

E-Business Suite Organizations Spend As Much As \$19 Million Annually on Finance Operations

an eprentise white paper



tel: 407.591.4950 | toll-free: 1.888.943.5363 | web: www.eprentise.com

Author: Brian Lewis
www.eprentise.com

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A few years ago, we conducted a survey among 264 Oracle® Applications users in order to get a better idea of how businesses that use Oracle were financially structured, whether they had attempted a restructure in the past, and if so, the reasons, problems, and costs associated with fundamentally changing the underlying financial structure. Some selected results from that survey include:

- 82% of companies had attempted to restructure one or more charts of accounts (accounting flexfields)
- 57% of the chart of accounts changes were a direct result of new company initiatives or mergers and acquisitions
- Problems encountered during a chart of accounts change included:
 - Difficulty retaining transactional history
 - Too complex
 - The process required extensive conversion and training resources
- Companies that tried to change their chart of accounts internally spent an average of 6,700 person-hours, costing an average of \$1.7 million.

As a follow-up to this study, we developed another survey to dig into the financial operations of accounting and finance departments that utilize Oracle E-Business Suite as their current enterprise resource planning (ERP) system. Over 40 organizations spent a significant amount of time gathering detailed and anonymous information about the fundamentals of their financial operations. They provided a wide array of data, some as accessible as company revenue and some as granular as the number of hours per year required to resolve supplier and invoice issues and respond to supplier inquiries. Outliers were removed.

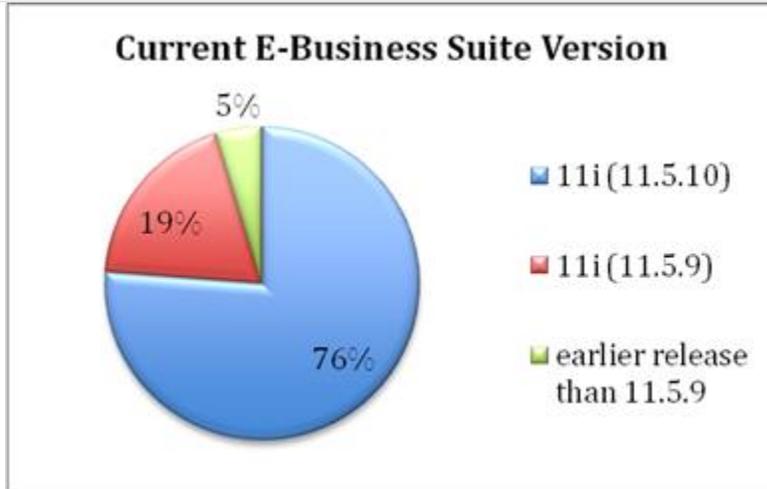
Responses came from a variety of industries, including:

- Construction
- Manufacturing
- Entertainment
- Water
- Telecommunications
- Energy
- Defense
- Healthcare
- Aerospace
- Computers: Software & Hardware
- Insurance

E-Business Suite Organizations Spend As Much As \$19 Million Annually on Finance Operations

Some high-level averages and percentages distilled from the data include:

Average Annual Revenue	\$1.883 billion
Average Number of E-Business Suite Instances in Production	1.72
Average Size of Finance and Accounting Staff (in FTE)	170
Percent of Companies Operating a Shared Services Center (SSC)	44%



Interestingly, none of the companies that responded to the survey are currently running E-Business Suite Release 12. Most are on 11.5.10, with the breakdown displayed in the chart to the right.

E-Business Suite Organizations Spend As Much As \$19 Million Annually on Finance Operations

The first section of the survey asked respondents to provide organizational headcount for the following departments:

Headcount	Total Average	<i>SSC Average</i>	<i>No SSC Average</i>
General Accounting / General Ledger	69.72	24.25	106.10
Accounts Payable	46.39	15.13	71.40
Accounts Receivable	33.06	19.88	43.60
Purchasing	21.08	7.13	32.25

The remainder of the survey was broken into sections by department:

Survey Question	Total Average	SSC Average	No SSC Average
<i>General Accounting</i>			
How long is the close cycle (in days)?	6.67	5.63	7.50
Hours per year to close the books and report	42,664.35	22,582.29	58,730.00
Approximate number of accounts	3,504.44	2,793.75	4,073.00
Hours per year to maintain accounts, hierarchies, cross-validation rules, and security rules	15,747.22	12,546.88	18,307.50
Manual journal entries per year	14,550.00	4,275.00	22,770.00
Hours per year to enter manual journal	18,172.22	3,200.00	30,150.00

E-Business Suite Organizations Spend As Much As \$19 Million Annually on Finance Operations

entries			
How long is the formal budgeting process in work days?	34.94	35.50	34.50
Hours per year to create formal worldwide budgets	5,015.00	2,231.25	7,242.00
<i>Accounts Payable</i>			
Number of supplier invoices processed per year	75,694.44	75,500.00	75,850.00
Hours per year to process and pay invoices	20,953.97	4,958.17	33,750.61
Number of expense reports processed per year	15,504.17	27,784.38	5,680.00
Hours per year to process and pay expense reports	6,638.89	3,937.50	8,800.00
Number of active suppliers	18,632.81	17,069.88	19,883.15
Number of disputed invoices	3,513.89	4,131.25	3,020.00
Hours per year to resolve supplier and invoice issues and respond to supplier inquiries	5,248.11	2,355.00	7,562.60
<i>Accounts Receivable</i>			
Number of customer bills issued per year	46,996.47	51,650.00	42,860.00
Number of statements mailed per year	34,661.94	37,387.50	32,481.50

E-Business Suite Organizations Spend As Much As \$19 Million Annually on Finance Operations

Number of payments received per year	100,045.56	62,525.00	130,062.00
Number of active customers	21,681.78	20,806.25	22,382.20
Number of questions on payments, statements, bills, and past due accounts	7,660.91	6,592.50	8,271.43
Hours per year to ask customers about payments received, and pursue past due accounts	17,002.86	16,360.00	17,360.00
<i>Purchasing</i>			
Number of purchase orders issued per year	60,529.64	85,170.00	46,840.56
Number of requisitions issued per year	60,736.92	93,960.00	39,972.50

The results show that, on average, organizations that use Oracle E-Business Suite spend over \$5 million annually on running the core financial sides of their businesses. We then looked for trends by analyzing the data according to whether or not each of the companies operates a shared service center:

Cost Category	Total Average Cost	SSC	No SSC
<i>General Accounting / General Ledger</i>			
Annual cost to close the books and report	\$1,708,625	\$904,377	\$2,352,024
Annual cost to maintain accounts, hierarchies, cross-validation rules, and security rules	\$630,646	\$502,478	\$733,180
Annual cost to enter manual journal entries	\$727,763	\$128,154	\$1,207,450

E-Business Suite Organizations Spend As Much As \$19 Million Annually on Finance Operations

Annual cost to create formal worldwide budgets	\$200,841	\$89,357	\$290,028
<i>Accounts Payable</i>			
Annual cost to process and pay invoices	\$839,166	\$198,565	\$1,351,647
Annual cost to process and pay expense reports	\$265,875	\$157,689	\$352,423
Annual cost to resolve supplier and invoice issues and respond to supplier inquiries	\$210,177	\$94,313	\$302,868
<i>Accounts Receivable</i>			
Annual cost to ask customers about payments received, and pursue past due accounts	\$680,932	\$655,187	\$695,235
<i>Purchasing</i>			
Annual cost to issue purchase orders and requisitions	\$346,166	\$322,101	\$364,882
Total Annual Cost of Accounting and Finance Operations	\$5,610,190	\$3,052,222	\$7,649,736

After looking at the costs of finance operations by whether or not the organization operated a shared services center, we broke out the data into three different structural categories that are good indicators of the existence or absence of barriers and silos in the different information systems. These structural categories include companies that operate with:

- a single instance and a single chart of accounts
- a single instance with multiple charts of accounts
- multiple instances with multiple charts of accounts

The data is indicated in the table on the following page, where values in green mark the structural category with the lowest cost in that cost category, and values in red mark the structural category with the highest cost in that cost category.

E-Business Suite Organizations Spend As Much As \$19 Million Annually on Finance Operations

Cost Category	Single Instance, Single Chart of Accounts	Single Instance, Multiple Charts of Accounts	Multiple Instance, Multiple Charts of Accounts
<i>General Accounting / General Ledger</i>			
Annual cost to close the books and report	\$409,049	\$2,414,732	\$2,970,655
Annual cost to maintain accounts, hierarchies, cross-validation rules, and security rules	\$327,768	\$493,342	\$1,126,018
Annual cost to enter manual journal entries	\$150,681	\$660,793	\$1,541,851
Annual cost to create formal worldwide budgets	\$45,805	\$206,448	\$403,818
<i>Accounts Payable</i>			
Annual cost to process and pay invoices	\$593,846	\$729,050	\$1,239,670
Annual cost to process and pay expense reports	\$176,212	\$325,391	\$345,748
Annual cost to resolve supplier and invoice issues and respond to supplier inquiries	\$216,460	\$68,402	\$296,316
<i>Accounts Receivable</i>			
Annual cost to ask customers about payments received, and pursue past due accounts	\$475,971	\$788,947	\$745,562

E-Business Suite Organizations Spend As Much As \$19 Million Annually on Finance Operations

<i>Purchasing</i>			
Annual cost to issue purchase orders and requisitions	\$317,524	\$215,258	\$490,989
Total Annual Cost of Accounting and Finance Operations	\$2,713,317	\$5,902,364	\$9,160,628

Because the cost of the finance operations is logically proportional to the revenue of a given organization, it makes sense to provide the ratio of cost:revenue for each of these structural categories to get a better sense how the structural differences impact the cost of finance operations:

Structural Category	Total Annual Cost of Accounting and Finance Operations	Average Annual Revenue	Total Finance Cost as % of Revenue
Single Instance, Single Chart of Accounts	\$2,713,317	\$1,822,087,500	0.149%
Single Instance, Multiple Charts of Accounts	\$5,902,364	\$1,746,700,000	0.338%
Multiple Instance, Multiple Charts of Accounts	\$9,160,628	\$2,056,233,333	0.446%

Admittedly, our survey focused on four core areas of corporate finance operations: General Accounting, Accounts Payable, Accounts Receivable, and Purchasing. Other areas of finance that were not included as part of this survey include: Banking and Cash Management, Financial Analysis and Management Reporting, Payroll, Credit and Collections, Taxes, Project Accounting, Benefits Plan Accounting, Time and Attendance, Fixed Asset Accounting, Treasury Management, and Internal Audit are a number of finance subfunctions that were excluded from the survey due to the difficulty in obtaining accurate information in a timely manner. Additionally, none of the costs include the costs of systems or the IT infrastructure to support the finance operations. For the purposes of the survey results, we will assume that the four areas for which we collected data account for 60% of total finance operations. Organizations operating a shared services center likely see decreased operational costs in the additional areas as well, so it would be presumptuous to look at a comparison between those organizations that run a SSC and those that don't after applying the 60% adjustment across the board. However, because the different structural categories

regarding numbers of instances and charts of accounts contain a mix of SSC and non-SSC organizations, it is enlightening to adjust for the finance areas not included in the study to get a more accurate projection of total finance expenditure across the different categories. In the following table, we also include a generous adjustment for FTE productivity at 80%:

Structural Category	Total Annual Cost of Accounting and Finance Operations <i>(Adjusted for finance areas not included and 80% FTE productivity)</i>	Average Annual Revenue	Total Adjusted Finance Cost as % of Revenue
Single Instance, Single Chart of Accounts	\$5,652,743	\$1,822,087,500	0.310%
Single Instance, Multiple Charts of Accounts	\$12,296,591	\$1,746,700,000	0.704%
Multiple Instance, Multiple Charts of Accounts	\$19,084,641	\$2,056,233,333	0.928%

Compared to the benchmark total finance cost to revenue ratio of 0.67% for a world-class finance organization, you can see that the only organizations that achieved better than benchmark average performance are companies operating with a single instance and a single chart of accounts, coming in at a total finance operations cost that is 0.310% of annual revenue.

Conclusion

As the above survey indicates, companies who operate a shared services center with a single chart of accounts, and a single instance are able to save millions of dollars per year in their cost of financial operations over their counter parts who do not operate a shared service center and who have multiple charts of accounts and multiple instances. Breaking down the detail, companies who have a single global chart of accounts within a single instance save an average of \$6.6 million per year over those who have multiple charts of accounts in a single instance. Those who have a single instance and multiple charts of accounts save \$6.8 million per year over comparable companies with multiple instances. These costs are strictly finance-oriented and do not consider additional savings in the IT realm of hardware, license fees, maintenance, backup and recovery, patch applications, and upgrades gleaned from consolidating to a single instance.

Thank you to everyone who took the time to participate in this survey. The survey is now closed. Please [contact us by clicking here](#) to schedule an appointment to discuss how you can help your organization maximize efficiency and agility by decreasing its Total Cost of Ownership (TCO) of Oracle E-Business Suite.

Calculate your own cost of financial operations using our cost savings calculator and see how you compare to those who participated in the survey. Visit the [FlexField](#) page to see how to consolidate your chart of accounts or the [ePrentise Consolidation](#) page to see the business benefits of consolidating E-Business Suite instances.

Curious?

For more information, please call **ePrentise** at **1.888.943.5363** or visit **www.ePrentise.com**.



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.