

Maximising Oracle eBusiness Suite automation

SUMMARY

This whitepaper describes how Oracle automation can be maximised to enhance Purchase to Pay (P2P), master data and Order to Cash (O2C) processes

Author: Simon Shorthose, Managing Director, ReadSoft

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Introduction

As one of the market leading enterprise application software suites, Oracle E-Business Suite (EBS) enables companies of all sizes to operate more efficiently.

With Oracle E-Business Suite and its integration and adaptability comes the need to ensure optimum use of resources and infrastructure. However, anyone using such a comprehensive ERP suite will be familiar with limitations that can impact daily activities. Issues such as fragmented communications with subsidiaries, suppliers, customers and internal functions, or poor visibility and reduced ability to audit process management can lead to sub-optimal use of that ERP suite.

Processes like purchase to pay (P2P), order to cash (O2C) and master data management (MDM) rely on the set up and functionality of Oracle EBS, which is one of the larger investments a company will make.

In this paper, we will explain how businesses can automate the bulk of finance related processes and transactions, to lower costs and significantly increase productivity.

1.0 Drivers for Oracle EBS automation

1.1 What's driving Oracle automation?

There is a demand in a lot of businesses for embracing centralisation and critically, delivering internal & external customer satisfaction.

For the finance function, the requirement to eliminate inefficiencies in purchase to pay (P2P) and order to cash (O2C) processes is a central concern. They need better process visibility and compliance; better cycle time; and want to see continual cost reduction.

As decision making passes to corporate management the factor that influences the adoption of Oracle automation is return on investment. At board level, visibility and control of liabilities, as well as auditability and SOX compliance will also be considerations.

From an information technology (IT) perspective, a solution will need to be Oracle validated to not impact their core Oracle E-Business Suite application, simple to administer and upgrade, and fit the corporate IT strategy.

These are factors which will affect decisions in relation to document and request based business processes that all organisations have in common. These processes however are often full of issues that cause additional expense or worse.

1.2 Typical issues in non-automated systems

Process automation is no longer a *desirable* solution - for modern businesses it is essential.

Traditionally business processes use phone, e-mail and paper flowing around the business to support and feed into the ERP systems. Without automation, these have to be managed with the risk of little or no control. There is a risk of input of incorrect information, which needs to be corrected manually or, worse still; the incorrect information is not noticed. Nonetheless, data inputting is a laborious process and errors will occur.

This can cause the development of slow, labour intensive processes where vital master data is not corrected, with the result that service levels fall and quality cannot be guaranteed. This impacts on the finance department's reputation, and the lack of accurate and timely visibility into processes means

there is reduced transparency. Maintaining compliance becomes at best difficult, and this can have major implications for a business in the longer term.

1.3 What do we mean by automation?

Automation enables an organisation to control both processes and master data. This lowers costs in the core service areas through improved productivity throughout the process chain. The entire organisation and its customers will see a service improvement, and the increase in visibility ensures compliance both internally and externally.

Automating your business processes is **not** workflow. Workflow is about managing exceptions to straight through processing. The key to efficiency is not having to handle exceptions in the first place.

Businesses who have partially automated and believe no more can be automated are often shocked to find that even the remaining manual percentage can be unwieldy and expensive. Figures from the Aberdeen Group show laggards in full end-to-end P2P automation have 10 times the cost and five times the cycle time than market leaders in P2P automation.

Crucially automation enables organisations to maximise their investment in Oracle eBusiness Suite.

1.4 Key areas to automate

Process to pay (P2P) automation brings considerable advantage and maximises investment in Oracle.

P2P automation encompasses procurement and purchase requisitions, Accounts Payable (AP), delivery note processing, audit trail and price negotiation, payment approval, Master Data Management (MDM) and order to cash (O2C).

Master Data Management is a prime opportunity for automation, controlling inbound processes and enhancing compliance management.

O2C automation addresses the issues surrounding sales orders, order confirmations and accounts receivable (AR).

2.0 Purchase to Pay - 'end to end'

Purchase to Pay (P2P) enables organisations to achieve full 'end to end' automation that addresses procurement and purchase requisitions, delivery note processing, accounts payable, early payment and discount payment approval.

P2P enables an organisation to get the best possible results from automation. According to research by The Hackett Group in 2010, 'Top Performers' have 91% of their P2P processes and procedures standardised, compared to 64% of 'Top Performers' doing the same with the AP function. This clearly demonstrates the additional benefits that full P2P automation can bring, even in top performing companies.

2.1 Procurement / purchase requisitions

"In failing to control the commercial aspects of their indirect spends, total cost, terms and conditions, supplier performance specifications and measurements – corporations may be leaving 8% - 15% of their indirect dollars on the table. They may also be missing opportunities for improving service quality and reducing their cycle times. Typically, indirect spending is not linked to business-unit performance."

Steve Trecha, CEO of Integrated Strategies

Organisations manually processing procurement or purchase requisitions normally have a purchase requisition generated by a person inside the organisation to notify procurement of items needed. This purchase requisition is then sent to a superior for approval, before final processing by procurement resulting in an Oracle purchase order to the vendor.

Within an automated system, any authorised person can create a purchase requisition for any approved item via an online catalogue. The automated workflow simplifies authorisation and an approved purchase order is generated inside Oracle with all the procurement controls applied.

30 – 45 per cent of indirect purchasing is 'maverick' purchasing (i.e. phone orders) with price costs averaging 35 per cent more than agreement prices. According to the Aberdeen Group, if an indirect order value is \$120, the processing cost is between \$20 and \$30 per transaction. However, automation

offers the capability to reduce processing costs to \$10 per transaction, making a potential saving of 26 per cent.

A ReadSoft European customer reduced its indirect procurement costs by over 50 per cent. This company, a manufacturer of industrial pumps, was processing thousands of indirect purchase requisitions each month. The automation of its P2P processes included implementing a web shop for office supplies to reduce maverick purchasing, automating invoice processing to reduce extraneous inter-departmental queries, and creating a fully automated purchase requisition system. This has increased control, ensured compliancy with approved suppliers and meant any exceptions were ‘true’ exceptions.

“In the past, we spent too much time retyping order data rather than managing processes (control especially) and strengthening buyer relations to achieve better purchasing terms.”

Customer Purchasing Manager

Automating procurement or purchase requisitions within Oracle means improved incoming invoice processing, reporting ability and optimisation of supplier selection. The organisation enjoys a better basis for price and contract negotiations and will see a reduction in the costs for purchasing, logistics and accounting. Best of all, the process is easier, so more people are likely to comply with it.

Because this process fully integrates with the existing Oracle infrastructure there is a low total cost of ownership.

2.2 Delivery note processing

This is a document which accompanies a shipment of goods, for matching against purchase orders (PO) and for creating goods receipt notes (GRNs). It usually includes a signed copy returned to the seller or consignor as a proof of delivery.

The recipient of delivery notes when manually processed is either a central warehouse or a person as specified in the purchase order. The delivery note is compared with the delivery and transferred to either the purchase, logistics, or accounts payable department. Delivery note data is then entered into

Oracle as a goods receipt entry & matched against the PO to compare the quantity ordered against the quantity delivered – the quantity may differ owing to damage or short shipment.

Additionally, in many European countries, delivery note documents must be stored for several years in order to fulfil compliance regulations.

Under an automated process the delivery note is digitally captured at optimal quality. Required fields are extracted and data is transferred into Oracle where the digital image, linked to the Oracle transaction, is automatically archived.

The warehouse clerk can check the delivery, both physically and against the scanned document. In case of deviations, workflow inquiries are automatically initiated before the GRN is posted. Automatic electronic archiving makes for fast and simple retrieval as well as a complete audit trail of all documentation.

The typical advantages derived from such automation include the safe and automatic posting of deliveries with extensive consistency checks in Oracle. Process handling and earlier identification of errors and exceptions and accuracy of data are improved as delivery note data is immediately available to others in the P2P process. The reduction of manual data entry time needed to register goods received saves time, as does the archiving of delivery notes electronically. The archive process ensures easy access with one click retrieval of historic documents from Oracle transactions. This in turn helps build full transparency for accounting, receiving, and purchasing departments as well as suppliers. Together these facets improve the overall process control and reduce costs.

Case Study:

Sappi Paper is a global company with more than 15,000 employees and sales in more than a hundred countries across four continents. After delivery by the supplier, Sappi used to make a visual inspection of the items, and for deliveries to end users (non-stock material), a cost centre or repair order would be sent via internal mail or e-mail, along with a copy of the delivery to the consignee.

For storage material, the original delivery was classified along with a copy of the order in an archive and the ERP material number was noted on the delivery manually. All documents (delivery notes and printouts) needed to be kept for five to ten years in the company archives.

Implementation of delivery note processing led to full automation of the goods receipt posting. Automated information about goods receipt via e-mail to the recipient resulted in Sappi being able to regain control and prove receipt of non-stock supplies.

Digital archiving of all delivery notes has provided the company with the ability to find and display all archived original documents. Fully integrated to their ERP, the system is now easy to use, fast, stable, and flexible.