely differing needs of Defra's multiple directorates on a single technology instance while cutting process cycles, streamlining auditing, and driving down operational overhead and IT cost of ownership."

— Roger Atkinson, Head of Strategy and Business Development, Defra

transaction is recorded, all applicable sets of accounting rules are applied to generate multiple sets of journal entries that satisfy all applicable accounting standards.

Enterprise-Wide Insight

Oracle E-Business Suite Release 12.1 helps you make decisions based on complete information—even when your systems cross regions and divisions.

Oracle Financial Analytics, part of the Oracle BI Applications family, provides organizations with better visibility into factors that drive revenue, reduce costs, and increase shareholder value. For example, Oracle Financial Analytics improves insight into Oracle General Ledger to better understand product or customer profitability or highlights how staffing costs and employee or supplier performance correlate with increased revenue and customer satisfaction.

Oracle Financial Analytics provides hundreds of powerful financial metrics, alerts, reports, and dashboards to finance professionals and line of business managers, enabling them to gain insight and take appropriate actions. Oracle Financial Analytics provides more detailed reporting at a greater frequency and to a broader range of users. Managers and front-line professionals also receive timely information on costs and revenue at levels of detail, such as by product, geography, region, and customer that allow them to fine-tune strategy and improve performance.

Conclusion

World-class finance organizations have proven that the shared services delivery model reduces routine transaction processing costs, increases efficiency, and improves governance. Shared services coupled with an Oracle E-Business Suite strategy dramatically increase an organization's competitive advantage by driving cost savings, improving quality of service, and increasing information quality.

Oracle E-Business Suite Financials Release 12.1 continues to support shared services through its superior architecture and centralized business functions, streamlined processing that promotes automation and self-service, and simultaneous compliance of global and local reporting requirements that provide greater enterprise-wide visibility.



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