Buying and Managing Complex Work in Oracle Procurement Release 12

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Introduction
This presentation highlights the key improvements Oracle has made to streamline the procurement and management of complex services that delivers a more comprehensive solution. Executing complex procurement services such as construction and maintenance have always been a challenge for procurement Organizations. R12 Oracle Services Procurement will take the management of these tasks to a new level of transactional excellence through deeper integration of Purchasing, iSupplier Portal, Sourcing, and Contracts.

Problem Statement
Many companies struggle with managing complex service transactions such as construction or highly engineered items. The complexity is in managing those items outside of price and delivery. Typically that includes retainage, financing, and progress payments. Previous versions of Oracle left these pieces of the transaction to be managed manually and typically at the payment end of the process rather than including it from the sourcing event all the way through to project closure.

What is new in Procurement for Release 12?
Oracle has introduced the concept of managing complex work into the procurement suite of applications. This has been accomplished by increasing the applications capabilities to negotiate contracts with financing and progress payments embedded, default or define progress schedules on a purchase order, collaborate with the supplier by tracking work progress, deliverables, and processing payment requests with less effort because retainage, financing, and approvals are defaulted and calculated automatically in the payables modules.

The primary applications involved in enabling the procurement of complex work include: iProcurement, Purchasing, Sourcing, iSupplier Portal, and Procurement Contracts.

The business flow that is now supported allows for a services request to be created in iProcurement. The requisition can then be fulfilled by creating a sourcing activity to negotiate price and agree to terms by authoring a contract. Once the award is made and work begins and a purchase order created, the supplier then reports progress via the iSupplier Portal. If the work is accepted by the buyer, then an evaluated receipt settlement can be issued or an approved invoice can be matched against the purchase order and the work confirmation information.

iProcurement
iProcurement remains the initiating point for demand with complex work requests. Utilizing a non-catalog request or even better, a smart form, requesters can document their needs and send them through to be approved and sourced. Since the introduction of the Approvals Management Engine approvals of requisitions have become more robust. In a situation such as demand for construction services, requisitions can be sent to specific approvers or groups without customizing workflow. This kind of flexibility allows the appropriate people on the project to get notification such as the project manager or an engineering group. The rules and requirements of your organization are more easily implemented allowing the requisitions to be routed as needed for approvals. We will revisit iProcurement in more detail further into this paper.

Sourcing
Once a request has been approved and is ready to be fulfilled, the next step can be to create a sourcing document such as a Request for Quotation (RFQ). By choosing an outcome of a complex document style the RFQ process has now been bolstered with the ability to manage information such as pay items, advancement, recoupment, and retainage. The Buyer also has the option to make these items negotiable or not by setting each attribute to the desired state:

FIGURE 1 – Manage negotiation strategy within sourcing

The introduction of pay items during the sourcing process allows both the buyer and the supplier to list out what they think the best set of paid deliverables is for a particular project. They can also be thought of as a schedule of services. By allowing those pay items to be negotiated, the buyer can rely on the participating supplier's expertise in their field to adjust the pay items accordingly and without losing site of the original intent of the demand line. Additionally since some attributes can be set to be modified and others to remain "non-negotiable" the buying organization has more control over the direction of the request for quotation.

FIGURE 2 – Negotiate pay items and financing during the RFQ

Pay Items can be created in the following ways: Milestone, Lump Sum, and Rate of Work. Milestone pay items need to be fully completed before payment is release (recurring and non-recurring). Lump Sum pay items allow partial payments against a particular item such as a construction task. Rate of work pay items give the organization a way to make payment on units completed (install x number of items).

The integration of procurement contracts into sourcing is an integral part of the sourcing process. Procurement Contracts provides the core library of standard clauses and contract templates that can be utilized during the sourcing event.
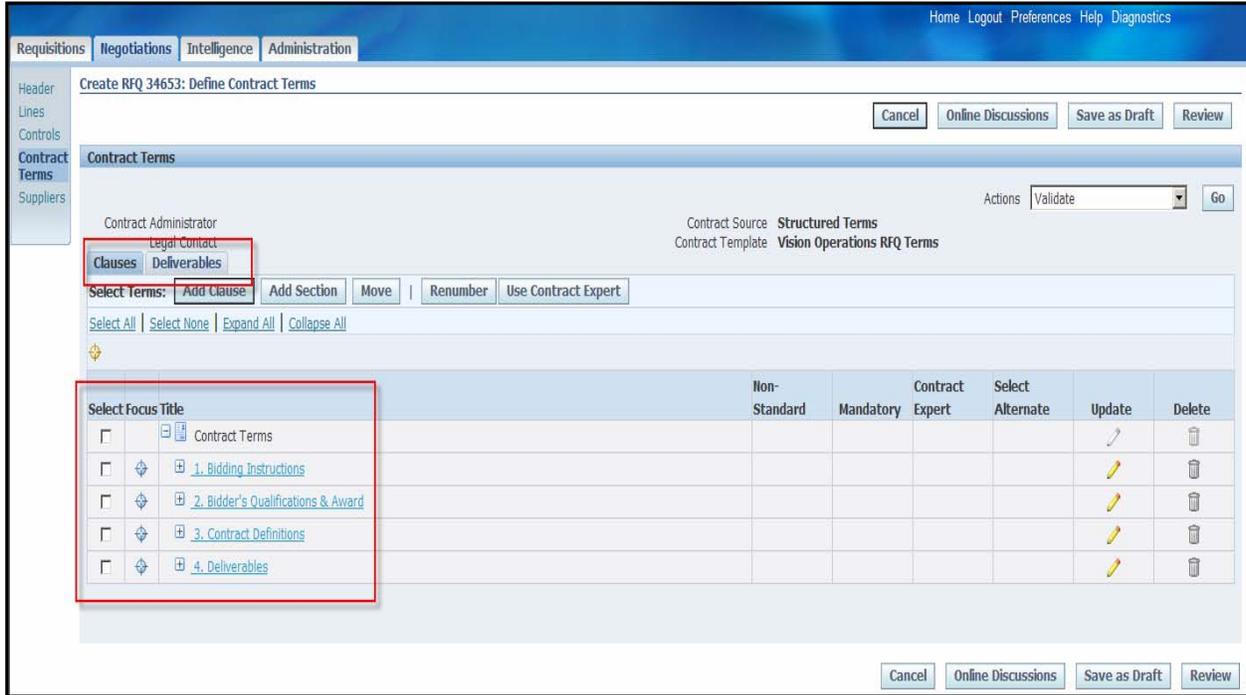
FIGURE 3 – Apply clauses from a template

In addition to a library of terms and conditions, the buyer can apply deliverables to the agreement. These deliverables are non-payment items that need to be accomplished as the project or service is in progress. There are several ways to define a deliverable and it can be recurring or one time. It is a very robust feature to help make sure that all of your contract deliverables are being met.

Purchasing
Once the award is made after the sourcing event is over, if you chose an outcome of Purchase Order, the information from the RFQ defaults onto it. At this time the buyer can make additional updates to the pay items, deliverables, and financing information, but hopefully that will not be necessary.
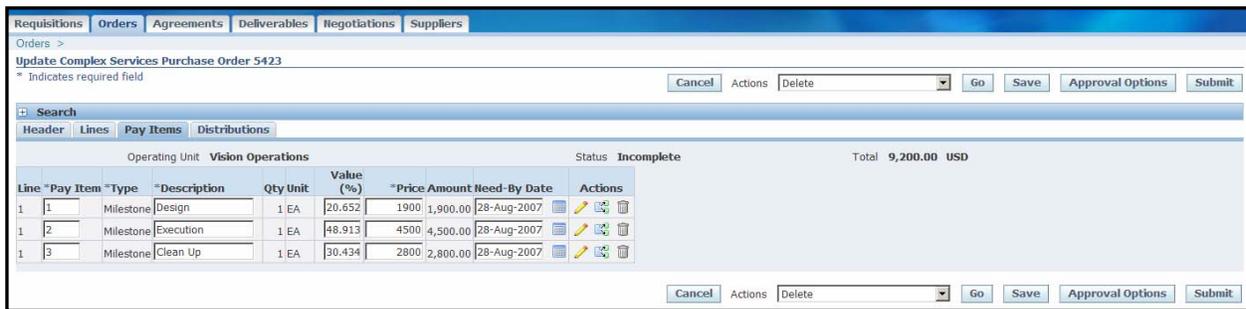
FIGURE 4 – Pay items

Sometimes it is necessary to create a complex purchase order from scratch and without a Sourcing document to default the information from. In those cases all of the necessary information can be entered right on the PO to support complex work. Enter retainage, financing, and manage contract terms & deliverables right from the purchase order creation screen.

FIGURE 5 – Details of a purchase order line

iSupplier Portal

When a purchase order has been approved, iSupplier Portal becomes a major source of communication and collaboration for the supplier. Within the portal the supplier can: View the purchase order, submit a work confirmation request to get progress approved, view approved work so that invoicing can occur, and see what is left to complete.

Within the orders tab of the portal, the supplier can view their purchase order and manage work confirmations:

FIGURE 6 – View PO and manage work confirmations

After drilling into the PO from the search results screen above, the supplier will be able to view the progress payment items and create work confirmations from this screen. Additionally, a summary of the PO transactions will be available:

FIGURE 7 – PO details from within iSupplier portal

To communicate work progress, the supplier will create a work confirmation. Depending on the type of pay item, the supplier will have the option to enter a percentage complete. Other available fields will be a period of performance start and end, a work confirmation number, and an attachment. The attachment can be any document type that the buying company has the ability to open. After previewing and submitting the work confirmation, the supplier can check the status of the request from the work confirmations function in the portal.

FIGURE 8 – Create a work confirmation

iProcurement

After the Supplier has begun to complete the work, the communication cycle makes its way back to the buying organization. iProcurement can be a primary method to manage that communication. The first item is to receive a notification of work. This is the work confirmation that was submitted by the supplier via iSupplier Portal. The work confirmation works much like a goods receipt and can even be found on the receiving tab. The main difference is that a work confirmation is can be considered reactive rather than the proactive nature of a standard goods receipt.

FIGURE 9 – View work confirmations from iProcurement receiving tab.

After receiving a work confirmation notice the responsible party can respond and choose to respond by approving and rejecting the work confirmation. A bonus of the work confirmation process is that the Approvals Management Engine can be utilized to update the work confirmation workflow to go to whoever the correct person is in your organization. Many organizations choose not to send the work confirmation to the requester of the goods or services, but will send it to a project manager or a responsible party out in the field.

FIGURE 10 – Respond to work confirmation from iProcurement

Invoicing – iSupplier Portal

The supplier will receive notification that the work confirmation has been approved. Ideally, after the approval, an evaluated receipt settlement would be generated, an invoice created, and payment set to be due. If the evaluated receipt is not implemented with this supplier, then the iSupplier portal is a great way to get an invoice into the system. The invoices entered through the portal will automatically calculate retainage and finance information as it was presented on the purchase order. Ideally the entry of the invoice by the supplier and automatic calculation of finance details will reduce the workload on the accounts payable group and allow them to focus on exceptions instead of bulk transactions.

FIGURE 11 – Retainage calculated on iSupplier Portal invoice

FIGURE 12 – Financing on iSupplier Portal invoice

Key Set Up

To fully utilize the integration of services procurement there are several items that need to be taken into consideration:

- Set the Enable Services Procurement Profile Option to "yes"
- Work confirmations requite the receiving transaction processor to run: set a schedule
- Document Styles are required to enable the necessary features of a complex document:

Create Document Style
* Indicates required field

* Name	
Description	
Status	Active

Document Types

Enable	Type	Display Name
☑	Standard Purchase Order	
☐	Contract Purchase Agreement	
☐	Blanket Purchase Agreement	

Commodities

Purchase Bases
- ☑ Goods
- ☐ Services
- ☐ Temp Labor

Line Types: All
- All
- Specified

Complex Payments
- ☐ Advances
- ☐ Retainage
- ☐ Progress Payments

Summary

Oracle has introduced a truly integrated set of functionality that allows organizations to negotiation needs up front and by doing so will free up the sourcing team to control more of the company's spend. The concept of a complex work document significantly automates down stream transactions and allows the associated departments to focus on strategic transaction needs rather than bulk. Collaboration with suppliers is increased by giving both parties a 360 degree view and communication path.