

# Generating Significant Value with Oracle ERP Shared Services

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**ORACLE**

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## Executive Overview



Shared Services is one of the resounding successes of the last decade proven to be a well-established operating model helping companies reduce costs, improve service quality, increase process effectiveness and operational excellence across many areas of business. However, the full potential of shared services has yet to be unlocked. Some organizations have not reached the full rewards of their shared-services investments while others have fallen short of expectations or could not increase the benefits over time.

Oracle understands what it takes to create a successful shared service center; it starts with a robust organizational foundation with executive buy-in and well-founded standard business processes under-pinned by sound technology that provides a basis for not only the initial improvements but also year-over-year transformations.

## Introduction



Historically, companies who have implemented a shared services model have achieved cost savings anywhere from 20-50%. But cost savings is only one aspect. For decades now, shared services have delivered impressive results in terms of cost, productivity, improved quality and customer service.

Selecting the right ERP solution and technology platform are key factors in ensuring the success of a shared service center. Whether you have adopted a formal or informal shared services model or are looking for ways to improve your current shared services operation, this white paper will help you understand how Oracle's Solutions can help. This paper focuses on how Oracle supports back office ERP shared services for the finance, HR and procurement functions for commercial and private sector industries.

## What is a Shared Service Center?



According to the Shared Services and Outsourcing Network, back in 2004, 24% of executives considered shared services strategic for their businesses. 7 years later, in 2011, 89% of worldwide executives think they are strategic.<sup>1</sup>

The key to shared services is the sharing of services within your organization. Unlike “outsourcing” where you pay an external third party to provide a service, shared services is a form of internal outsourcing where you have a dedicated entity inside your organization that provides services to multiple business units at a lower cost and higher quality.

Shared service centers tend to be strategically located in a country with lower wages and taxes and are run like independent businesses with responsibilities and performance measurements similar to autonomous commercial operations. According to Deloitte’s 2011 Global Shared Services Survey, common back-office functions that companies choose for their shared service centers include finance, HR, IT, supply chain/procurement—essentially everything under general and administrative.<sup>2</sup>

### Benefits of Shared Service Centers

Shared Service Centers provide innovative solutions at the lowest cost. They offer:

- Faster decision-making, more informed policy making, more effective workforce management, and improved resource alignment
- Improved servicing response times, reduced cycle times and improved automated reporting
- Reduced duplicative software, hardware, operations, and labor resources
- Increased interactivity with constituents including improved communication and responsiveness, enhanced quality, timeliness, accuracy and consistency

"Across the board, the result shared services has helped companies generate is quite impressive. Our research finds that 65% of all companies with SSOs have cut costs by 21% or more, with some seeing savings of over 60%. At the same time, they're showing dramatic improvements in productivity, quality, and customer service."

Bryan Hall, Finance Advisory Practice Leader,  
The Hackett Group

<sup>1</sup> The Shared Services and Outsourcing Revolution is Here, Shared Services and Outsourcing Network, 2011.

<sup>2</sup> Deloitte 2011 Global Shared Services Survey Results, March 2011.

## Oracle's Approach to Shared Services

Oracle's approach to shared services is to standardize and simplify business processes across global operations, centralize and consolidate functions and systems, leverage the latest advancements in technology, and automate everywhere to reduce rework and errors.

### Standardize

There's a misconception that standardization causes rigidity. Standardization actually helps companies be more nimble. Instead of having each business unit follow its own process, all business units can follow the same corporate standard that allows companies to innovate and adapt more quickly. If companies want to expand operations into new geographies or through acquisitions, standardization allows them to do so more efficiently and cost-effectively. For example, Oracle has managed to quickly absorb new acquisitions over the years due to standardized processes and systems.

Oracle's solutions provide standardized business processes across multiple business functions in accordance with accepted best practices gathered from thousands of customers from various industries. This allows companies to implement business processes once, not hundreds of times it also encourages customers to implement Oracle's applications out-of-the-box, without customizations, and it encourages business units to adopt these best practices instead of retaining their less optimal processes.

Standardized processes wouldn't be complete without a standardized, consistent, and simplified user experience, especially for those self-service user interfaces (UIs) where you have infrequent, casual users accessing those pages. Oracle's product lines have been designed with a user-centric approach with consistent UIs across the applications. So whatever pages a user accesses, he can expect a standard look and feel, resulting in reduced training costs, increased productivity, and less errors.

"With Oracle 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 and Solutions

## Centralize and Consolidate

Administrative operations and common information are centralized on a common data model that can be run on a single database instance. Business is conducted globally within the same database yet still allows users to transact business in their local language and currency in compliance with local regulations.

With the advancements in Oracle's database technology, a single database instance can maintain and segregate multiple organizations' data in a secure fashion. An employee can enter transactions, process data, view information, and run reports on behalf of multiple organizations (business units) from a single log in. This allows individual departments to operate and access their own information, but it also allows information to be gathered at a cross departmental level.

The following sections describe how Oracle's solutions have centralized common business functions across finance, procurement, and HR to help shared service centers enforce better control, drive cost savings and increase information quality.

### Centralized Finance Functions

The following centralized business functions help finance organizations enforce enterprise-wide standards and dramatically increase the efficiency of shared service centers:

- **Centralized accounting** helps companies standardize accounting policies, document them as user-defined rules, and distribute them across the entire enterprise. In other words, companies can define their rules once to adhere to U.S. GAAP, IFRS, local statutory, industry-specific, or a combination of these and then apply them across multiple Oracle products and non-Oracle feeder systems.
- **Centralized bank model** provides a single access point for defining and maintaining internal bank accounts for use by multiple Oracle products.
- **Centralized payment** processing that is used for both funds disbursement and capture supports straight-through payment processing based on industry-standard protocols. This helps shared service centers efficiently process payments because they can initiate a single payment run that spans multiple business units, geographies, currencies, payment methods, and bank accounts.
- **Centralized tax processing** delivers consistent tax services across multiple business flows. Tax content (such as jurisdictions, rates, and rules) is stored centrally and then used by the tax engine to calculate transaction taxes (sales, use, VAT, and so on) in a consistent and controlled fashion. 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.

## Centralized Procurement Functions

In addition to the typical administrative savings available through centralization, procurement also offers the potential for consolidating much of the organization's spending. And by consolidating spending power, centralized procurement can dramatically improve the terms and conditions of trade and drive business to the best performing suppliers.

However, there are limits to centralized procurement. Rigid centralization that ignores the unique needs of business units, geographies, and strategic suppliers can inhibit the business' capacity to function. As a result, most companies operate hybrid models that combine centralization, decentralization, and center-led techniques where organizations can centralize what is common, while decentralizing what is unique.

Oracle's solutions support center led procurement using:

- **Centralized Transaction Execution:** This enables organizations to automate tactical processes, thereby freeing procurement professionals to work on more strategic initiatives. Oracle's solutions enable centralized, automated, and "touchless" processing of requisitions, purchase orders, supplier communications, and invoicing.
- **Centralized Sourcing and Contract Management:** This enables organizations to improve the negotiation and enforcement of supplier agreements. Oracle solutions enable centralization of online collaboration required to establish strategic sourcing centers of excellence. Likewise, Oracle can enable contract enforcement mechanisms to ensure that negotiated savings are reflected on every purchase order.
- **Centralized Supplier Performance and Information Management:** These are supported through Oracle Supplier Hub and Oracle Supplier Lifecycle Management. Oracle Supplier Hub enables organizations to create a single, 'golden' record of suppliers (and subsidiaries) for use by all enterprise systems. Oracle Supplier Lifecycle Management enables formalized supplier development by standardizing supplier oversight from 'womb to tomb'. Together, the applications provide standardization and centralization of the data and business processes required to establish supplier oversight.

## Unified Human Resources

The following centralized HR functions help companies manage their global workforce:

- **Global single repository of employee data** manages all people-management activities and keeps your company-wide data in one place. Regardless of whether you are performing routine functions or dramatic organizational changes, such as mass transfers, you work with a single, consistent, globally accessible record for each employee. Consolidating data in this way allows for improved analysis, better hiring and deployment decisions, and earlier detection of cost-savings opportunities. Additionally, Oracle's open architecture ensures that you can expand the reach of your organization to encompass relationships with suppliers (such as benefits providers), content providers (such as training content or policy repositories), or third parties (such as payroll outsourcers and recruiters).
- **A single global core** where multiple languages, currencies, and other global data formats are available allows companies to "go anywhere" with their operations while still complying with each country's unique culture and local reporting needs.

## Leverage Technology

Ultimately, a successful shared services model relies on sound technology. With the rapid rate of change in economic conditions and the regulatory environment, choosing the right technology platform and business partner is vital to keeping shared service centers agile and aligned with continuing process improvements.

Oracle Fusion Middleware 11g plays an important role in achieving shared service excellence. All Oracle Fusion Middleware products are certified with every major Oracle Applications product line, including Oracle Fusion Applications, Oracle E-Business Suite and Oracle's PeopleSoft, JD Edwards EnterpriseOne, JD Edwards World, and Siebel Customer Relationship Management. By taking advantage of technology advances in Fusion Middleware, Oracle Applications customers can easily configure processes and integrate applications, provide a user engagement platform for social business and extensions to mobile devices, improve business insight, and centralize security.

The next-generation Oracle Fusion Applications are the first and only set of applications built natively on Oracle Fusion Middleware. These 100-percent open, standards-based business applications provide the widest possible methods for integrating and unifying data.

The following list some benefits to this open approach to technology:

- **Lowers the Cost of IT Talent:** Companies no longer need to hire professionals who know proprietary languages to support and extend their system; they can hire college graduates right out of school.
- **Lowers the Costs of Integration:** An open platform makes it more plug and playable and easy to connect with other non-Oracle systems. In addition, by leveraging service-oriented architecture (SOA) standards, a standard integration framework for shared service centers allows for multiple uses and re-uses of individual services between applications. This results in cost reductions through shared services. SOA also helps companies be more agile through the dynamic orchestration of services and improved interoperability between application silos.
- **Increases Adaptability and Flexibility:** By leveraging BPEL (or Business Process Execution Language) that is embedded into the Fusion Middleware, the foundation upon which many Oracle products are built, companies can easily configure and extend the system based on their unique business needs. Oracle realizes that industry best practices may not work for all customers that have unique requirements. Thus, BPEL also allows companies to easily extend and adapt their business processes with changes that survive upgrades.

"By sharing services based on Oracle E-Business Suite with DWP, we are now saving US\$13.5 million (GBP8.4 million) per year. We have centralized and streamlined our back-office operations, and now have one version of the truth. By implementing a standard way of doing things, we are benefiting from real efficiencies."

Mark Hammond, Efficiency and Reform Program  
Manager, Department for Education

## Automation

The biggest area that technology can impact is in the area of automation. 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, lower transaction costs, less errors from manual intervention, and improved quality of service.

Oracle solutions automate entire business operations such as sales, finance, and purchasing by applying industry best practices and workflow-driven processes that eliminate touch points. Take, for example, internal requisitions processing. After an employee enters a requisition for supplies, the system routes it for approval and automatically creates a purchase order. It then uses the advanced shipping notice sent by the supplier to create a receipt and an invoice. Once the invoice is approved, it is automatically paid electronically. If the supplier also happens to be a customer, the system can automatically net the payables to receivables balances to eliminate unnecessary payments and reduce transaction fees and administrative costs.

## Scalable, Modular Design

Shared service centers demand a software platform that is scalable in order to quickly take on new functions, new geographies, and users as they expand. Oracle's family of ERP applications include a set of pre-integrated business applications including key functionality designed for specific industries, such as Financial Services and the Public Sector. The modular design allows individual applications to be implemented and run individually or as a complete integrated suite. This is important for shared service centers that want to initially support one function, such as finance and accounting, then later adopt a multi-function service that includes HR, Payroll, Procurement, and so on.

### Oracle Saves Over Two Billion Dollars Implementing Shared Services

In addition to providing business solutions to help organizations move to a shared services model, Oracle embarked on their own shared services transformation.

In 1998, Oracle operated as individual business units with 52 separate application instances, leading to fragmented data and inconsistent business processes. Oracle was not operating as a global corporation; there was no commonality in systems and processes, no global view of customers to help sales work effectively, and no global view of suppliers and employees. In fact, Oracle wasn't sure just how many employees it had since the data was fragmented across multiple systems. In addition, the lack of a global chart of accounts caused inconsistent reporting, making it difficult for senior executives to get a global view of financial performance.

Thus, Oracle began its own global transformation, consolidating 52 ERP instances and moving in-country finance operations into shared service centers. Oracle adopted a phased approach that took six years to complete. By Oct. 2004, Oracle achieved one EBS instance that included ERP and CRM.

Today, Oracle operates one global shared service center and five regional centers that serve 120,000 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.

Figure 1: Oracle's Own Shared Services Success Story



## How Oracle Supports Finance Shared Services

Oracle's financial solutions can help companies reduce the cost per transaction and increase the efficiency of their shared service centers via the following productivity features:

- **Spreadsheet integration** supports high-volume data entry within a familiar environment across finance functions such as journal processing, budgeting, reporting, and asset management.
- **Imaging integration** provides automatic scanning and intelligent document recognition of supplier invoices and employee expense reports and receipts. As a result, images are automatically routed to the appropriate finance personnel for faster completion, approval, and payment processing.

## Efficient Self-Service for Non-Professional Users

Self-service applications allow finance professionals to shift administrative tasks to transaction originators—without losing control of the process. The following lists how the originator of a transaction can process his or her transactions:

- Customers can use a web-based portal to view invoices and submit payments online.
- Department managers can transfer assets to ensure accurate ownership and location of the company's assets.
- Employees can enter expense reports and view the status of their submissions, while managers can use mobile devices (such as the iPhone) to approve expenses.
- Employees have self-service access to any financial or management report they are authorized to view. Instead of depending on others such as IT to deliver reports, users can securely distribute reports and have them readily available from a central place. Then employees can view either static snapshots of reports at specific points in time or live reports. Additionally, Oracle solutions provides report writers that end-users can use to 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.

## Support Multiple Accounting Representations Simultaneously

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.

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

## Automated Risk Management and Fraud and Error Detection

From duplicate payments, billing and errors, unauthorized vendors, and many other common problems, system-based fraud and errors is a growing concern. Having visibility into potential process vulnerabilities and the right controls in place to help mitigate these risks can greatly reduce cash leakage and errors that directly impact bottom-line performance.

Oracle's financial solutions with Oracle's Fusion Governance, Risk, and Compliance Applications deliver advanced detection and analysis tools that continuously audit and monitor transactions and controls across key financial processes, such as procure-to-pay and order-to-cash. Automated transaction and control surveillance capabilities coupled with advanced pattern analysis reduce an organization's chances of fraud going undetected or of material misstatements making it into the financial statements. By spotting anomalies before they incur large losses, Oracle Fusion GRC cuts the time and cost spent on errors and remediation, prevents the escalation of risk, and optimizes the performance of the financial close.

### Experian plc Deployed ERP in Regional Shared Services Centers to Support Global Expansion and Improve Efficiency

Experian plc, a global information services company that services clients in more than 65 countries, turned to a shared services approach to create a scalable platform to support rapid global expansion and deployment of core financial and human resources functions. 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.

The upgrade was completed in five months, while supporting concurrent country deployments. By establishing a global chart of accounts, they completed its financial close to agreed service level agreements in the first month after the upgrade and business managers had better enterprise-wide visibility with greater reporting capabilities. Their consolidated ERP foundation enables rapid integration of new businesses and allows them to be agile as they continue to grow and expand their network of credit and financial information services around the globe.

Figure 2: Experian's Shared Services Success Story

## How Oracle Supports Procurement Shared Services

Most companies will not completely centralize their procurement function because local business units may be unable to purchase the goods and services they need to maximize profitability. (And as result, may be unwilling or unable to comply with central directives.) Consequently, companies typically operate hybrid models using centralized, decentralized, and center-led procurement (CLP) models. CLP allows you to centralize the oversight of common functions and spend categories while allowing business units to fulfill requirements that are truly unique. It offers the best of all worlds because organizations reap the benefits of centralization (total-cost reduction, higher efficiency, better compliance, etc.) while enabling business units and employees to get what they really need.

Regardless of the procurement model, Oracle solutions can support all of them. Additionally, Oracle provides the following features to support procurement shared service centers:

- **Electronic Requisitioning:** Employees can request their own goods and services from approved suppliers at contracted pricing. Oracle provides a web-based shopping experience that allows employees to create, manage, and track their own orders while the Purchasing department retains central control. This helps to ensure that policies and preferred pricing agreements are reflected in every transaction. Easy ordering and seamless workflow provide better service, while non-sourced or off-catalog spending gets the attention it needs from buying professionals.
- **Supplier Collaboration and Enablement:** Suppliers can use a web-based portal to negotiate contracts, view purchase orders, submit change requests, update delivery schedules, enter their own invoices, view payment status, and negotiate invoice holds—all without sending e-mails or making phone calls to your Procurement or Payables departments. Because suppliers can answer their own questions online, it reduces the burden on the shared service center, reduces transaction processing costs and ultimately improves supplier relations.

If disputes arise, designated users (Buyers or Payables staff) can collaborate directly with suppliers online to resolve the issue. Notifications are routed to suppliers and buyers using Workflow where suppliers can accept suggested changes, withdraw their invoice, or submit a counter proposal. All changes and comments are tracked and retained for future viewing.

- **Simplified Services Procurement:** Contingent workers can complete their timecards online (or via a spreadsheet) to indicate work performed. For complex services, suppliers can collaborate around complex payment types (e.g., advances, retainage, and milestone payments) and then report progress either in the form of a Work Confirmation or an Invoice. Oracle can automatically update the purchase order based on approved timecards, work confirmations and invoices, providing advance warning before spending runs over budget. These approved, supplier-entered timecards act as a services receipt that auto-generate a supplier invoice.

## How Oracle Supports HR Shared Services

Oracle's HCM solutions are designed for shared services. The shared service center can administer corporate-wide programs and resolve administrative issues and process transactions related to benefits and payroll as needed.

Not every process or function in HR is an ideal fit for shared services. The following diagram illustrates some processes that are ideal candidates and breaks them into tactical transactional processes and more strategic processes that would be administered through a "center of excellence" that is staffed with business process experts.



Figure 3: HR Shared Service Candidates

By having a HR center of excellence, you can have functional experts gather leading practices to provide advice and counsel to multiple business units. This way, you can leverage knowledge resources across the organization, develop programs specific to business units, and provide quick responses to escalated issues.

## Efficient Portal and Self-Service for Non-Professional Users

One key to making shared services work is having an effective service delivery model for HR, which will align common HR processes around policies, governance, business and technology with a tiered service delivery model. This allows employees to find their answers on their own and only escalate complicated problems to HR experts.

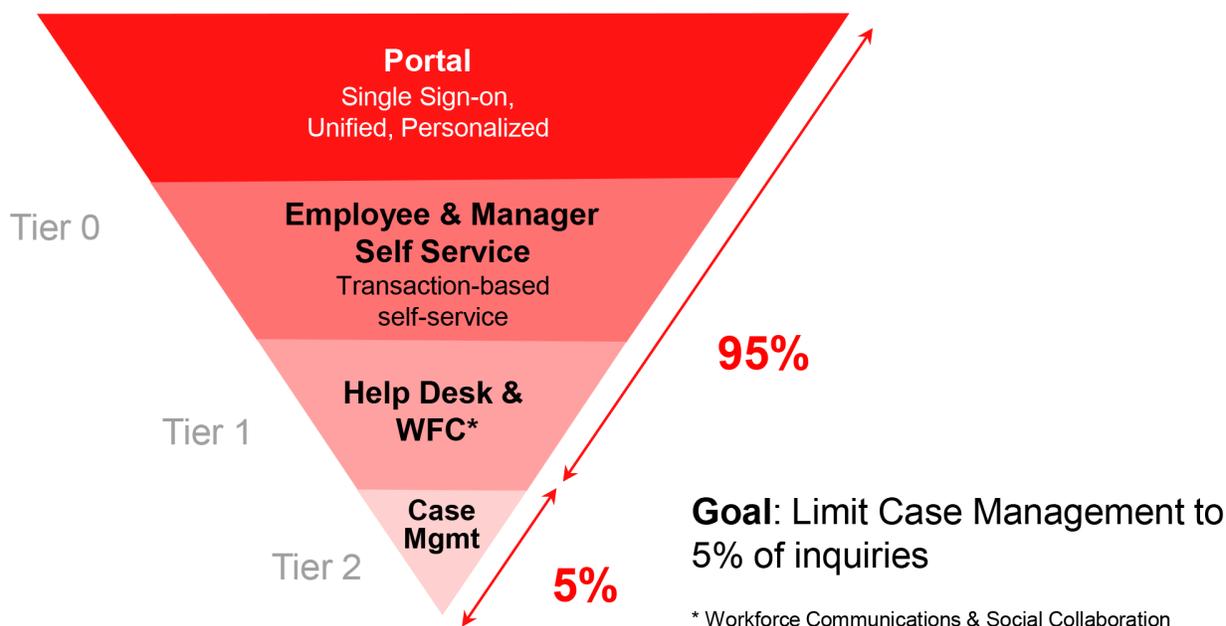


Figure 4: HR Shared Services/Service Delivery Concept

Starting with portal and self service technologies, employees can answer their most common questions in Tier 0, by helping themselves to processes such as changing their address, checking their paystubs or starting a benefits enrollment process.

At Tier 1, employees have access to commonly asked questions through the HR Help Desk knowledge base. Approximately 95% of all employee inquiries can be handled this way, freeing up HR resources to focus on more strategic initiatives. Only about 5% typically need to be escalated to Tier 2 experts for research.

Oracle provides HR centric products for portal and self service access, along with Help Desk for HR and Workforce Communications, two unique products in the HR service delivery market. Coupled with social collaboration, organizations will have an unbeatable solution for shared services.

"By consolidating our human resources, benefits, and payroll processes on Oracle's PeopleSoft 9.1, we've seen a dramatic improvement in the efficiency of our HR processes and supporting IT environment. We have saved millions of dollars in the first year of the program and ensured unified processes that will create a strong foundation for our continued growth."

Alan Cardinal, VP of Compensation, Benefits, Retirement, and Human Resources Technology, Delhaize America.

## Delhaize America Consolidates HR Processes to Streamline Operations and Trim Millions off Expenses

Delhaize America, a leading grocery retailer, operates in North America, Europe, and Asia. It has more than 115,000 employees and 1,620 stores operating under the banners of Food Lion, Bloom, Bottom Dollar, Harvey's, Hannaford, and Sweetbay.

Delhaize expanded its operations through a number of acquisitions, which resulted in siloed legacy systems supporting human resources (HR) and payroll processes. These multiple systems were expensive to maintain, impeded enterprise-wide visibility, and made it challenging to introduce unified HR processes across all divisions.

Delhaize consolidated its HR systems and processes on Oracle's PeopleSoft 9.1 human resources applications and integrated its HR, payroll, and benefits processes across divisions onto one platform.

**The Results:** Delhaize America improved efficiency and achieved 99.5% payroll accuracy in the first pay period after consolidating/replacing disparate payroll systems. Within one year, it saved millions of dollars through HR and IT maintenance efficiency. The single HR platform also established the IT foundation for a broader corporate initiative to expand shared service centers to all of its stores.

Figure 5: Delhaize America Shared Services Success Story



### Workforce Communications & Social Collaboration

One of the best ways to intercept employees even before they reach Tiers 0 and 1 is through effective communications with the workforce through workforce communications and social collaboration. The HR organization can proactively send out interactive emails to support HR programs or react to trends they are seeing in the employee population. With Workforce Communications, your HR staff can communicate the launching of a new career development and training program, encourage employees to participate in benefits open enrollment, or reduce worker medical claims through a Health & Wellness program. This solution allows targeted communications by utilizing core human resource data and helps avoid "spamming" the entire organization.

Social Collaboration is not just about making friends or seeing how many people you can connect with. Social Collaboration in the workplace can save money on things like improving product innovation through worker engagement and productivity. It can also improve cross-selling by fostering learning and the exchange of skills between employees, such as from experienced sales people to newly hired sales people who are just starting. Collaboration short-circuits search costs and transfer of knowledge problems. With the rise of Gen Y in the workplace, there are higher expectations for social networking tools such as Fusion Network at Work to give this self-started focused group access to information beyond Help Desk knowledge bases.

## Business Intelligence



Oracle provides powerful means to monitor and manage performance by both the shared service center and the divisions or business units being served. Oracle Business Intelligence (BI) Applications provide a single, integrated view of enterprise information, allowing business units greater visibility and alignment across business functions. Built using standards-based technology, Oracle BI Applications can easily be integrated with existing IT environments and applications including third party systems such as SAP to help organizations realize faster time to value and lower total cost of ownership, while being able to extend those solutions or build additional custom BI applications on a common architecture.

The complete suite is pre-integrated with Oracle Fusion Applications, Oracle E-Business Suite, PeopleSoft, JD Edwards, and Siebel, providing more than 3,000 pre-built reports across multiple business areas.

- **For financials**, Oracle BI Applications provide hundreds of powerful financial metrics, alerts, reports, and dashboards to finance professionals and line of business managers, providing better visibility into factors that drive revenue, reduce costs, and increase shareholder value. Because the reporting is more detailed at a greater frequency, targeting a broader range of users, managers and front-line professionals get timely information on costs and revenue at levels of detail, such as by product, geography, region, and customer that allow them to take actions to fine-tune strategy and improve performance.
- **For procurement**, spend classification and analytics enables organizations to consolidate, cleanse, and analyze spending across the enterprise. Pre-built dashboards and metrics help business units and shared service centers analyze spend, employee expenses, and supplier performance. Procurement shared service centers can capitalize on savings opportunities by developing a better understanding of top spend categories, spend by top suppliers, invoiced spend, contracts compliance, price variance and optimization analysis.
- **HR organizations** can perform detailed analysis on HR programs and workforce performance that the human resources (HR) professionals and front-line managers need to analyze workforce staffing and productivity and better design compensation that rewards performance. HR Analytics integrates data from a wide array of functional areas in HR and Finance, presenting the best tools available to better source high quality applicants, improving employee retention and reducing absentee costs.

## Shared Services Approach



The adoption of shared services is a continuous journey that evolves and transforms over time if it is to offer its full potential to the organization. The implementation of a shared services model is certainly no “silver bullet” that automatically delivers benefits.

### What are the Steps to a Successful Shared Services Implementation?

The experience of many successful ‘Oracle-enabled’ shared service centers has shown that the following key steps delivered superior benefits:

1. Validate and refine current processes to move to common, global processes. A global team of internal staff and regional managers with extensive business process knowledge should be established to help analyze and document the agreed upon global processes.
2. Create a robust and achievable benefits case. The benefit case of the project should be clear at inception and driven throughout the lifecycle beyond the initial deployment.
3. Provide a flexible and scalable model that can grow with the changing business needs.
4. Take advantage of technological capabilities as much as possible, such as automation and self service.

### Framework for Continuous Improvement

- **Define a clear governance model.** Key to achieving this is having an organizational entity that can facilitate discussion and decisions among the stakeholders. This formal governance group helps offset the perceived loss of control that business units experience when moving to this model. Effective governance is characterized by segregating operational decisions from executive decisions and defining an escalation path for dispute resolution. In general, governance is typically implemented as a committee that meets on a regular basis to provide business units and shared services executives with an opportunity to review performance and cost data and also address changes or problems.
- **Define clear Service Level Agreements (SLAs)** that specify the exact services that the customer organizations can expect from the shared service center, including the quantitative measures of responsiveness, quality and efficiency. Additionally, performance measures should be clearly defined including penalties for not meeting service performance targets. Although SLA performance should be monitored and available to functional and customer management, use of realistic targets, well structured measures, and linkage to the cost model should help make service level discussions constructive.
- **A cost model or chargeback model** must be developed to allow the shared services expenses to be billed back to client organizations. The cost model consists of two components: a unit/activity costing model to allocate actual costs to customers and a reimbursement model to allow bundled costs to be charged or reconciled on a periodic basis. The unit costing model should be as simple as possible while balancing that simplicity against fairness or accuracy. The reimbursement model can be thought of as the financial part of the “contract” between provider and customers and could use any number of structures, including unit pricing, firm fixed price, or time and labor.

## Critical Success Factors

When Oracle embarked on its shared services transformation, the following lists some lessons learned or critical success factors that helped Oracle achieve a successful shared services implementation.

- 1. Gain Executive Level Support:** Key to Oracle's success was having executive support early on. Oracle's CEO, Larry Ellison, announced publicly in June 1999 that Oracle would save \$1 billion by transforming itself into an e-business company. Thus, the shared services team had no problem justifying major changes to systems and processes.
- 2. Define Common, Global Processes:** Despite the executive endorsement, it was not possible to force the changes onto the individual business units and users too quickly. So Oracle did a feasibility study which was crucial because it defined what the common, global processes should be to gain user buy-in. If a country or business unit wanted to deviate from the agreed-upon global process, Oracle put the responsibility back on the business unit/country to justify why its current processes were superior to the agreed upon global processes. Global process owners were identified and global processes were thoroughly documented.
- 3. Move to a Single Global Instance:** Moving to a single global instance was an important step because it enabled the adoption of global processes more rapidly than would have been possible with an iterative approach of incrementally adding more regional requirements. By reducing the number of data instances around the world, Oracle was able to connect every business function—marketing, sales, supply chain, manufacturing, customer service, accounting, human resources—to the same global network and global database, served by a single data center. Doing so not only dramatically reduced the cost of IT but also simplified the general maintenance of systems, reducing the likelihood of critical business data becoming isolated in one part of the enterprise.
- 4. Manage Stakeholders:** Oracle also engaged the workers' councils in various countries in the change-management program to avoid labor disputes where staff reductions were required.
- 5. Implement Self-service Everywhere:** Oracle implemented self service applications everywhere they could. For example, 100% of expense reporting, 85% of air travel, and 84% of HR is done by employees themselves. This really helped to offload the burden on the shared service centers by shifting the administrative tasks to transaction originators.
- 6. Don't Underestimate the Hardest Part, Managing Change:** Oracle invested a significant amount of time in team development and training in cultural awareness and change management.

## Shared Services Delivery Models

There is no one-size-fits-all approach to implementing shared services. As the market matures, several successful delivery models have emerged. Here are just some examples of some common delivery models where the red boxes denote the shared service center (SSC) providing one or multiple functions.

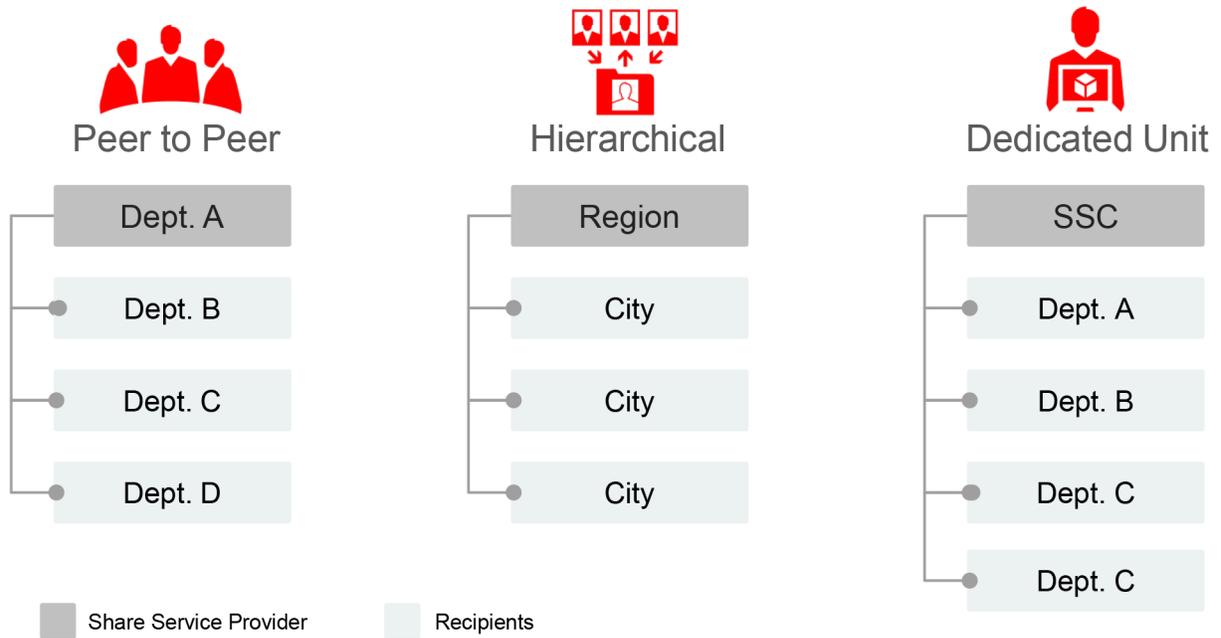


Figure 6: Shared Services Delivery Models

The following table describes these common shared service delivery models in more detail.

**Table 1. Common Shared Service Delivery Models**

Delivery Model	Description	Success Factor
<b>Peer to Peer</b>	Sharing between similar organizations. This can be structured in a number of ways, e.g., with organizations acting as the buyer, seller or as part of a “club.”	<ul style="list-style-type: none"> <li>▪ Higher risk due to organizational and contractual challenges</li> <li>▪ Higher potential for benefits due to wider boundaries and user base</li> <li>▪ Higher potential for continuous improvement through reduced constraints</li> </ul>
<b>Hierarchical</b>	Sharing amongst a recognized hierarchy of organizations with a lead organization providing services to others. For example, a geographic region provides services to multiple cities.	<ul style="list-style-type: none"> <li>▪ Greater risk in terms of take-up</li> <li>▪ Greater benefits from larger economies of scale</li> <li>▪ Increased potential for continuous improvement through economies of scale and diversity</li> </ul>
<b>Dedicated Unit (Centralized)</b>	A single, dedicated shared service center or SSC, that provides services on behalf of multiple regions, subsidiaries, departments, etc.	<ul style="list-style-type: none"> <li>▪ Lower Risk Option</li> <li>▪ Benefits Restricted to Boundaries of the Organization</li> <li>▪ Continuous Improvement best in large organizations to enable economies of scale for investment</li> </ul>

As new technologies are emerging, the cloud is becoming more prevalent for shared services, promising anytime/anywhere access to applications, platforms and infrastructure. Shared services can leverage this accessibility via multiple sourcing options from offshore to near shore to any shore. Cloud computing provides a platform for shared services to scale to business needs quickly in a cost-effective, virtual manner.

Oracle offers a broad portfolio of software and hardware products and services to enable public, private and hybrid clouds, for all levels of the cloud stack (SaaS, PaaS, IaaS), and across related solutions for cloud development, cloud management, cloud security and cloud integration. This allows customers to choose the right approach for them today, which may be an on-premise solution, and evolve with their changing needs tomorrow, which may be a hybrid solution with a mix of public cloud and on-premise solutions.

## Conclusion



Shared service centers are here to stay. It's no longer a question of if organizations will adopt insourced or outsourced solutions for common service delivery; it's a question of when, how well, and how far they can leverage shared services.

The selection of the right ERP software and technology platform are key factors in determining the successful setup of a shared service center. These choices are important in lowering the risk and cost of implementation and ensuring that the solution is future proofed to drive sustainable value.

Oracle is the leading supplier of ERP systems and technology solutions with unrivalled experience in HR, Finance, Procurement, Customer Relationship Management, Enterprise Performance Management, Business Intelligence and so on. Increasingly, Oracle's solutions and technologies are being used by customers in a shared-service setting. Oracle continues to improve its shared services support 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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