

**Show Me the Money:
Reduce the Costs of Running Oracle®
EBS Before Upgrading to R12**

an eprentise white paper



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Reducing costs is the major strategic focus for most companies. An often overlooked cost is the general operation of financial operations. This paper details a methodology for calculating the costs of running each of the financial modules. The costs are compared against both internal and external benchmarks. After calculating the costs, the paper shows how to reduce costs in two ways: first, by eliminating work that is duplicated across different business units or divisions, and second by determining which operations that are currently distributed across the organization can be consolidated into a shared services center. Together these changes, both to the organization and the Oracle® EBS system, can generate significant cost savings. Finally, the paper details how streamlining operations prepares for a better R12 implementation.

Calculating the Cost of Operations

The cost of operations is calculated by breaking down how much time is spent on an activity during the year by each person doing that activity, how many items were processed, and then calculating the cost using a baseline cost of FTE. As an example, for AP, each department would calculate the number of hours in a year spent on each of the following tasks or activities:

- Maintain policies and procedures
- Enter, code, match, and correct payment documents
- Prepare and issue automated checks
- Certify checks
- Process manual checks and special payment requests
- Respond to vendor and internal inquiries
- Perform Reconciliations
- Perform corporate and government reporting
- Create Corporate Chargebacks
- Other A/P Activities

The hours would be translated to a number of Full-Time Equivalents (FTEs) by dividing the hours by 2080 (the number of hours for a person working full time per year). A baseline average burdened (including benefits and expenses) salary is then multiplied by the number of FTEs to calculate the annual cost of that activity. To obtain the cost of an operation, multiply the number of items processed (i.e. number of checks) by the cost of the activity. For each of the finance areas, costs are calculated to measure the performance of each activity. For example, General Accounting would calculate the number of journal entries processed per FTE per year and compare those to an internal benchmark. Travel and Entertainment would calculate the number of expense reports processed per FTE per year. Fixed Assets would calculate the number of unique fixed assets or line items per FTE per year. Accounts Receivable would calculate the number of bills issued per FTE per year. In other words, each area would develop its own internal key performance metric and a way to calculate that metric against FTEs contributing to the process. In aggregate these calculations may uncover significant additional cost savings that could be realized quickly and relatively painlessly by migrating from a distributed services model to a shared services model.

[Get the white paper and Cost Savings Calculator](#)

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About eprentise

eprentise provides transformation software products that allow growing companies to make their Oracle® E-Business Suite (EBS) systems agile enough to support changing business requirements, avoid a reimplementation and lower the total cost of ownership of enterprise resource planning (ERP). While enabling real-time access to complete, consistent and correct data across the enterprise, **eprentise** software is able to consolidate multiple production instances, change existing configurations such as charts of accounts and calendars, and merge, split or move sets of books, operating units, legal entities, business groups and inventory organizations.