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Executive Overview

Fusion Applications offer compelling value and are setting the new standard for innovation. However organizations are generally not in a position to undertake adoption of the entire suite based on wholesale replacement of their existing application portfolio. But organizations can successfully pursue coexistence strategies by selective adoption of Fusion applications that complement their existing solutions. Top opportunities for Fusion Procurement coexistence include Procurement and Spend Analytics with Spend Classification, Sourcing, and Procurement Contracts.

Introduction

Designed from the ground up, using the latest technology advances and incorporating best practices gathered from thousands of customers, Oracle Fusion Applications are completely open, service enabled enterprise applications. Oracle Fusion Applications set a new standard for the way you innovate, work, and adopt technology. Oracle Fusion Procurement applications are setting the new standard for supply management. They enable organizations to practice smart sourcing, broaden end user self service, and protect business interests.

But how should organizations think about adopting Fusion applications? And how might Fusion Procurement work in concert with an organization’s existing procurement and finance applications? And which Fusion Procurement applications is Oracle recommending for early evaluation?

This whitepaper seeks to address those questions and help customers understand where and when to evaluate augmenting their existing systems with Fusion Procurement.

Business Context

Fusion applications are highly attractive because they offer the benefits of next generation technology. But organizations that wish to take advantage of the Fusion suite find that it is not always practical to undertake a wholesale switch from existing systems for a variety of reasons. For example, organizations must weigh whether previous investments in applications have been recouped, if the organization can withstand interruptions caused by IT change, and gauge the likelihood of preserving functionality needed to enable proprietary business processes.
Although some organizations may find it difficult to justify adoption of the entire Fusion suite, there are often cases where augmenting existing applications with Fusion modules offers compelling business value. By pursuing a coexistence strategy, organizations can leverage Fusion’s unique capabilities without major IT disruptions. For example, coexistence may offer the opportunity to access functionality that isn’t currently available in Oracle E-Business Suite, PeopleSoft Enterprise, or JD Edwards. Likewise, Fusion may offer valuable capabilities not available from third party software vendors. With a coexistence strategy, Fusion’s unique, next-generation capabilities can deliver strong financial returns without lengthy IT projects and corresponding risks.

For Procurement Organizations

Coexistence strategies provide a way for organizations to get started with the next generation of applications without invasive IT projects. So how does that apply to procurement? Although a great deal depends on an individual organization’s circumstances, organizations can use two rules of thumb to identify top opportunities. First, procurement projects and applications vary in the kinds of value they deliver and the velocity at which returns accrue to the organization. Secondly, technical complexity varies among different kinds of applications and has a major impact the effort required for implementation. In light of these guidelines, procurement executives should concentrate on areas that deliver the biggest returns, in the shortest time, with the most straightforward integration requirements.

After evaluating the technical complexity, speed of deployment, and potential ROI, Oracle is recommending that organizations consider augmenting their existing applications with a combination of Fusion:

- Procurement Analytics with Oracle Spend Classification
- Sourcing
- Procurement Contracts

Procurement and Spend Analytics with Oracle Spend Classification

Spend analysis is among the most critical investments and undertakings. It is among the primary mechanisms through which organizations can develop an understanding of past spending patterns and the likelihood of future trends. It is also the primary vehicle for identifying supplier and category consolidation opportunities. Finally, it is the linchpin in understanding the outcome of previous sourcing activities, compliance measures, and performance of the procurement organization, and its suppliers. Simply put, knowledge is power.
Despite its importance, analytics efforts are often hamstrung by a range of complications. Primary among these are:

- Insufficient line item detail captured in transaction systems
- Inconsistency in the assignments of commodity codes
- Variability in the units of measure and syntax
- Variability in naming, classifying, and describing suppliers
- Purchasing activity in multiple, disparate systems with different data structures
- Purchasing activity via multiple off-line mechanisms, including T&E and P-Card programs

Efforts to address these challenges have primarily relied on using offshore services to clean data and make it available for analytics. However, this approach has not met universal success given the expense, latency, and security concerns. Given these challenges Fusion Procurement takes a decidedly different approach.

Without accurate categorization of past spending data, no amount of analysis can yield the information necessary to fully optimize sourcing decisions. That's where Oracle Spend Classification comes in. It is the intelligence based application that improves spend and performance visibility. Spend Classification organizes spend into logical categories by processing data from disparate sources, discovering data patterns, and assigning disorganized data to the right categories. It helps to automate expensive data management tasks by executing classification whenever required, identifying potential categories for ambiguously classified spend, and classifying heterogeneous data into a single taxonomy. It can also adapt to changing spending patterns by assigning data from new sources into existing taxonomies and use new spending patterns to improve future classification accuracy.

Once spend is properly classified Oracle Procurement and Spend Analytics takes over. Oracle Procurement and Spend Analytics is the BI application that helps to optimize supply management performance. It is well suited to coexistence because it includes pre-built adapters to E-Business Suite, PeopleSoft, JD Edwards, and third party systems like SAP. It also includes pre-built metrics, scorecards, dashboards, and reports to help sourcing professionals quickly get to the information they need. Procurement and Spend Analytics is built on a unified definition of key entities like supplier, invoice, date, etc., making it easy to analyze spend, expenses, suppliers, and processes across the complete procure to pay cycle. With Fusion, Procurement and Spend Analytics will also support scorecards for added measures of control, oversight, and proactive engagement.
Classification and analytics are excellent candidates for coexistence opportunities because they address strategic domains, are designed to work in conjunction with multiple applications, and come with pre-built technology that make them easier and faster to adopt.

Sourcing

Simply understanding spending patterns and organizational performance doesn’t create savings. Ultimately, Procurement must exploit opportunities by negotiating more favorable terms with suppliers that provide the optimal balance of cost, quality, risk, and innovation. In theory this is simple—especially where “eSourcing” applications are available to provide automation and collaboration. But in practice, it isn’t so simple. Conventional eSourcing applications are have been hindered by an array of challenges, including:

- The need to hedge against technology vendor instability with short term contracts
- Lackluster adoption by sourcing teams and a return to legacy methods
- Intensive training requirements for sourcing professionals and suppliers
- Limited support for off-line, disconnected sourcing collaboration
- Technology infrastructure optimized for hosted, multi-tenant delivery, and not the strategic requirements of buying organization

Efforts to address these challenges have centered on using expensive professional services and training to overcome technical, usability, and functional shortcomings. Fusion takes a different approach. It is founded on the understanding that sourcing is a collaborative, multi-disciplinary, multi-enterprise exercise- as opposed to an adversarial competitive bidding event. Fusion focuses on addressing the unique requirements of each constituent and endeavors to deliver the information needed to answer three key questions; 1) what do I need to know? 2) what do I need to do? And 3) how do I get it done?

Addressing these simple questions is deceptively complex. So Fusion marshals a range of capabilities to deliver an elegant solution. At a fundamental level it begins with a user experience inspired by consumer applications. It does wonders to inspire adoption and reduces training requirements for seasoned sourcing professionals, occasional collaborators, and potential suppliers. Where training is required, Fusion offers embedded learning to deliver knowledge where it has the highest impact- at the point of consumption. Fusion also offers a holistic view of sourcing activity across the organization with dashboards and a negotiation calendar. This provides management teams with excellent methods of monitoring adoption, assessing the savings pipeline, and putting the best talent on the top opportunities. Of course, Fusion also offers online negotiation for driving rapid and immediate
increases in savings. In the right hands it is a powerful tool that can pay for itself many times over in the very first use.

Fusion Sourcing is an outstanding coexistence candidate. It offers an ideal combination of rapid time to value, low technical complexity, and a user experience ideally suited to knowledge-based disciplines.

Contract Management

No matter how well procurement groups execute on sourcing opportunities, they will struggle to sustain executive support unless they can document how and where savings hit the bottom line. And although analytics are helpful in understanding where leakage has occurred, contracts are an indispensable tool for closing compliance gaps and ensuring that all organizations live up to their obligations. Further, contracts offer recourse in the event of disputes and are among the primary tools used for mitigating risk.

Despite the importance of contracts, most organizations suffer from a chronic lack of visibility. Conventional approaches to improving contract management through technology have not been universally successful because legacy applications:

- Take a document centric approach to contracts to the determent of managing transactions
- Or conversely, take a transaction centric approach to the exclusion of proper support for contract documents
- Ignore the requirements and existing technology infrastructure of legal groups
- Focus on a single discipline (e.g. Procurement) to the exclusion of others (e.g. sales) doing little to address requirements for enterprise wide visibility
- Are optimized for integration into a single transaction system of record, or worse still, offer no integration at all.

Fusion Procurement Contracts seeks to address these challenges by address both the document management and transactional aspects of agreements across the enterprise. For optimization of the contract document lifecycle, it offers a unified repository for secure, searchable storage and retrieval of multiple contract types- including those outside of procurement. It also supports enforcement of enterprise standards with a wizard-based authoring tool that uses an organization's predefined clauses, policy rules, and templates. Its integrated redlining, printing, and change management capabilities are augmented by deviation reporting for easy identification of non-standard items. And the consumer inspired user experience with real time messaging and collaboration accommodates the requirements
for collaboration among legal, procurement, and line of business users. Together these capabilities reduce time to contract, improve regulatory and procedural compliance, as well as cutting contract risk.

In some respects, it doesn’t matter how well documents are authored or stored. In order to fully ensure compliance, transaction in the business must be executed according to the conditions outlined in the contract. To that end, Fusion Procurement Contracts service oriented architecture provides the web services needed for any connectivity to heterogeneous transaction systems. It also provides technology that can manage relationships between agreements created in Fusion Procurement Contracts and the resulting orders in heterogeneous transaction systems. This is a key to ensuring that negotiated terms flow to each and every order all the way through to payment.

Fusion Procurement Contracts is an extraordinary coexistence opportunity in its own right- or in conjunction with analytics and sourcing. Its unique combination of document and transaction management capabilities make it well suited to organizations with multiple procurement and finance systems or with legacy applications lacking best-in-class contracts capabilities.

Deployment Options
Organizations that wish to leverage Fusion Applications but aren’t good candidates for implementation should consider adopting a coexistence strategy based on business need. Based on an evaluation of cost, technical complexity, and ROI, Oracle has identified the following applications as top opportunities for coexistence:

- Procurement & Spend Analytics with Spend Classification
- Strategic Sourcing
- Procurement Contracts

By implementing these modules, organizations can reap the benefits of next generation technologies while helping their business identify opportunities, negotiate savings, and ensure compliance.

Oracle Fusion Applications
Oracle Fusion Procurement is part of Oracle Fusion Applications, which are completely open, standards-based enterprise applications that can be easily integrated into a service-oriented architecture. Designed as a complete suite of modular applications, Oracle Fusion Applications help you improve performance, lower IT costs, and get better results. Whether you choose one module, a product family,
or the entire suite, Oracle enables you to gain the benefits of Oracle Fusion Applications at a pace that matches your business needs.