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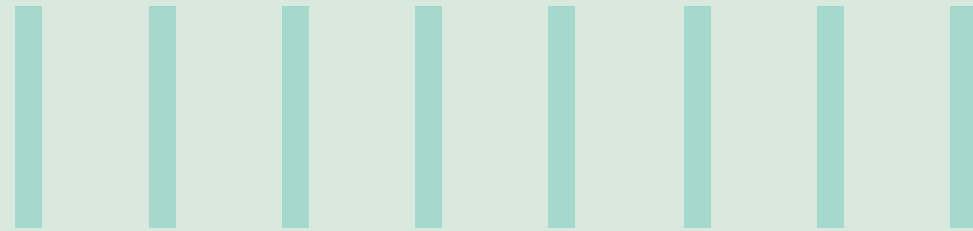# INCREASE ROI ON LEGACY MODERNIZATION THROUGH HYBRID ERP MODELS

A case of Oracle Procurement Cloud

By Infosys Oracle Services, part of Infosys Cobalt

Abstract

Enabling agile and faster business processes is difficult when encumbered by monolithic legacy ERP. Modernization options like lift-and-shift or rip-and-replace have different cost burdens for enterprises. Hybrid ERP models are emerging as a preferred solution for organizations seeking to upgrade and optimize procurement cost-effectively, without business disruption. This paper describes some key features within Oracle Procurement Cloud that supports the hybrid ERP model, in which the Infosys Oracle practice, part of Infosys Cobalt, has in depth expertise. This approach simplifies the transition to flexible ERP models that can scale to meet dynamic business demands.

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Introduction

Every industry is undergoing significant change with the emergence of new technologies and trends that are replacing legacy systems and transforming operational processes. As organizations seek to become leaner and faster, many are considering upgrading their ERP systems.

In today's age, exclusively depending on an on-premises ERP system is not sustainable as business demands change rapidly for both enterprises and their customers. However, simply abandoning the on-premises ERP in favor of a newer cloud-based solution is a high-cost and time-consuming affair that can cause significant business disruption.

Some of the main reasons why businesses do not make a complete switch from on-premises to cloud-based ERP are:

- Steep cost of migration and implementation
- Inefficient processes
- Need for significant change management effort
- Inability of some cloud solutions to offer enterprise-specific functionalities

As most on-premises ERP platforms require significant initial investment, executing a complete overhaul is not viable. Instead, enterprises can focus on reallocating some of the processes to a cloud-based solution. This approach is not only cost-effective but can be implemented quickly and with lesser effort. Such hybrid ERP modernization programs deliver several business benefits with minimal process impact.

What is hybrid ERP?

A hybrid ERP model is a combination of on-premises and cloud applications that efficiently supports two types of business processes, namely, existing ones as well as rapidly evolving, high-impact processes.

Hybrid ERP models present the least amount of risk because the on-premises ERP is the established core that can be trusted to work reliably. Meanwhile, cloud environments help add specific and limited functionalities, one project at a time, to avoid major problems, delays and additional cost. It also gives enterprises much needed scalability when planning future migrations to SaaS platforms.
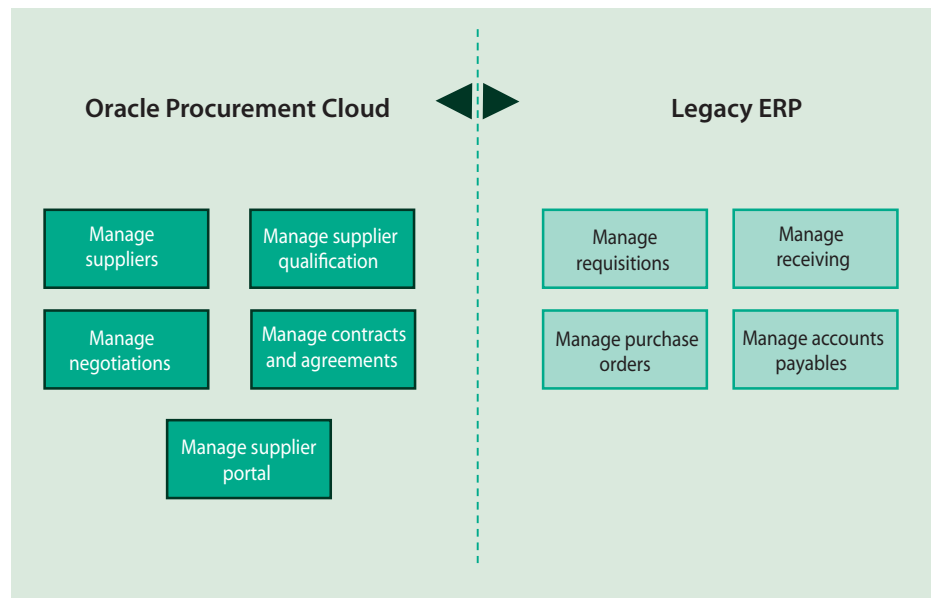

Fig 1: Framework for implementing Oracle Procurement Cloud as hybrid ERP

Oracle Procurement Cloud

Oracle Procurement Cloud is a modern solution for sourcing, procurement and supplier management. Easily integrated with existing ERP systems, it offers key insights and control over supplier qualifications and risk, thereby ensuring uninterrupted operations while improving cost savings, compliant spending and profitability.

Oracle Procurement Cloud is well-suited for enterprises looking to adopt a hybrid ERP model. The following sections describe the approach and best practices of an Oracle Procurement hybrid model as well as some key implementation aspects.

The hybrid procurement implementation with legacy ERP is shown in Fig 1.

In the hybrid model, functionalities like supplier management and qualification, sourcing processes, procurement contracts and agreements, and the supplier portal can be moved to cloud with minimal impact. Core procurement processes like requisitions, purchase orders, receiving and account payables remain in the legacy ERP.

Key modules in Oracle Procurement Cloud for a hybrid ERP model

1. Supplier management and qualification

Oracle Supplier Qualification Management Cloud gives users access to the latest supplier qualification information and helps them determine the status of all assigned qualifications. It also tracks the history of supplier responses so enterprises can monitor changes over time. Qualification approval happens in Oracle Cloud and only the approved suppliers are interfaced with the legacy ERP. All approved changes are also interfaced.

Oracle Supplier Qualification Cloud

Legacy ERP

- Supplier registration
- Create qualification
- Internal questionnaire response
- External questionnaire response
- Review and accept responses
- Qualification response accepted?
  - Yes → Evaluate supplier qualifications → Supplier created as 'spend authorized' → Supplier designated as 'active'
  - No → Cancel qualification?
    - No → (back to External questionnaire response)
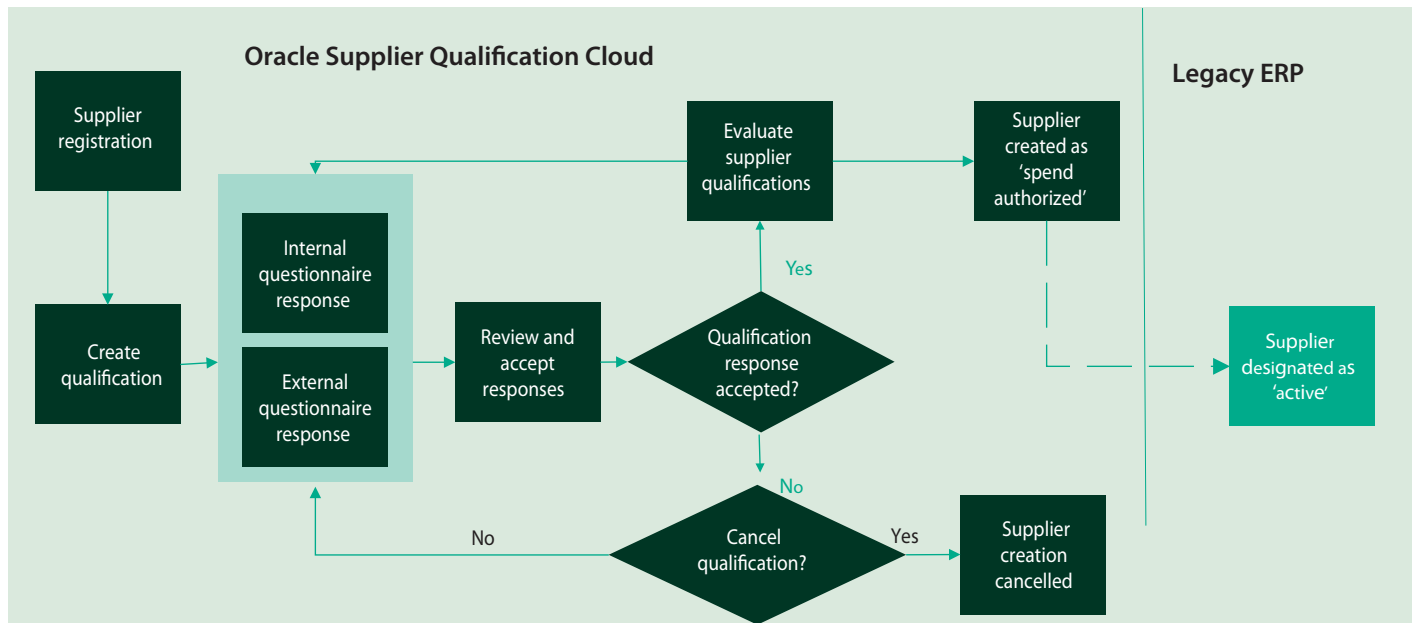   - Yes → Supplier creation cancelled

Fig 2: Supplier qualification workflows in Oracle Supplier Qualification Cloud with Legacy ERP

Supplier registrations can be enabled externally as well as internally. Every registered supplier is designated as a prospective supplier. Prospective suppliers can participate in the sourcing process, but they cannot be awarded orders until approved as 'spend authorized'. The platform provides various pre-built questionnaire templates based on the supplier type and supplier item categories. These can be used to simplify the response and evaluation processes. Depending on the supplier's responses, the registration is either authorized or cancelled. On authorization, the supplier is on-boarded to the legacy ERP as an active supplier. This process of qualification and linking is also used when updating suppliers.

2. Sourcing

Driving sustainable savings is a common goal of procurement organizations. To achieve this, they need better tools to manage an increasing number of complex strategic sourcing initiatives. Oracle Sourcing Cloud delivers the structure, tools and information needed to maximize the value of supplier negotiations. The module 'Sourcing Programs' helps enterprises proactively set business objectives and measure progress across negotiations through embedded analytics and key metrics. As part of the integrated Oracle Procurement Cloud suite, enterprises can negotiate enforceable agreements that comply with policies and deliver sustainable savings.
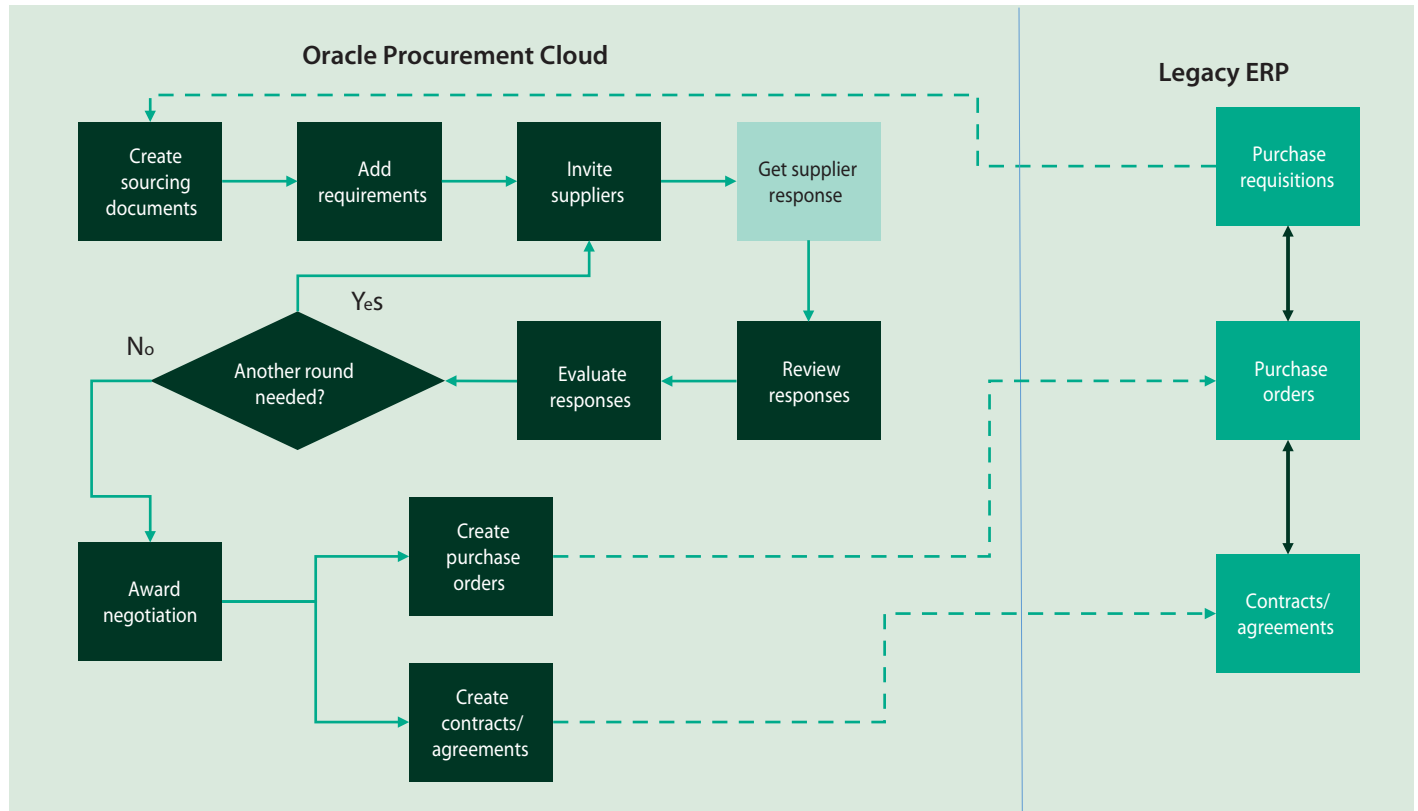

Fig 3: Oracle Sourcing Cloud Flow

Purchase requisitions created in the legacy ERP are linked with the cloud depending on certain conditions:

- No linking occurs if a supplier agreement is already available
- No linking occurs if a supplier is already finalized for the purchase
- Linking occurs if multiple suppliers must be evaluated before choosing a single supplier for the purchase process

Requisitions automatically interface with Oracle Cloud as sourcing documents. These requisitions are not created in the cloud because they cannot provide additional value without functionalities like catalog and smart forms. These capabilities are available through the Oracle Self-Service Procurement solution, which requires an additional license.

When the sourcing document is created in the cloud, additional requirements are listed and suppliers are added. Prospective suppliers can also be included in the sourcing document. A supplier can log into the supplier portal and directly respond to the sourcing document. If the supplier responds through any channel other than the hosted platform, the requester may update the system on behalf of the supplier.

Supplier responses are evaluated based on price and other factors. A sourcing cycle can proceed through multiple rounds and even include an auction, if required. Sourcing cycles can be open or closed depending on the security levels. Each sourcing document has an outcome – either a purchase order or an agreement. Once the sourcing document is evaluated, it is then approved for a particular set of suppliers. Depending on the outcome, the purchasing document is then created in Oracle Cloud and interfaced with the legacy ERP. All further approvals for the purchasing document must be done in the legacy ERP.

3. Procurement Contracts

Oracle Procurement Contracts Cloud helps quickly create quality contracts and reduces risk by leveraging flexible tools as well as enterprise standards and policies to govern use.
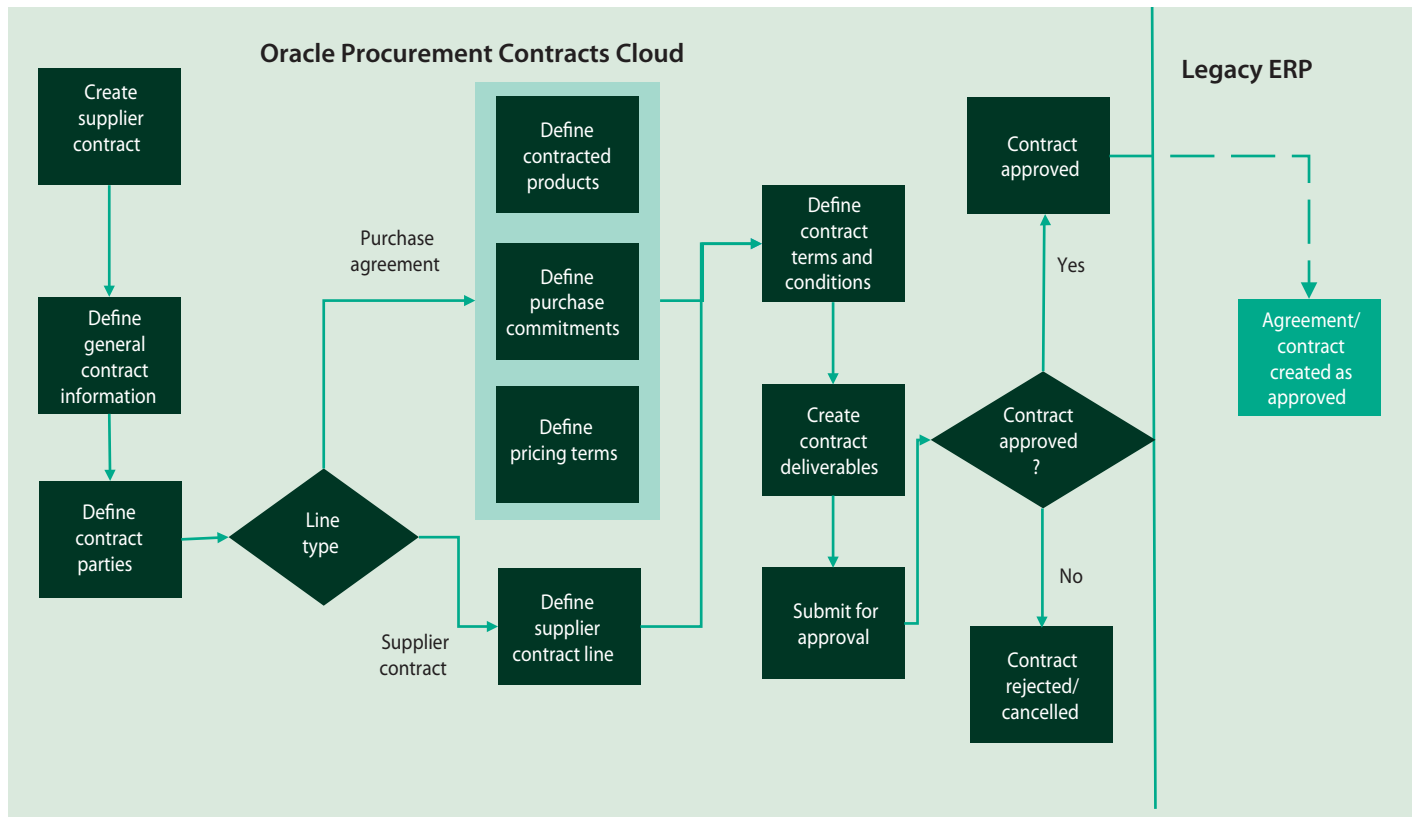

Fig 4: Oracle Procurement Contracts Cloud process

Supplier contracts can be created manually or based on the outcome of a sourcing document. All contracts use a template that includes general information, terms and conditions, and deliverables. Based on the type of contract, i.e., purchase agreement or supplier contract, specific information must be captured. A purchase agreement must include contracted products, purchase commitments and pricing terms. After the terms and deliverables are defined, the contract is submitted for approval and then interfaced with the legacy ERP.

4. Supplier portal

Oracle Supplier Portal Cloud is built to improve supplier performance. It gives suppliers access to a secure and integrated work area that enables full transaction visibility, closed loop collaboration, and electronic invoicing. In this solution, suppliers can only respond to negotiations and supplier qualifications, amend agreements and contracts, and view purchase orders in the supplier portal.

Architecture of Oracle Procurement Cloud

Even as the above modules are implemented in Oracle Procurement Cloud, tasks like catalog and non-catalog based requisitioning, purchase orders, purchase receipts, and account payable invoices are still executed within the legacy ERP.
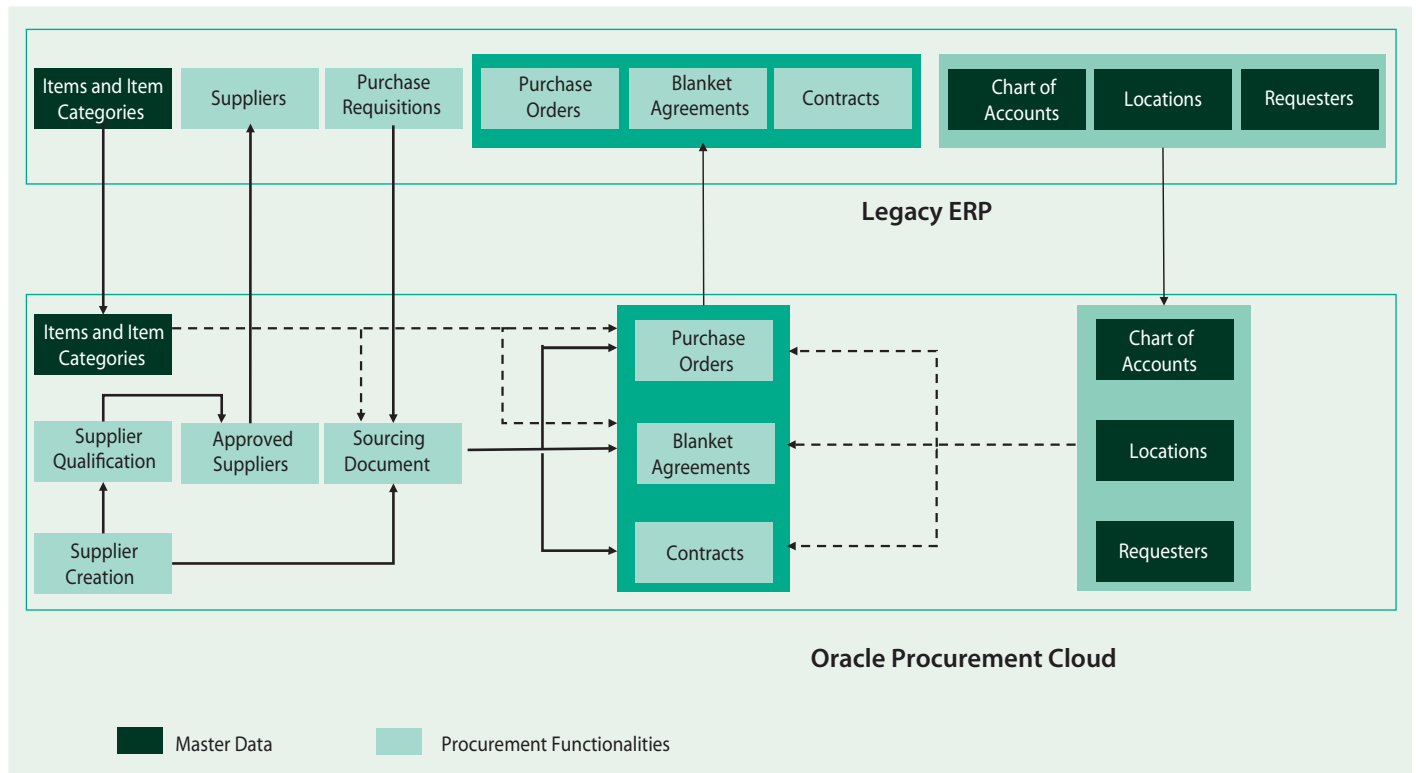
Fig 5: Architecture of the hybrid procurement model

An important facet of Oracle Procurement Cloud implementation is the need for strong integration to ensure that functionalities flow across the ERP. Further, transactions should be created in multiple ERP systems. Thus, master data must be synced between the two systems. This includes syncing:

A. Supplier information

B. Item and item categories

C. Chart of account values

D. Requesters/approvers

E. Locations

All these five elements should also be included as a part of conversion during cutover in order to create a highly synced environment for procurement transactions.

Conclusion

Enterprises looking to upgrade their ERP systems with reduced implementation risk and higher acceptability should consider using a hybrid ERP model that involves a mix of on-premises and cloud ERP. Oracle Procurement Cloud is one such ERP platform that provides supplier qualification and management, sourcing, procurement contracts, and supplier portal. While these modules are hosted, the core procurement processes for requisitioning, purchasing, inventory management, and finance remain in the legacy ERP. Such an implementation has minimal impact on existing business process and requires fewer licenses, thus keeping costs low.
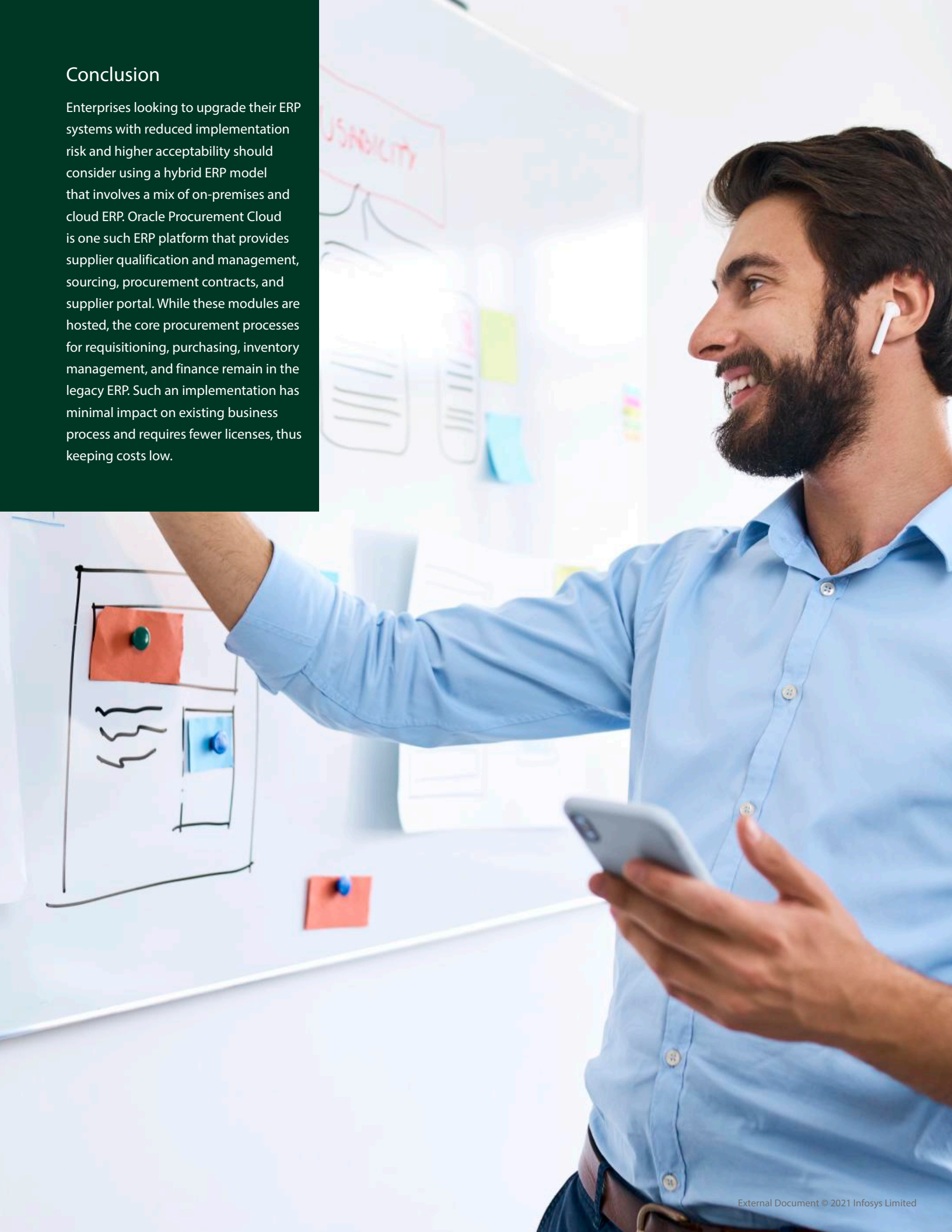
About the Author

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Arijit is a Principal Consultant with Infosys. He has more than 17 years of IT experience in consulting, project management and pre-sales. His expertise includes Oracle Cloud as well as applications for supply chain management and procurement. He has vast implementation experience with global clients in North America, Europe and Asia. Arijit acts as a solution anchor in major RFPs and for hi-tech industry solutions where he develops go-to-market strategies for platform-based solutions. He is also a reviewer of tools and accelerators for Oracle Cloud.

Infosys Cobalt is a set of services, solutions and platforms for enterprises to accelerate their cloud journey. It offers over 14,000 cloud assets, over 200 industry cloud solution blueprints and a thriving community of cloud business and technology practitioners to drive increased business value. With Infosys Cobalt, regulatory and security compliance, along with technical and financial governance comes baked into every solution delivered.

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