Getting to One: Consolidating Multiple Charts of Accounts During an Oracle E-Business Suite Upgrade

Bob Von Der Ahe  
*Experian*

Paul Phillips  
*CARQUEST*

Helene Abrams  
eprentise

Introduction
A single global instance and a single global Chart of Accounts (COA) facilitate making business decisions, reduce the cost of operations, and enable full utilization of R12 functionality. This session details the two different approaches, experiences, results, and lessons learned of two global companies - Experian, an information services company and CARQUEST, an automotive parts distributor - who wanted to get to a single global environment with a single COA and complete, consistent, and correct information in their E-Business Suite.

This paper explores the real reasons companies decide that they need a single global environment and includes stories about the challenges of getting to one instance and a single COA. It explains the benefits and ROI of a single instance and single COA, the process, design considerations, and impact of changing to a global environment, and how you can leverage new features in Oracle E-Business Suite R12 that enable and enhance global business.

Oracle E-Business Suite Trends
EBS users whose implementations may have once improved their businesses’ processes and efficiency significantly now face aging systems that are no longer aligned with how they do business. Whether because businesses expanded or contracted organically or through mergers and acquisitions, because of new regulatory requirements such SOX or IFRS, or because of an economy that exacerbates competition for the few remaining customers, whatever the reason, changes in business changed EBS requirements. These days EBS customers, ISVs, and consultants all discuss the same trends: consolidate to support migration to a shared services center or a centralized data center; resolve duplicates and standardize data to improve data quality; merge all configuration, master, and transaction data to create a single source of truth; reorganize entities, sets of books, and operating units to align EBS with the current business environment; reduce operating and maintenance costs to improve the bottom line; create a single source of truth to improve business processes or business intelligence; and enable revenue optimization whenever and wherever possible to improve the top line.

Why Change Chart of Accounts
One of the components of the EBS system that may need to be changed when a business changes is the Chart of Accounts (COA). Companies may want to move to a single global COA to improve reporting efficiency or to a single Global instance to operate a shared services center or otherwise reduce operating costs. Companies that acquired other companies may have multiple instances, each with different COAs. The acquired company may be running EBS but most certainly will not have the same COA. An organization may also be running out of segments or segment values.

Even if a company only wants to add an acquired company’s values into their current chart of accounts, all the values may already be in use, or the new values may not fit into the current defined ranges. Formulas that require sequences, security rules, cross validation rules, or reports that use ranges may require manual work arounds and extra maintenance. A company may also need to fundamentally change how it tracks its business. A business may also need to report its financial statements differently. For example, if service line revenue accounts for more than
30% of total revenue because the service business grew or the product revenue dropped, a company that did not report service business separately would, according to GAAP, now be required to report the service business separately. Without the appropriate COA, reporting in this case will be complicated and taken off-line – generally into a spreadsheet.

**Changing COAs in Practice**

Experian and CARQUEST, both large companies with complex markets and business practices, made changes to their COAs to accommodate changes in their businesses. Experian, a $3.821 billion global information services company, provides data, analytical tools, and marketing services to organizations and consumers to help manage risk and reward of financial decisions. It has clients in more than 65 countries and 15,000 employees in 40 countries. It is listed on the London Stock Exchange and is included in the FTSE index. Experian runs all of the Financial and HR modules in EBS Release 12.

Experian, a $3.821 billion global information services company, provides data, analytical tools, and marketing services to organizations and consumers to help manage risk and reward of financial decisions. It has clients in more than 65 countries and 15,000 employees in 40 countries. It is listed on the London Stock Exchange and is included in the FTSE index. Experian runs all of the Financial and HR modules in EBS Release 12.

After its spinoff from TRW in the mid 90’s, Experian grew both organically and through a steady stream of M&A activity that included direct marketing and e-mail marketing firms. By 2001 Experian focused on four main product lines: risk management, fraud prevention, collections and authentication, and marketing. International businesses made up 35% of its revenue, the rest coming from North America. Back at corporate headquarters in the United Kingdom, Experian had two-thirds of the market share of consumer credit reporting and was tied with Dun and Bradstreet for business credit reporting.

CARQUEST Auto Parts is the premier supplier of replacement products, accessories, supplies, and equipment for virtually all makes of automobiles, as well as light and heavy-duty trucks, off-road equipment, buses, recreational vehicles, and agricultural equipment. It services the automotive aftermarket, worth more than $250 billion and growing annually. Privately owned, CARQUEST has 16,000 employees in over 3,400 locations and has been in business over 43 years. Its stores are corporately or privately owned and operated with deep roots in their local communities. CARQUEST runs GL, AP, AR, FA, PO, HR, and Payroll modules in EBS 11i.

After more than half a decade running separate US and Canadian instances of Oracle E-Business Suite 11i, each with a separate and unique COA, CARQUEST’s executive team prepared for the next big EBS initiative – Consolidating the Canadian instance into the US instance. A high priority, in concept, since at least 2004, consolidating would eliminate the IT costs of managing multiple instances while improving the quality of information for business users by providing them with a single source of truth. Once the instances are consolidated, CARQUEST needs to change the Canadian COA to match the US COA so that they can standardize on all financial operations and business processes and perform intercompany accounting easily.
Experian’s Business Case
In April 2008, Experian set out to make a business case for changing its COA. First Experian identified the quantifiable natural savings that would result in reducing IT cost structures. Experian was running three instances and consequently carrying significant overhead expenses for managing the redundant hardware and software ecosystems supporting each instance. The three separate instances prevented them from deploying standard business processes and new functionality. A single global instance provided the opportunity for operating shared services and data centers for IT, further reducing labor costs. The business case clearly indicated that changing the COAs would lead to savings in terms of cost, time, and human resources.

Making a case for revenue optimization through changing its COA was more difficult to quantify. Experian expected to optimize revenue from its global customer base, many of whom also operate in a global market with many customers spanning many regions. Experian believed their global brand supported standard global service products and would be welcomed in their various markets. This would lead to standard global data and better business intelligence, ultimately resulting in an optimized revenue stream. Standardizing on a single chart of accounts around the world facilitated Experian’s ability to record transactions seamlessly among all parts of the organization and to conduct their global business transparently.

Aware that changes to COAs would need buy-in from a wide range of stakeholders, Experian established a single cross-functional team to decide on the assignment of ledgers, new account values, and the logic for building cross-validation rules. The team developed a roadmap for the globalization project, code named Gemstone. The challenge for the Gemstone team was to get to a single global EBS instance and COA without stopping growth and global expansion. Gemstone’s roadmap included: work to be done on the application and data, a project code named Diamond; creating a global reporting environment, a project code named Ruby; and creating shared services centers using standard global business process, code named Sapphire.

The Diamond program included four distinct steps. First, Experian was looking to leverage its latest 11i instance “Unify” as a base for Convergence. That instance primarily held newer European and Asia Pacific country integrations, but was based on the latest generation of Experian’s IT infrastructure. Next they upgraded Unify to R12. They continued the implementation of countries into Unify and finally converged the older UK and US 11i instances into Unify R12. The cross-functional team working on the changes to the COA included business users who represented the different instances and different COAs. This newly minted COA was adopted in the “seed” Unify instance and propagated to other users as their instances were merged into Unify.

CARQUEST Drivers and Design Considerations
For its proof of concept exercise, CARQUEST developed six objectives for changing the COA that would steer the project to a desired outcome: Provide flexibility to facilitate growth and support Global Instance; eliminate unused and obsolete segments; eliminate Alpha data types; utilize standard Oracle functionality for reporting by aligning the Balancing Segment and Cost Center Segment with functional purpose; facilitate custom report development with
Designing a New Chart of Accounts

Both CARQUEST and Experian considered the key dimensions (segments) of a global COA as their teams undertook its redesign. They considered the COA design factors that dictated separate COAs in their original EBS implementation. They analyzed the reporting changes for a new Chart of Accounts, how the single COA might affect or be affected by R12 functionality, what steps would they need to take to proceed with a COA consolidation, and how they would measure the benefits.

Before and After COA

The Experian team designing the new COA agreed to add two segments after Spain and Hong Kong and Europe were live in the Unify instance. They first changed the COA that was shared between HK and Spain, Unify COA v2. Later, after the data from the UK and US was loaded into the Unify instance and into Unify COA v2, they changed Unify COA v2 into the global COA (v3). This simplified the chart of accounts change process and the amount of down time required to bring the new global COA into production all over the world.

CARQUEST changed segment names, values, and lengths and added segments for future use.

How to Define a Global COA to Accommodate Growth

When defining a global COA, a company should first consider the overall reporting needs of the business. How should the operational requirements be tracked, and what additional reports are required by the management team? Identify statutory or regulatory requirements, along with local reporting requirements. Is the organization required to provide financial reports to an external audience as is the case with public companies? Once the reporting and management requirements are defined, the design team should determine what segments best represent the dimensions of the business that are to be tracked in the chart of accounts.

Each segment should represent only one business area, and the same business area should not be represented in different segments. The length of the segment values should be long enough to accommodate growth and to hold clearly delineated ranges for rollup groups. If there are different statutory requirements in different countries, then the segment values have to be defined to have the capacity for a country’s required range of values. The size of the segments will also have to accommodate new values and new ranges of values within each segment category. The design team should review descriptions of all values for each segment and across segments so that they are not redundant or confusing and create standard procedures and documentation for creating, defining, and changing values. The key to designing a global chart of accounts is enabling anyone, anywhere in the organization, to use the
same code combination for the same type of transaction. A good chart of accounts will simplify maintenance, reporting, and interfaces to third-party systems and streamline the closing processes across the enterprise. Regardless of the size or complexity of the project, team members involved in the COA design process should be functionally aligned as opposed to geographically aligned to ensure that a global team of stakeholders is involved.

A summary of lessons learned and design considerations is available on the eprentise.com website.

A Global Chart of Accounts Facilitates R12 Functionality
A Global Chart of Accounts supports many of the new R12 features. R12 Subledger Accounting allows entering a transaction in one place and then representing it in another ledger. That means that the transaction can be entered in the primary ledger and then converted to another ledger with a different accounting method or a different currency without reentering the transaction. A set of “Create Accounting” rules governs the creation of accounting entries in each of the sub ledgers. Having a global COA means that these rules create standard transactions everywhere in the enterprise and that rules only need to be written and maintained in one place. Now, from a single Chart of Accounts, rules can be written to do allocations across ledgers, create adjustments that are reflected for different legal entities, view journals and account balances across ledgers, create responsibilities to open and close periods across ledgers, and create financial reports that comply with different local, statutory, and regulatory requirements. Starting with a global COA gives visibility to the financials of the entire enterprise because conversion or transfer of data is not required. Reported results are accurate and timely because they are based on the same transaction and same definition of an account, and they are recorded consistently without translation and consolidation in a spreadsheet. Using Secured Definition Access, the users have access to only the information that is relevant to their roles and responsibilities.

Both Experian and CARQUEST plan on expanding into new global markets. Having a standard, global COA allows integration of new requirements quickly, shortens the close processes across multiple ledgers simultaneously, and provides greater flexibility to decentralize/centralize accounting functions. The global COA provides transparency in operations and reporting as well as visibility into the detailed transactions.

Lessons Learned
Both Experian and CARQUEST used eprentise FlexField software to change and consolidate their COAs. By far, the most difficult part of the project was getting buy-in and agreement for the changes from the business users. Using software gave both Experian and Carquest the ability to try different chart of accounts designs, get feedback from the business users, and revise their final structures multiple times until the users were happy with the design. Using software also identified several different areas that needed to be modified or corrected, including accounts that were misclassified.

Both companies had to change their reports and interfaces to accommodate the new chart of accounts. Since Experian only migrated 1-2 years of history into the Unify instance, they also had to determine how they were going to reconcile their sunset instances that held their historical transactions with their new chart of accounts on an ongoing basis. CARQUEST did not have the reconciliation problem because they consolidated their instances and all their history into their US environment.

Result
Both the Experian and CARQUEST COA change projects went to successful completion precisely because they had top executives from outside IT who were engaged and had a stake in seeing the project through to the end. By migrating to a single COA they reduced reliance on maintenance for third-party systems. They reduced development and maintenance costs by enabling common reporting. They improved security with common security and cross validation rules. With common hierarchies they reduced both maintenance and design costs. A single COA reduced the period end close cycle while improving visibility and reducing training costs across the entire organization. By using FlexField software by eprentise to automate the change process, the companies saved on development costs, kept their historical data, and reduced the risk that accounts might be misclassified or that something somewhere might be missed.