Oracle Cloud
Your Tomorrow, Today

Multiple Pillar Oracle Cloud Implementation Best Practices

Cloud Financials and Cloud HCM

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Purpose Statement
We have all heard the adage “A chain is only as strong as its weakest link.” Applying this concept to business software like Enterprise Resource Planning (ERP), we would conclude that a business solution is only as strong as its weakest integration. Usually overlooked and underestimated, integration is one of the most important factors to consider as part of your enterprise implementation. Oracle Cloud Services is an integrated service across Financials (ERP), Human Capital Management (HCM), Supply Chain Planning (SCM) and Customer Experience (CX) solutions. This white paper provides implementation leading practices to system integrators who are about to assist customers with new Oracle Enterprise Cloud Service implementations. The purpose of this whitepaper is to identify these dependencies and provide you with the information to make informed decisions.

The initial scope of this document will focus on the following ERP and HCM Cloud implementation scenarios:

» Big Bang Financials and HCM implemented at the same time.
» Financials then HCM (Phased) Financials is implemented first then HCM is implemented in a future phase
» HCM then Financials (Phased) HCM implemented first then Financials is implemented in a future phase.

NOTE: Additional pillars (CX, PPM, and SCM) will be added in a future document release. This is a living document that will evolve as service policies and features evolve.

This whitepaper will holistically address key configuration decisions and cloud deployment best practices. The purpose of this whitepaper is not to replace but rather compliment individual whitepapers and user documentation on individual Oracle Cloud applications.

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KEY DEPENDENCIES BETWEEN ORACLE HCM AND FINANCIALS CLOUD

Regardless of the Oracle Cloud solution deployed initially, it is important to plan and consider key information that is shared across the Oracle Cloud solution. Following is a summary of the information sharing between the Oracle Cloud solutions.

Revisiting Key Dependencies between Oracle HCM and Financials Cloud

**Figure 1. Key Information Sharing between Oracle Cloud Financials and Oracle Cloud HCM**

**Shared foundation data between Financials and HCM**

<table>
<thead>
<tr>
<th>Addresses</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignments</td>
<td>Organizations</td>
</tr>
<tr>
<td>Banks and Bank Accounts</td>
<td>People</td>
</tr>
<tr>
<td>Business Units</td>
<td>Periods of Service</td>
</tr>
<tr>
<td>Competencies</td>
<td>Person Types</td>
</tr>
<tr>
<td>Expense Account</td>
<td>Phones</td>
</tr>
<tr>
<td>Jobs</td>
<td>Positions</td>
</tr>
<tr>
<td>Legal Entities</td>
<td>Qualifications</td>
</tr>
<tr>
<td>Ledger</td>
<td>Departments</td>
</tr>
</tbody>
</table>
Key integrations between Oracle Cloud Financials and HCM

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>TARGET</th>
<th>TRANSACTION INTEGRATION</th>
</tr>
</thead>
</table>
| HCM     | Financials | » Payroll Expenses *(Distribute Payroll Accounting)*  
          » Time & Labor to Project Costing *(Process Project Cost Transactions)*  
          » Person Information *(if not using Oracle Cloud)*  
          » Employment Information *(if not using Oracle Cloud)*  
          » Approval Management *(Understanding Approval Management)* |

Historically, Financials and HCM solutions were implemented across multiple database instances, which required additional point integrations to facilitate configuration and transaction sharing. With Oracle Financials and HCM cloud services, you have a single data model that eliminates a majority of point integrations. However, because of this tight integration model, it is important that you consider key configuration decisions across the enterprise solution, regardless of your specific implementation project scope. Consider the following specific dependencies you may face.

**Expenses**
Expenses utilize the employee’s HCM assignment to default the following information:
» Ledger and Chart of Accounts association derived from employee’s assignment Business Unit.
» Legal Entity derived from employee’s assignment Legal Entity *(which is derived from the HCM Legal Employer)*.
» Expense template based on the employee’s assignment Business Unit.

**Projects**
Projects utilize the employee’s HCM assignment to default the following information:
» Ledger and Chart of Accounts association are derived from an employee’s assignment Business Unit.
» Legal Entity is derived from primary Balance Segment Value *(BSV)* of Project charge account.

**Self-Service Requisition**
The Self-Service features of Procurement Requisitions utilize the employee’s HCM assignment record to default the following information:
» Self services users are automatically granted the ability to create requisitions in the employee’s assignment Business Unit.
» Managers are automatically granted the ability to report on the data in their employee’s assignment Business Unit.
» The default security access can easily be modified to "point at" the correct requisitioning Business Unit.

**Approvals**
» Financials users needing approval roles *(initiators, approvers)* must have both a relationship and Assignment record via employee hire process for approval functionality to work properly.
Deep integration enables effective data sharing; however, it requires a greater understanding of key configurations across the solution. In the next steps, we will explore the key configurations to address as part of a multi-pillar implementation.

Oracle Cloud Services provides you the flexibility to implement the Financials and HCM Cloud services in either a phased or concurrent “big bang” deployment approach. In the following sections, we will discuss the key decisions and main deployment scenarios for a multi-pillar implementation. Remember that requirement management (gathering, reviewing and validating business requirements) should cover all the Oracle Cloud services deployment(s). Otherwise, you may increase the risk of implementing conflicting requirements and/or configurations that will limit your Oracle services business value generation.

Which One to Start First?

Technically speaking, there are no barriers to start with either Oracle’s Financials or HCM cloud services. Oracle’s Functional Setup Manager (FSM) has the ability to identify the dependencies regardless of starting with either HCM or Financials first. However, what can easily be overlooked is the impact that people and organizations play with an implementation. Organizational readiness/availability - which organization is better prepared to support a cloud implementation, is a key factor for consideration.

To assist you with organizational fit, we recommend that you perform an organizational assessment leveraging the detailed business process maps in My Oracle Support (MOS).

Organizational Fit/Gap Template

<table>
<thead>
<tr>
<th>Customer Business Model</th>
<th>Map to Oracle Cloud</th>
<th>Impact Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalog Management</td>
<td>Catalog Item Creation</td>
<td>Item Manager</td>
</tr>
<tr>
<td>Vendor/sSupplier</td>
<td>Procurement and Payables Administrator</td>
<td>Supplier Manager</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Indirect Requisition</td>
<td>35 Account Planners and Inventory Analysts</td>
</tr>
<tr>
<td>Supply Planning</td>
<td>Direct Requisition</td>
<td>Account Planner</td>
</tr>
</tbody>
</table>

**Figure 2 – Organization Gap Analysis**

Essentially you want to compare how your existing organization’s structure (role and processes) aligns with the Oracle Financials and HCM cloud services delivered roles and responsibilities. This exercise will help quantify the organization change required for a successful implementation. This analysis will also provide insight into the potential role mappings that may need to be performed in managing role mappings.

Defining Enterprise Configurations – An Overview

Oracle HCM and Financials Cloud provides a series of tools to guide and support you during this most important step in your implementation. Following is a summary of the tools available:
During the implementation, you would utilize Enterprise Structures Configurator (ESC) to simulate and finalize core enterprise structures across HCM and Financials. Next, rapid implementation templates should be used to complete configuration setup to support the implementation scope defined in Functional Setup Manager. If needed, both Financials and HCM provide data loaders for loading large number of values for a configuration (i.e., talent data, currency rates).

**Enterprise Structures Configurator (ESC)**

Oracle Cloud Applications have been designed to ensure your enterprise can be modeled to meet legal and management objectives. This flexibility is an advantage but can seem a daunting task upon initial review. To guide and streamline the activity, Oracle HCM Cloud Services provides the ESC.

This figure illustrates the process to configure your enterprise using the Enterprise Structures Configurator.
The ESC is an interview-based tool that guides you through the process of setting up a basic enterprise structure. By answering questions about your enterprise, the tool creates a structure of divisions, legal entities, business units, and reference data sets that reflect your enterprise structure.

**NOTE:** The leading implementation practice is to utilize ESC for your high-level enterprise configuration modeling activities.

The Enterprise Structures Configurator (ESC) provides the ability to roll back an enterprise configuration in certain situations:

- Manual: You can manually roll back an enterprise configuration after loading it, for example, because you decide you do not want to use it.
- Automatic: If an error occurs during the process of loading the configuration, then the application automatically rolls back any enterprise structures that were created before the error was encountered.

Following are key considerations for utilizing ESC as part of your implementation:

- ERP has more dependencies on how Business Units must be defined, so start with your Financials requirements first before addressing your HCM requirements.
- Do not utilize both ESC and Enterprise Structure Rapid Implementation Templates for the same configuration values such as Legal Entities, Business Units, and reference data sets. If ESC is used to configure Legal Entities, then tab Companies and Legal Entities within Rapid Implantation Sheets cannot be used and manual configuration
tasks must be performed. The overlap and usage of these tools should be analyzed early-on with design considerations.

» At this time, ESC can only be used for the initial configuration and should not be used for configuration updates/maintenance.

» The illustration above only shows one potential use of Divisions. Divisions are useful for a non-Legal Entity based hierarchy. The concept of divisions in most implementations is actually a slice through Legal Entities and not an aggregation of them.

» The following ERP objects are not addressed by the ESC and will require utilizing the appropriate tabs in the RapidImplementationForGeneralLedger.xlsm rapid implementation spreadsheet:
  - Chart of Accounts, Calendar, Ledger
  - Cost Centers
  - Chart of Accounts Segment Value Hierarchies
  - Document and Journal Sequences

For additional information on utilizing ESC, please refer to the section “Establishing Enterprise Structures Using the Enterprise Structures Configurator: Explained” in the Oracle Help Center. In the following sections, we will address the other tools available to you for Cloud configuration.

Rapid Implementation Templates for Financials

Another method for enterprise configuration is to use the Define Financials Configuration for Rapid Implementation task list in FSM to streamline your setup configuration. The rapid implementation task list minimizes the time needed for you to complete your key setups and enable the day-to-day use of Oracle Financials Cloud. Here is an example of some of the setups that can be done using rapid implementation template:

Rapid implementation is a way to configure a financial enterprise and financial reporting structures quickly using sheets in a workbook that upload lists of:

» Companies (legal entities)
» Ledgers by country
» Business units
» Chart of accounts and segment values
» Segment value hierarchies
» Financial sequences
» Required subledger accounts
Following are key considerations for utilizing Rapid Implementation Spreadsheets as part of your implementation:

- A primary Ledger is created for each unique country entered in the Companies and Legal Entities sheet.
- You cannot change the Chart of Accounts, Accounting Calendar, or Currency for your Ledgers after the setup is created.
- You can create more than one hierarchy for any of your Chart of Account segments after the initial enterprise structure setup.
- There is no rollback capability with Rapid Implementation Templates.

For additional information on utilizing rapid implementation templates, please refer to the section “Define Financials Configuration for Rapid Implementation: Overview” in the Oracle Help Center.

**Note:** You are not restricted to only use the setup configuration in the rapid implementation task list. You can manually add the standard Financials offering task lists and tasks to your rapid implementation project to change and update your setup.

**Legal Entities**

Legal Entity is a legally recognized entity that can own and trade assets and employ people in the jurisdiction that it is registered. Legal Entities can own property, trade, repay debt, account for themselves. Each Legal Entity is accounted for in only a single Ledger, but one Ledger can serve multiple Legal Entities.

As a first step, it is important that key stakeholders across Financials and HCM agree on the legal structure. Each registered company (with its own tax ID) that performs financial transactions should be defined as a Legal Entity in Oracle Cloud services.

Sequencing by Legal Entity: you can assign different document, accounting and reporting sequences to each Legal Entity within a Ledger and / or Business Unit. Sequencing by Legal Entity is enabled at the Ledger level in the Ledger Options page.

From a HCM perspective, there are two key considerations when creating Legal Entities:

- Will the Legal Entity hire and manage employees? If yes, then the Legal Entity must be denoted as a Legal Employer.
- Will the Legal Entity be responsible for collecting and reporting payroll taxes on behalf of employees? If yes, then the Legal Entity must be denoted as a Payroll Statutory Unit.
When a Legal Entity is defined as a Legal Employer, you can create employee information in HCM.

FIGURE 6 – EXAMPLE OF A LEGAL ENTITY DEFINED AS A LEGAL EMPLOYER AND PAYROLL STATUTORY UNIT

Designating a Legal Entity as a Legal Employer enables the Legal Entity to be available in HCM. In the illustration below you will see how we are able to assign an employee to the Legal Employer we previously created.

FIGURE 7 – EXAMPLE OF A PERSON ASSIGNED TO LEGAL EMPLOYER

For additional information on implementation considerations for Legal Entities please refer to the section “Define Legal Entities” in the Oracle Help Center.

Divisions

Divisions are used in HCM to define the management organization hierarchy, using the generic organization hierarchy. This hierarchy can be used to create organization-based security profiles. You can roll up Business Units into HCM Divisions if (a) Business Units process transitions across multiple Legal Entities, and (b) you structure your Chart of Accounts with a hierarchical management structure.
In Financials, Division is more of a conceptual design (ex. Line Of Business) that can be implemented as a segment within the Chart of Accounts. For example, a Division can represent a profit center or grouping of profit and cost centers, where the division manager is responsible for attaining business goals including profit goals.

Division is not a required field in Financials or HCM. Divisions and Legal Entities are independent concepts. In practice, Divisions are useful for a non-legal entity based hierarchy. The concept of Divisions in most implementations actually is a slice through Legal Entities and not an aggregation of them.

Note: Division is strictly a Cloud HCM configuration object. Utilizing HCM Division(s) will have no impact on your Financials configuration.

For additional information on implementation considerations for divisions please refer to the section “Decisions Explained – Workforce Deployment Planning” in the Oracle Help Center.

Ledgers
Oracle Financials cloud reflects the traditional segregation between the general ledger and associated subledgers. Detailed transactional information is captured in the subledgers and periodically imported and posted in summary or detail to the Ledger. A Ledger determines the currency, chart of accounts, accounting calendar, ledger processing options, and accounting method for its associated subledgers. Each accounting setup requires a primary ledger and optionally, one or more secondary ledgers and reporting currencies.

Following are key considerations for your shared Ledger structure:

» The number of ledgers and subledgers are unlimited and determined by your business structure and reporting requirements. Local and corporate compliance can be achieved through an optional secondary ledger.

» The approach on how period close activities are managed is a key consideration. If period close activities are completely independent across accounting organizations operating within a country with different business policies and period close cycles, then separate Ledgers may be appropriate.

» Ensure that your Legal Employer’s Payroll Expense journal can post to the corresponding Legal Entity’s primary ledger. A specific Legal Employer’s Payroll Expense journal cannot post to multiple Ledgers.

» One per Ledger currency – generally means one Ledger per country.

For additional information on implementation considerations for Ledgers please refer to the section “Implementing Enterprise Structures - Ledgers” in the Oracle Help Center.

Oracle’s best practice recommendation is that Ledgers should not span countries. Failing to follow this guidance is likely to result in undesirable consequences down the line.

Business Units
A Business Unit is a unit of an enterprise that performs one or many business functions that can be rolled up in a management hierarchy. A Business Unit can process transactions on behalf of one or many Legal Entities. Consider the following illustration:
Following are key considerations for your enterprise Business Unit structure:

- The first step in defining your Business Unit structures across Financials and HCM is to review the features associated with each type of Business Unit / business function before deciding what organization levels Business Units will represent.
- Financials has more dependencies on how Business Units must be defined, so start with your Financials requirements first before addressing your HCM requirements.
  - SCM Profit Center Business Units must not span Legal Entities.
  - Requisition Business Units will usually not span legal entities (but there is no prohibition).
  - Payables Payments Business Units will normally correspond with the disbursement bank account(s).
- The general recommendation is to define one Ledger and one Business Unit per country. This approach will maximize the user profile default value capabilities and streamline data entry.
  - If you have security requirements whereby you want to segregate areas of the business into secure silos, OR If you have very different business and operating terms for different segments of the business and they are run almost as separate companies, then you should consider different Business Units within the Legal Entity.
- You can tie your list of Departments, Jobs, and Grades to the HCM Business Unit so that parts of your enterprise have different setups.
- General Practice: When a joint pillar implementation is being designed, the Business Units are initially defined from a Financials perspective. HCM then needs to use this baseline, although you may require creating additional Business Units if defining a shared service operation or utilizing Positions.
Having multiple Financials Business Units (BU) enables shared services Procurement model (with requisitioning BUs to procurement BU), security by BU (as data roles are BU based) and Intercompany invoicing between departments (BUs).

Key configuration decisions for a single versus multiple ERP Business Unit structure:

» Payments processing by each BU or across BU (Cloud Financials supports cross BU payments).
» 1 or multiple bank accounts for payment processing and supporting intercompany rules.
» Cloud ERP does not support cash receipting / lockbox across Business Units. This will require cash receipting / lockbox processes setup at the Business Unit level.

For additional information on implementation considerations for ERP Business Units, refer to the section “Business Units” in the whitepaper “Oracle Financials Cloud: Shared Service Centers (SSC)”.

Reference Data Sets

Oracle Cloud has a reference data sharing feature. The reference data sharing functionality supports operations in multiple Ledgers, Business Units, and warehouses. As a result, there is a reduction in the administrative burden and the time to implement new Business Units. For example, you can share sales methods or transaction types across Business Units. You may also share certain other data across asset books, cost organizations, or project units.

**Examples of Reference Data That Can Be Shared**

<table>
<thead>
<tr>
<th>Application</th>
<th>Setup Data Object</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Community</td>
<td>Customer Account Site</td>
</tr>
<tr>
<td>Enterprise Contracts</td>
<td>Contract Types</td>
</tr>
<tr>
<td>Payables</td>
<td>Payment Terms</td>
</tr>
<tr>
<td>Receivables</td>
<td>Accounting Rules</td>
</tr>
<tr>
<td>Receivables</td>
<td>Aging Buckets</td>
</tr>
<tr>
<td>Receivables</td>
<td>Collectors</td>
</tr>
<tr>
<td>Receivables</td>
<td>Lockbox</td>
</tr>
<tr>
<td>Advanced Collections</td>
<td>Dunning Plans</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application</th>
<th>Setup Data Object</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources</td>
<td>Departments</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Jobs</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Locations</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Grades</td>
</tr>
<tr>
<td>Project Billing</td>
<td>Project and Contract Billing</td>
</tr>
<tr>
<td>Project Foundation</td>
<td>Project Accounting Definition</td>
</tr>
<tr>
<td>Project Foundation</td>
<td>Project Rates</td>
</tr>
<tr>
<td>Order Management</td>
<td>Hold Codes</td>
</tr>
</tbody>
</table>

**Figure 9 – Examples of Setup Data That Can Be Shared Using Reference Data**

Oracle Cloud Applications contains a reference data set called “Enterprise” in Financials and “Common” in HCM. Define any reference data that affects your entire enterprise in this set. For additional information, please utilize the following link to see a list of the reference data objects that can be shared across business units [link].

Reference data is not the only option of configuration sharing available in Oracle Cloud Services. For example, COAs can be shared across Ledgers; Locations are shared across location sets. This detailed sharing option provides you the flexibility to further refine configuration data sharing in Oracle Cloud Services.

**LEADING IMPLEMENTATION PRACTICE:** Reference Data Sets and Business Unit values should be discussed at the same time given their interdependencies.
Jobs and Positions

As you implement your enterprise model, one of the earliest decisions you face is whether to use Jobs, Positions, or a combination of both. Jobs and Positions represent roles that enable you to distinguish between tasks and the individuals who perform those tasks. A job can be defined globally in the common (i.e. Enterprise) Reference Set, whereas a position is defined within one Business Unit. One of the earliest decisions you will make is whether to use jobs or a combination of Jobs and Positions.

**NOTE:** At a minimum, you need to create Jobs to support your organization structure.

As part of your discussion, it is important to note the potential impact that positions and jobs may have on Procurement approvals. There are options for using Job Levels as an alternative to position hierarchies just for the purpose of Financials approvals. Position hierarchies may require additional maintenance.

For additional information on Jobs and Positions implementation considerations please refer to the "Jobs and Positions: Critical Choices section in the Oracle Help Center.

Departments and Cost Centers

A Cost Center represents the smallest segment of an organization for which you collect and report costs. A Department is an organization with one or more operational objectives or responsibilities that exist independently of its manager and has one or more workers assigned to it. The financial performance of Departments is generally tracked through one or more Cost Centers. Oracle HCM Cloud assigns workers to Departments, and tracks the headcount at the departmental level. Employee count within a Department is frequently used to perform allocations in Oracle Financial and Oracle EPM products. HCM can also utilize person, positions, country, LDG, and Payroll to establish data security scope for users.

Look at your reporting needs from both an HCM and Financials perspective before you define your Cost Centers and Departments.

**BEST CONFIGURATION PRACTICE:** HR Department(s) logically align to Financial Cost Center(s). This approach will minimize the configuration required to transfer Payroll expenses to General Ledger (i.e., no detailed mapping or individual employee distributions required for payroll costing).

For additional information on Departments and Cost Center implementation considerations please refer to the “Manage Departments – Workforce Structures” section in the Oracle Help Center.

Security and Roles

Both Oracle Financials and HCM Cloud services utilize the same simplified security model to implement user application security via the Cloud Security Console. Users are granted access to applications with the addition of Roles to their user and, in turn, these roles are made up of multiple duties which dictate the application access (i.e. user navigation menu paths available). It is also important to consider whether you plan to implement a shared services model. Most large customer will have users operating at all levels: enterprise shared services, legal entity responsibility, regional responsibility, and line management responsibility.

The two most common areas of securing data within the two pillars are:

- Financials utilizes Business Units and their relationships to Ledgers and Legal Entities to secure transaction processing by business functions, management reporting, and transactional data security for companies operating shared service centers, and reference data.
- HCM utilizes Organizations and Departments to establish data security scope for users.
Both Oracle Financials and HCM provide the flexibility to define exceptions to the standard default of data security and, in addition, have more user definable security options available for enhanced control - Data Access Sets & Segment Value security for ERP and Position Hierarchies & Areas of Responsibilities (AoR) for HCM. The HCM enterprise structure can also play a role in auto-provisioning rules. Following are the HCM fields that can be used to automatically assign job roles to users based on the conditions specified.

For additional information on security implementation considerations please refer to My Oracle Support Advisor Webcast “Security Console Overview” and “Provisioning Roles to Application Users” in the Oracle Help Center.

Data Conversion

Although HCM and Financials both have strong file based loader capabilities, there are slight nuances about using each which are important to understand and different places to get your questions answered most efficiently.

1. Data Loading

Oracle ERP Cloud utilizes two methods for loading data (transactions):

» ADF Desktop Integrator spreadsheet tool (ADFDI) – Use this MS Excel-based import feature to import small volumes of data that typically change on a periodic basic. Currently, ADFDI spreadsheets are available for Budgets, Currency Rates, GL Journal Entries, etc.

» File-Based Data Import (FBDI) - Use the file-based data import feature to import large volumes of data from third-party or other Oracle applications. Data is first loaded into interface tables in Oracle ERP Cloud, then a separate process is used to load validated data into application tables.

For a comprehensive list of Data Imports for ERP, please refer to the “File-Based Data Import for Financials Cloud” on Oracle Help.

Oracle HCM Cloud’s primary method for data conversion is utilizing HCM Data Loader (HDL). HDL supports both co-existence and full deployment modes of HCM Cloud. A great resource for guidance is the “Data Migration and Integration Advisor” document on My Oracle Support.
2. Data Validation

Data validation is a key activity within the data conversion process. Oracle has provided the following guidance to assist you with validating data in the Oracle Financials and HCM Cloud services.

» You should also leverage the following My Oracle Support Document “Oracle Enterprise Resource Planning Cloud Service: How to Verify Data Conversion Results (Doc ID 2084189.1).

» Oracle HCM also has a data file validator tool for HDL - Data File Validator Tool for HCM Data Loader (Doc ID 2022617.1).

NOTE: Both Oracle HCM and Financials data loading tools do not have the ability to rollback transactional data once it has been committed to the cloud service environment.

Integration

Both Oracle Financials and HCM Cloud Services offer the same types of integration options to 3rd party external systems:

» Predefined Extracts.

» Web Services.

There are some slight nuances that need to be addressed to ensure effective planning is performed. From a technology perspective the majority of Oracle HCM web services are based on the REST service architecture while Financials web services are based on SOAP and REST service architecture. The web services and data requirements may be different however the end results are the same.

BEST PRACTICE: If you are implementing more than 10 interfaces then it is advised that you purchase a dedicated GSI instance for interface development so you can minimize potential conflict with functional user activities such as configuration and testing.

For additional information on HCM integration options refer to the “Integrating with HCM Cloud” document in Oracle Help Center.

For additional information on Financials integration options please refer to the “Cloud ERP Integrations” document in My Oracle Support.

Key Interfaces – Global Payroll

As a best practice, you should set up accounts in payroll for the equivalent account combinations maintained in General Ledger. By using a similar structure, you avoid discrepancies, minimize maintenance, and improve communication between departments when resolving questions about journal entries. For example, specify the same natural account segment for the payroll cash account as used in General Ledger, so that you can reconcile the cash account and bank balance for transactions that share the same bank account.

Additional evidence for our recommendation of one Ledger per Country has to do with Global Payroll. One Ledger per Country simplifies Global Payroll as only once cost allocation flexfield is definable per Ledger. As such, if multiple Ledgers are used within one Country, careful thought must be given to the structure of the flexfield (CKFF) and the shared values from any Chart of Accounts structures and List of Values from multiple Ledgers.

Oracle Global Payroll integrates with Oracle Cash Management and Oracle General Ledger. This integration facilitates the setup of banks, branches, and bank accounts, and the reconciliation of bank statements with payment transactions.

For additional information on the Global Payroll integration please refer to the “Distribute Payroll Accounting Information” section in the Oracle Help Center.
Key Interfaces– Planning and Budgeting

Single Sign On (SSO) and role-based security are controlled by Oracle Identity Management, which defines a security domain for each service instance. After a successful login, access to the service is determined by the role assigned to the user. An identity domain controls the accounts of users who need access to service instances. It also controls the features that authorized users can access. A service instance belongs to an identity domain. Users are shared between the instances; however, access privileges are granted to users separately for each instance belonging to an identity domain.

You can integrate Oracle General Ledger Cloud data with the Oracle Enterprise Performance Management Cloud if you use Fusion Cloud Release 11 or higher. This integration enables you to simply pick the desired source ledger from General Ledger Cloud, set up mappings and then initiate the process to pull the data into the EPM Cloud applications. This integration can be run manually, or scheduled for a specific time.

For additional information on the EPM Cloud integration with General Ledger Cloud, refer to the "Integrating the General Ledger with the EPM Cloud" section in the Oracle Help Center.

Workflow Approval

HCM and Financials have each provided some specialized extensions to the common approval management features. It is important to understand both and optimize the maintenance procedures for the customer. Consider the illustration below:

![Workflow Diagram]

**Figure 11 – How Financials Approval Services leverage HCM Person and Assignment Information**

Both Financials and HCM utilize Oracle Cloud Approvals Management (AMX) for workflow approval management. AMX utilizes the following list builders to build your approval list:

<table>
<thead>
<tr>
<th>List Builder</th>
<th>Functionality</th>
</tr>
</thead>
</table>

18 | MULTI PILLAR ORACLE CLOUD CONFIGURATION BEST PRACTICES
<table>
<thead>
<tr>
<th>List Builder</th>
<th>Functionality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources (HR) Supervisory</td>
<td>The HR Supervisory hierarchy levels are selected. The number of levels available for approval is specified.</td>
</tr>
<tr>
<td>Job Level</td>
<td>A relative dollar amount is attached to a job. The approval list moves up the HR Supervisory hierarchy to the point where approval finds a job with the necessary approval amount.</td>
</tr>
<tr>
<td>Position</td>
<td>A relative dollar amount is attached to a position.</td>
</tr>
<tr>
<td>Approval Group</td>
<td>Approver groups represent functional or subject matter experts outside the transaction’s managerial chain of authority, such as Legal or Human Resource personnel. These groups are static.</td>
</tr>
</tbody>
</table>

**NOTE:** Financials workflow has an inherent dependency on HCM employee information and HCM organization structure. Best practice is to ensure that the Oracle HCM Cloud organization structure can support the required Financials workflow approval lists.

For additional information on Oracle’s Cloud Approval Management, refer to the “Define Approval Management” section in the Oracle Help Center.

**DEPLOYMENT CONSIDERATIONS – HCM AND FINANCIALS CONCURRENT**

In addition to the guidance provided above, please consider the following as part of your deployment strategy:

» Resize Stage/Test environment before User Acceptance Testing (UAT).

  Consider your UAT activities as a “Dress Rehearsal” for the go-live event. There will be user activity from both a Financials and HCM perspective. Even though there are subtle infrastructure differences between Stage/Test and Production environments, resizing your Stage/Test environment will ensure that any potential for disruption of user activities are minimized.

» Test across product services – business processes cover multiple products and pillars.

  There can be a tendency to address a business process by functional areas (HR, Payroll, Benefits, General Ledger, and Cash Management). This is typically a division of labor to support parallel work streams/activities and accelerate implementations. However, care must be taken to ensure that work streams/activities refocus on business processes that may be supported across multiple modules. Example: Configuring and validating the Payroll process should include booking the payroll expense to the General Ledger.

» Tight coordination across the implementation projects.

  Majority of our customers implementing HCM and Financials concurrently have separate implementation projects for each product family. This approach enables several implementation activities to be performed in parallel and effective project resource allocation. However, this promotes an increased risk in configuration and requirements conflicts between the product families. We recommend that a cross-functional team across HCM and Financials meet on a weekly basis to discuss key configuration decisions and coordination of joint activities (e.g., testing, instance management, security).
DEPLOYMENT CONSIDERATIONS – HCM FIRST THEN FINANCIALS

In addition to the guidance provided above the following must be addressed as part of the solution configuration:

- In order for HCM to be configured there are fundamental structures that are required in Financials as part of the implementation:
  - Chart of Accounts
  - Accounting Calendar
  - Ledger
  - Legal Entity

Currently, the integration between the Financials structures created by HCM Cloud’s ESC and Financials Cloud’s Rapid Implementation templates are not completely integrated, and it is unreasonable to assume that HCM Implementation Consultants can design the Chart of Accounts and Ledgers before the HCM project starts, which can take months requiring effort from the finance team.

**NOTE** In this example, we will assume that the initial HCM implementation is NOT including Subledger Accounting or General Ledger to support Payroll Accounting.

In the interim, Oracle suggests that HCM Implementation Consultants create the bare minimum setup for Financials or a ‘dummy” setup and then later correct and complete the Financials enterprise structures when they are ready to implement Financials Cloud.

- Define your Calendar with a starting date early enough to bring over your historical GL Balances when you implement Financials.
- Define the Chart Of accounts structure with the minimum required segments and values.
- Define a Retained Earnings account.
- Manually define a Primary Ledger using the required Retained Earnings account you defined in the previous step.
- Do NOT create any Secondary Ledgers or Reporting Currencies.
- Do NOT open any GL Periods.
- Do NOT complete your accounting configuration.
- Do NOT create and Financials transactions.
- Do NOT create any Account Code Combinations.

In the future, when the customer is ready to implement Financials Cloud, the following activities should be performed to safely modify the Chart of Accounts definition:

- Make the changes to the Chart Of Accounts definition. For example, when you created your COA when implementing HCM Cloud, you may have only defined three segments: Balancing segment, Cost Center, and Account. However, after meeting with the finance team, they have decided on a seven segment chart of accounts.
- Create a new account code combination for Retained Earning and reassign it to the Ledger definition.
- Disable the original Retained Earnings Combination (it is now corrupt).
- Run the ESS job to rebuild the Essbase cube.

**NOTE:** The above changes should be done in Test/Stage first and everything tested, validated and reviewed on both HCM and Financials before attempting to do it in Production.

- Financials must have at least one Business Unit assigned to a primary ledger, and a *default* Legal Entity. Financials also utilizes Business Units to establish data security, and business functions, such as procurement, invoicing and payment options, expense report templates and reporting options (filtering, grouping).
• Conversely, implementing Payroll as a part of the HCM implementation will require a discussion on key enterprise financial structures (Legal Entity, Ledger, Chart of Accounts, and Cost Centers). Currently ESC does not cover Ledger and Chart of Accounts setup so plan to manually configure these items.

• Rationalize Location and Geography values to facilitate multiple uses. When creating Locations, consider the various physical locations that can be represented:
  o Workforce structure (i.e. work location)
  o Fixed Assets
  o Legal Entity
  o Inventory organization
  o 3rd Party entities (employment agencies, tax authorities)

NOTE: Some Oracle Cloud Human Capital Management implementations do not require recording of accounting transactions and therefore, do not require implementation of a Ledger. Be careful not to overlook Ledger and financial reporting requirements.

DEPLOYMENT CONSIDERATIONS – FINANCIALS FIRST THEN HCM

Along the same lines of thinking, having a minimalist HCM configuration approach can have limiting impacts further in the implementation.

» If Supervisory Hierarchy is used for Approval Management, make sure every employee has at least one supervisor assigned. The same is true for Job level. Make sure you have a hierarchy of Job levels.

» Complete a resizing request after the Financials phase deployment but before HCM deployment (after UAT is completed). Especially if the HCM deployment includes modules that will generate a larger amount of transactions (e.g., Time and Labor, Payroll).

» If you are implementing Financials first, it may be tempting to define a single HCM Business Unit simply as a placeholder to define departments, Job structures for tracking employees. Adding additional Business Units after the fact when you bring HCM on board will require additional effort, so start with your complete list of Business Units for Financials and HCM.

NOTE: It is extremely important to have a complete and agreed upon definition on Legal Entities and Legal Employers. If employee information is loaded to a temporary/placeloader Legal Employer the remedy will include terminating all employees from the temporary/placeloader Legal Employer and reassigning them to the correct Legal Employer.

CONCLUSION

Oracle Financials and HCM Cloud services provide you the flexibility to deploy these services in a parallel or phased fashion. Integration is a key enabler for both Financials and HCM implementations. Oracle provides tight integration across Financial and HCM business processes that minimizes setup and maximizes information flow. This tight integration requires a greater understanding of key dependencies and decision across the entire business process. The first step in implementing a multi-pillar solution is to design and configure the enterprise structure.
APPENDIX – SUMMARY OF FINANCIALS/HCM CONFIGURATION BEST PRACTICES

Following is a summary of the key configuration components and recommendations for an Oracle Financials Cloud and HCM Cloud multi-pillar implementation.

**FINANCIALS/HCM MULTI-PILLAR CONFIGURATION CONSIDERATIONS**

<table>
<thead>
<tr>
<th>Component</th>
<th>Best Practice Configuration</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ledger, Business Unit</td>
<td>Ledger and Business Unit should not cross multiple countries.</td>
<td>A Ledger is defined to a single currency. Ledger and Chart of Accounts association derived from employee’s assignment Business Unit.</td>
</tr>
<tr>
<td>Reference Data</td>
<td>Define one central reference data set for key configurations that can be shared across all business units</td>
<td>The reference data sharing functionality supports operations in multiple ledgers, business units, and warehouses. As a result, there is a reduction in the administrative burden and the time to implement new business units.</td>
</tr>
<tr>
<td>Chart of Accounts</td>
<td>Common global chart of accounts for all legal entities.</td>
<td>Easier consolidation of legal entities financial accounting and financial reporting. Straight forward transfer of Payroll journal entries into General Ledger.</td>
</tr>
<tr>
<td>Divisions</td>
<td>Utilize Divisions in HCM to represent if you have the concept of a division level within your organization today.</td>
<td>Division is a HCM-only concept and Division(s) are not required for Financials.</td>
</tr>
<tr>
<td>Ledgers</td>
<td>Best configuration practice is to have one Ledger and one Business Unit per country.</td>
<td>Oracle offers three methods for consolidations: (1) Reporting Only Consolidations, (2) Balance Transfer Consolidations, or (3) Financial Management Consolidations using Oracle Hyperion Financial Management.</td>
</tr>
<tr>
<td>Legal Entities</td>
<td>Each registered company (with its own tax ID) should be defined as a legal entity in Oracle Financials Cloud.</td>
<td>Each Legal Entity is accounted for in only one Ledger, but one Ledger can serve multiple Legal Entities.</td>
</tr>
<tr>
<td>Legal Entities &amp; Legal Employer</td>
<td>A Legal Employer must be a Legal Entity but not every Legal Entity must be a Legal Employer.</td>
<td>The Legal Employer is captured at the Work Relationship level, and all employment terms and assignments within that relationship are automatically with that Legal Employer. Legal Employer information for worker assignments is also used for reporting purposes.</td>
</tr>
<tr>
<td>Legislative Data Group</td>
<td>A single Legislative Date Group (LDG) for each country.</td>
<td>Each Legislative Data Group is associated with one or more Payroll Statutory Units.</td>
</tr>
<tr>
<td></td>
<td>Create at least one Legal Entity designated as a Payroll Statutory Unit (PSU) for each LDG.</td>
<td></td>
</tr>
<tr>
<td>Component</td>
<td>Best Practice Configuration</td>
<td>Explanation</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Legal Employer &amp; Payroll</td>
<td>The Legal Employer and Payroll Statutory Units are the same.</td>
<td>When you set up Legal Entities, you can identify them as Legal Employers and Payroll Statutory Units, which makes them available for use in Oracle Cloud Human Capital Management (HCM). A tax reporting unit is created automatically when you add a Legal Entity and identify it as a Payroll Statutory Unit. Payroll Statutory Units are Legal Entities that are responsible for paying workers, including the payment of payroll tax and social insurance. A Payroll Statutory Unit can pay and report on payroll tax and social insurance on behalf of one or many legal entities.</td>
</tr>
<tr>
<td>Statutory Units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Centers and Departments</td>
<td>HR Department logically align to a FINANCIALS cost center(s)</td>
<td>Better leverage of defaulting values (i.e., Departments) from Job and/or Position data. Simplifies accounting mapping for Payroll to General Ledger interface.  Please note that technically HR Departments do not need to logically align to Financials cost centers, however, this will require additional effort during personnel changes and increased configuration for the Payroll to GL mapping.</td>
</tr>
<tr>
<td>Job Codes</td>
<td>A relative dollar amount is attached to a job. The approval list moves up the HR Supervisory hierarchy to the point where approval finds a job with the necessary approval amount.</td>
<td>Leveraged for General Ledger journals and Payables voucher approvals.</td>
</tr>
<tr>
<td>Supervisory Level Approvals</td>
<td>If Supervisory Hierarchy is used, make sure every employee has at least one supervisor assigned. The same is true for Job level. Make sure you have a hierarchy of job levels.</td>
<td>Ensures that approval workflow works if using the Supervisory Hierarchy.</td>
</tr>
<tr>
<td>User</td>
<td>Users should first be created as employees.</td>
<td>Pre-requisite: Application security requires a legal employer, business unit, and a work relationship for security assignment.</td>
</tr>
<tr>
<td>Locations and Geographies</td>
<td>Rationalize location values to facilitate multiple uses.</td>
<td>Location is shared data element for FINANCIALS and HCM. Having a common set of values will reduce maintenance.</td>
</tr>
</tbody>
</table>