

# Why Upgrade to Oracle Advanced Procurement 12

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## EXECUTIVE OVERVIEW

Over the last ten years the procurement function has been largely defined by a transformation from a tactical, cost-oriented component of corporate overhead into a strategic discipline that is focused on creating value. While this transformation is not new, novel approaches and methods are increasingly required as organizations exhaust opportunities available from 'low hanging fruit'.

As procurement organizations go beyond low-hanging fruit their focus is extending beyond basic block-and-tackling of controlling business processes. High performance organizations are increasingly looking at strategies to boost the effectiveness of their most important procurement assets -people. Strategies include

- Equipping buyers with tools to maximize effectiveness
- Expanding Procurement's oversight into untapped categories
- Increasing focus on suppliers as a source of innovation and market expansion.

Oracle Advanced Procurement Release 12 was created to help procurement executives drive these strategies.

This white paper is intended to help organizations understand the benefits of upgrading to Oracle Advanced Procurement Release 12. It provides a short overview of the capabilities and the potential benefits that help accelerate organizational transformation.

The delivery of Oracle Advanced Procurement 12 provides new evidence of Oracle's long-standing and deep commitment to advancing the procurement discipline. It also reflects Oracle's commitment to keep promises made under the Applications Unlimited program, the company's long-term plan to provide continued enhancements to current Oracle Applications.

**"C-level executives increasingly expect their procurement organizations to help formulate and execute strategies for competitive advantage - even while those procurement organizations deliver year over year cost savings"**

— Meg Llyod, Oracle

## INTRODUCTION

During the last 10 years, the market for procurement technologies has been totally reshaped by a series of innovations. And while most have provided benefit, none have been created solely to improve the day-to-day end-user experience of the procurement professional. For example, self-service requisitioning tools do a great job of streamlining employee requisitioning, but did not fundamentally alter the end-user experience of procurement professionals. Similarly, sourcing applications have a solid record of helping to cost reductions, but oftentimes sourcing only accounts for a fraction of a procurement professional workday. Oracle Advanced Procurement will reverse this trend by delivering a product suite created to revolutionize the user experience and improve the working lives of buying professionals.

### FACT

**Managed Purchase Spend Per Purchasing Employee Averages \$17M.**

— **Center for Advanced Purchasing Studies**

Oracle Advanced Procurement Release 12 is the procurement professional's release. It has been created to meet the changing needs of procurement professionals by providing:

- A unified work center for all procurement responsibilities
- Improved support for complex goods and services
- Expanded supplier management and enablement.

Oracle understands that software upgrades take time and resources and that organizations rightly scrutinize the required investment. In response, Oracle will continue to drive the innovations necessary to

- a) Increase the value from upgrades
- b) Minimize the costs of upgrade
- c) Reduce interruptions to operations, to a bare minimum, during the upgrade process.

Release 12 includes automated upgrade features that can streamline the process. These features help to ensure that new production environments will be configured with a minimum of manual effort and that user accounts and business rules will remain in place.

**“The thing about a user interface is that everyone can see it.”**

— **David Taylor, Coauthor** “Doing eBusiness: Thriving in an Electronic Marketplace”

However, Release 12 includes changes that are obvious to professional buyers, end-users, and to suppliers. The most obvious are improvements to the User Interface (UI) that were developed based on learnings from acquired products and Oracle's ongoing usability studies. While we expect wide praise for these improvements, organizations will benefit by preparing end-users for new features. For example, Release 12 introduces a new UI for the Purchasing module. Similarly, the functionality of the iSupplier Portal has been expanded and its UI improved. Finally, employee requisitioning screens have undergone revisions and end-users should be trained to expect new options for searching, browsing, and getting approvals.

The balance of this paper is divided into three sections that summarize the major enhancements and the associated business value.

## **UNIFIED WORK CENTER FOR ALL PROCUREMENT RESPONSIBILITIES**

### **FACT**

**Purchasing Operating Expense as a percent of Purchase Spend Averages = 0.84%**

**— Center for Advanced Purchasing Studies**

Buying professionals know that to save the most money, they need to consistently apply the right procurement methods to all elements of procurement processes. But this is much easier said than done. In the real world, users juggle multiple projects and day-to-day tasks that require them to ‘place and chase’ orders, jump between screens, cut and paste, and wrestle paper in order to get things done. This creates an environment of waste, weak compliance, and increases the probability of savings falling through cracks. These savings are not small. According to some estimates up to 30% of negotiated savings never reach the bottom line. What’s more, these can create other challenges, including lower job satisfaction and lower productivity among procurement staff.

Release 12 was designed to address these challenges with the introduction of the Professional Buyer’s Work Center (PBWC) that consolidates all procurement responsibilities.

### **Establish Professional Buyer Command and Control**

Release 12 provides procurement professionals with new opportunities to increase focus on strategic functions and improve compliance with the Professional Buyers Work Center and Two-Way Word Synchronization.

### **Consolidate Procurement Responsibilities with Professional Buyers Work Center**

One of the major enhancements in Release 12 is the Professional Buyer’s Work Center (PBWC) that serves as a central ‘launch pad’ from which professional buyers can assume command and control. It provides an intuitive web-based UI that puts key procurement functions at the fingertips in an elegant and consistent layout. For example, with only a few clicks users can quickly assess the day’s priorities with a consolidated alerts and to-do lists. Professional buyers can handle urgent requisitions, and then easily move on to complete requirements definition in a sourcing event. PBWC allows professional buyers to easily:

- Understand status at a glance
- Process requisitions
- Run sourcing events
- Create and manage orders and agreements
- Confirm service delivery

- Manage supplier information.

PBWC represents a major enhancement from earlier releases- especially for heavy Purchasing users. With minimal training, Purchasing users will experience dramatic improvements in usability with fewer pop ups, streamlined workflows and fewer steps to complete tasks.

#### **Improve Contract Compliance with Two-Way Word Synchronization for Oracle Procurement Contracts**

Two-Way Word Synchronization improves compliance to policy and negotiated contracts by helping users to import the ‘right’ changes into Oracle Procurement Contracts. In prior releases, contract drafts could be exported as Word documents for the purposes of redlining and collaborating with suppliers or legal teams.

Release 12 goes a step further by providing the ability to import Word drafts back into the contracting application. Any modifications are easily identified as ‘non-standard’ and rules enforce policies for mandatory and protected clauses. Offline changes are easily rejected or accepted for faster contract binding and improved long-term contract enforcement.

#### **Automate Tedious Tasks and Improve User Experience**

Release 12 automates time-consuming tasks with Tolerance Based Auto-Approvals and improves the user experience with Document Styles

##### **Cut Cycle Time & Approval Steps with Tolerance Based Auto-Approvals**

Release 12’s Enhanced Auto Approval capabilities eliminate the time-consuming task of approving minor change requests of purchase orders (PO). By establishing tolerances that define a ‘minor’ change (e.g. 1% downward price revision), PO revisions from requestors and suppliers can be automatically approved without buyer review. In the event that changes exceed a requisitioner’s (or a buyer’s) authority, embedded workflow drives escalation to the right approval levels. By reducing the ‘noise’ of trivial tasks, buyers will be able to focus on major exceptions or turn their attention to more strategic tasks.

##### **Simplify Buyer’s Lives with Document Styles**

Document Styles allow buying organizations to control the look and feel of the application on the basis of the desired (or typical) case. Organizations can ‘turn off’ features to simplify the user experience, or enable the full power of applications for complex processes.

##### **Match Sourcing Capabilities to Opportunities with Negotiation Styles**

Negotiation Styles extend the use of Document Styles by allowing organizations to tailor the user interface to match the needs of different sourcing use cases. For example, buying organizations can expose or hide unneeded features for simple RFI’s. In cases of larger, more complex opportunities, they can enable and display

“The end (effectiveness) justifies the means (efficiency).”

— Pierre Mitchell, Hackett Group

advanced features such as multi-attribute scoring, cost factors, location-based pricing, and price differentials.

**FACT**

**51% of organizations utilize hybrid organization structures with central source and decentralized execution.**

**— Center for Advanced Purchasing Studies**

### **Drive Center-Led Procurement Methods**

Release 12 enables procurement organizations to centralize what is common, while decentralizing unique categories and processes with Multi-Org Access Control, Unified Catalog Architectures, and Content Security Features.

#### **Power Shared-Services with Multi-Org Access Control**

Oracle Purchasing leverages the new Multi-Org Access Control (MOAC) capabilities to support the implementation of center-led procurement in shared services organizations. Buyers can now execute on requisitions, agreements, and orders spanning multiple operating units with just a click avoiding tasks like logging out, closing windows, switching responsibilities and logging in.

#### **Reduce Maintenance and Improve Security with Advanced Catalog Features**

Release 12 introduces the Unified Catalog Architecture that improves content authoring, maintenance, and security. Users can now import catalogs or items directly into Sourcing events and export them from Sourcing awards. This is exceptionally valuable in negotiating complex market-baskets with large numbers of line items and quickly making them available to requisitioners. Authoring is also enhanced by providing suppliers with the ability to upload and maintain content. This not only offloads a burdensome task from the procurement group, but also improves the timeliness of updates, and eliminates back-and-forth e-mail traffic, and version control issues. Release 12 also introduces the role of Catalog Administrators that can be authorized to oversee routine maintenance. The application can be configured to automatically approve minor changes while using workflow to route significant changes for approval prior to publishing. It also offers full audit trail to easily track any changes that are neatly summarized and subject to the approvals prior to publishing.

**FACT**

**61% of organizations report having a shared services organization. Of companies that do not, 42% report expect to employ a center-led model within 2 years.**

**— Center for Advanced Purchasing Studies**

#### **Tighten Access Control & Drive Contract Utilization with Content Security**

New Content Security features help organizations tighten access controls and drive utilization of negotiated agreements. Catalog Security makes it possible to precisely control end-user's access to catalog content. Administrators can segment catalogs into Content Zones (based on category, supplier and supplier site) and apply rules-based controls to restrict or grant access to groups of end users. In so doing catalog content can be 'published' widely to large groups requisitioners to maximize usage or restricted to select groups based on business requirements.

**FACT**

**Organizations average 31% of spend (or 11% of revenue) on services.**

**— Center for Advanced Purchasing Studies**

## **IMPROVED SUPPORT FOR COMPLEX GOODS AND SERVICES**

Given the need to drive year-over-year improvements, procurement departments cannot afford to rest on their laurels or tackle the same categories year after year. The need for continuous improvement is leading procurement organizations to tackle complex categories that have traditionally lacked formal oversight. In this regard services categories are of particular importance because they represent a historically difficult area to control. Furthermore, services are growing in importance as suppliers are increasingly bundling (value-add) services with products as a means to drive differentiation, limit commoditization, or delay the impact of supplier rationalization efforts.

Oracle Advanced Procurement Release 12 provides improved support for complex goods and services. From service specification, through contracting, and payment, it has been created to tame complexity and drive auditability.

### **Improve Sourcing with Better Requirements Specification and Collaboration**

Advancements in Release 12 provides improved requirements definition, streamlined sourcing, and improved scoring by providing Complex Approvals, Negotiation Drafts capabilities, and Team Scoring.

#### **Improve Requirements Definition with Advanced Requisitioning & Approvals**

Getting better results begins with creating better documentation of requirements. In the case of complex categories, new support for Complex Approvals helps to drive timely (and broader) collaboration between purchasing professional and requisitioners. Release 12 introduces integration with the Oracle Approvals Management for improved approval routing of purchase requisitions. This facilitates:

- Parallel Approvals that give the option to speed up the approvals process by routing a requisition to multiple approvers simultaneously.
- Position Hierarchy based approvals that allow organizations to create reporting structures that remain stable regardless of personnel changes
- Support for “For Your Information” (FYI) notifications to keep key individuals abreast of buying decisions without requiring action on their part.

**FACT**

**62% of companies report that it is more difficult to purchase services than goods.**

**— Center for Advanced Purchasing Studies**

### **Simplify Negotiations for Complex Categories**

New capabilities are designed specifically to drive better communication during negotiations and contract development for complex categories. Because people often need to work with hard copies of lengthy documents, Sourcing now provides an easy way to generate Acrobat (.PDF) copies of negotiation documents. Even while negotiations are still in draft, Sourcing can generate buyer-specific copies (that include all information, including invitation lists and cost factors) as well as supplier-

specific copies that will include only relevant information (and exclude data like Invitation Lists). Sourcing managers can now also add complex payment arrangements to sourcing documents.

### **Select the Best Supplier with Multiple Scoring Methods**

New scoring features to help improve contract award in complex categories.

- Sourcing managers can designate Collaboration Team members as fully privileged, view-only members, or scorers.
- Collaborators who have a scoring role can enter their subjective evaluation of bids which can be grouped for the purposes of Team Scoring. For example, engineers might evaluate the technical component of bids while the team members from Finance score supplier's proposed payment terms.
- Sourcing managers can establish requirements to be automatically scored. Automatic scoring powers a new knock-out feature that excludes suppliers who fail to meet minimum requirements.

### **Align Supplier Agreements & Payment with Contract Financing**

Release 12 provides opportunities to address the subtleties of payment for services with expanded options for defining, tracking, and completing payment through Contract Financing.

### **Streamline Payment Definition & Management with Contract Financing**

Complex categories can require more elaborate contracts and more extensive payment options. Release 12 accounts for this complexity by providing procurement organizations with expanded options for defining, tracking, and completing payment. Included are the following Contract Financing options:

- Advances and Recoupment of advances
- Progress Payments based on cost, stage of completion or performance milestones
- Retainage and Retainage Release.

These are extremely useful in more complex scenarios such as those associated with categories like field engineering, facilities, construction services, etc.

### **Improve Control of Payment Advances and Recoupment**

Some procurement scenarios require buying organizations to pay advances to suppliers before any work or product delivery has been performed (e.g. in order to provide working capital to smaller contractors). With Release 12, buying organizations can negotiate contracts that define terms of advances paid to suppliers before any work is performed. Requests for advances submitted by the



suppliers are verified against the advance limits set forth in the contract. These advance payments are automatically liquidated or recouped from payment requests.

**FACT**

**Over 60% of services invoices contain errors.**

— MetaGroup

### **Drive Compliance with Expanded Payment Management Options**

Release 12 provides procurement professionals with new avenues to drive supplier performance compliance through Progress Payments, Retainage/Release, and Work Confirmations.

#### **Create the Right Incentives and Streamline Processes with Progress Payments**

Tying payment to performance has a way of driving better performance. New enhancements can incorporate a detailed Progress Payment schedule as part of the contract. The schedule consists of ‘pay items’ that specifies the work component, the dollar amount, and due date for completion. This provides for maximum flexibility in defining pay items based on progress. Options include payments:

- Based on a ‘Milestone’ that needs to be fully complete before payment can be claimed by the contractor.
- Based on a ‘Rate’ of work completion. Payments for these can be claimed as units of work are completed.
- Based on a ‘Lump Sum’ amount allocated to a portion of work against which payments can be released. Unlike milestone pay items, contractors can report partial progress against such pay items and request payments.

#### **Enforce Retainage & Authorize Release of Payments**

For services categories that include retainage of funds by the purchasing organization, sourcing managers can negotiate and formalize terms with suppliers. These terms can be captured as part of a contract and include:

- Retainage Rate determines the percentage of the amount requested that will be withheld before releasing payments to the supplier.
- Maximum Retainage Amount: Puts a cap on the total amount that can be withheld from payments released to the supplier.

At the end of the project or when the agreed criteria are met, the withheld amount can be released upon receipt of a retainage release request from the supplier.

#### **Close the Loop with Work Confirmations**

New enhancements streamline the process for suppliers to report progress in the form of Work Confirmation Requests. Work Confirmation Requests are submitted by suppliers and routed for approval via a configurable workflow engine. In cases where the status of completion isn’t straightforward, the solution provides for the online negotiation of the amount of work eligible for payment.

## EXPANDED SUPPLIER MANAGEMENT & ENABLEMENT

An old adage tells us that ‘you can’t get blood from a stone’. Similarly, purchasing organizations shouldn’t expect suppliers to negotiate their profit margins to the point of no return. Indeed, the strategy of squeezing supplier’s margins indefinitely has proven to carry dire consequences. Notable examples are found in the auto-industry as some manufacturers find themselves at a competitive disadvantage because their suppliers are:

- Unable to invest in developing new technology
- Unwilling to share ground breaking innovations
- ‘Fired’ customers and sought alternate markets for their goods and services.

Other examples of the consequences of seeking lower unit-costs are abundant as purchasing organizations often find themselves struggling with excess transportation costs, taxes, and new supply risks.

High performing organizations are taking a different approach. Instead of negotiating for margin improvement at the expense of suppliers, they are driving mutual cost reduction, expanding supplybase management, and improving supplier performance. Release 12 has been created to support these strategies.

### FACT

On average organization use eAuctions of  
3.24% of spend

— Center for Advanced Purchasing  
Studies

### Drive Mutual Cost Reductions

Procurement organizations can drive mutual cost reduction and eliminate problems born of information latency through Complex Procurement Collaboration, PO Lifecycle Tracking, Non-PO Invoices, and Supplier Catalog Authoring.

### Drive Supplier Collaboration in Complex Services

As a whole, Release 12 provides major advances in the procurement of complex services, and iSupplier Portal is no exception. In Release 12.0, iSupplier Portal streamlines the supplier collaboration required for negotiating, and executing complex services contracts. The portal provides suppliers with a self-service interface to track the contract status, resolve outstanding issues, and provide updates- all in real-time. With just a few clicks, they can look up progress status, billing/payment status, advance and retainage balances

### Eliminate Information Latency with PO Lifecycle Tracking

iSupplier Portal’s redesigned order page gives suppliers new ways to get real-time order status. The redesigned receipt pages provide suppliers with a streamlined process to view receipt information and details of associated purchase orders, shipments and invoices. The Receipt Details page includes on-time performance information, so that early, on-time, and late shipments can be easily identified. In addition, the Receipt Details page includes quantity/amounts received, ordered, returned and rejected.

### **Extend Payment Efficiencies to Non-Purchase Order Categories**

In a perfect world, it would be easy to enforce a ‘no-PO, no pay’ policy. But in the real world, there are urgent matters that can’t wait for a formal purchase order.. There are also categories like utilities where PO’s don’t always make sense. To address these requirements iSupplier Portal now supports submission of non-PO invoices by suppliers. Invoice submissions by suppliers are subject to multiple-approvals where users can validate amounts and add the right accounting information.

Along with non-PO invoices, Release 12 redesigned invoice and payment pages provides a holistic view of business processes.

#### **FACT**

**71% of organizations use electronic catalogs**

**— Center for Advanced Purchasing Studies**

### **Enable Suppliers to Manage their Own Content**

New capabilities empower suppliers to author their own catalog content rather than sending content updates back-and-forth to administrators or via expensive third-party catalog services. Suppliers can log on and author content online via bulk file upload or on-line authoring. All widely used industry standards are supported including OAG XML, cXML, CIF and text formats. This provides a great deal of flexibility for initial loading and ongoing maintenance. Content provided by the supplier is subject to approval before it is made available to the requesters in Oracle iProcurement.

### **Improve SupplyBase Management**

Release 12 enables procurement professionals to improve its understanding of supply markets and its existing supplybase through Prospective Supplier Registration, Clause Usage analysis, and Compliance Analysis.

#### **FACT**

**30% of purchasing employees are assigned to commodity and supplier management**

**— Center for Advanced Purchasing Studies**

### **Improve the Quality of Prospective Suppliers with Prospective Vendor Registration**

Prospective Supplier Registration has been significantly enhanced so that customers can gather the information they need to properly pre-qualify the suppliers. The Prospective Supplier Registration process is simple to setup and users have the flexibility to configure questionnaires (by category, geography etc.). Once supplier submissions are completed, Oracle iSupplier portal can leverage the Approval Management Engine to drive approval workflows necessary to process registration requests.

### **Understand your Supplier Agreements with Clause Usage & Compliance Analysis**

Expanding supplybase management requires that organizations look beyond prospective suppliers and tackle opportunities in all phases of procurement. For this reason, organizations are increasingly undertaking periodic evaluations of contracts that govern existing supplier relationships. Release 12 simplifies the task by providing users with the ability to find contracts where specific clauses have been used or have been modified. Searches are flexible and results can be filtered by a number of criteria, summarized by clause type, clause title, and exported to

Microsoft Excel for analysis. Release 12 also expands the Contract Expert to enable administrators to set rules that represent corporate policy. Any deviations are reflected as deviations to ensure proper visibility during review and approvals. All policy deviations are reported to approvers in the Contract Deviations Report.

### **Drive Improvements in Supplier Performance**

Release 12 helps to drive continuous improvement in supplier performance by delivering timely Scorecarding, increasing supplier self-service, and improving supplier Profile Management.

#### **Drive Timely Feedback with Supplier Performance Management & Scorecarding**

The first step to improving performance is helping suppliers understand their current performance. Release 12 offers integration between Oracle Daily Business Intelligence and iSupplier Portal. This allows a buying organization 'publish' a quantitative analysis of each supplier's performance that is updated on a daily basis. An intuitive web based layout makes it easy for suppliers to slice and dice the information, build a picture of their performance, and establish a baseline for future improvements.

#### **Boost Portal Usage with Supplier Managed User Management**

Procurement organizations can now help suppliers to help themselves by handing over user account management to authorized administrators within supplier organizations. Authorized end users at supplier sites can be granted the role of Supplier User Administrator. They can then take on routine tasks like password administration, adding user accounts, or altering the security access rights for each user within their company.

#### **Improve the Understanding of Supplier Capabilities with Supplier Profile Management**

Procurement organizations now have the opportunity to improve their understanding of supplier capabilities through Supplier Profile Management.

- Externally facing enhancements enable suppliers to access and update additional profile details and respond to questionnaires created to augment standard data.
- Internally facing enhancements make it easy for buyers to manage profile changes, approve profile change requests, and keep supplier records current.

## **CONCLUSION**

Procurement transformation is not new, but it does require new approaches to sustain success. Oracle Advanced Procurement was created to enable procurement organizations to maximize return on their most important asset- procurement professionals. Release 12 is the Procurement Professional's release and provides organizations with:

- A consolidated Work Center for all procurement responsibilities. Organizations can establish professional-buyer command and control, automate routine tasks, and drive center led procurement.
- Improved support for complex goods and services. Organizations can improve requirements definition, align supplier agreements and payments, and drive compliance.
- Expanded supplier management and enablement. Organizations can drive mutual cost reductions, improve supplybase management, and drive improvements in supplier performance.

In combination, these capabilities provide new opportunities to accelerate transformation and provide their enterprises with sustainable, year-over-year improvements.



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