



Taming the Dragon

Optimizing Cost Management for Sustainable Business Success

Doug Volz

&

Rachana Haste

PEOPLE POWERING PROGRESS



COST MANAGEMENT SIG



OATUG Members: Connecting. Learning. Saving.

Connect

with Oracle users for answers, resources & assistance

Learn

through conferences, online events and on-demand recordings

Save

time and money by learning from others.

OATUG.org/connect



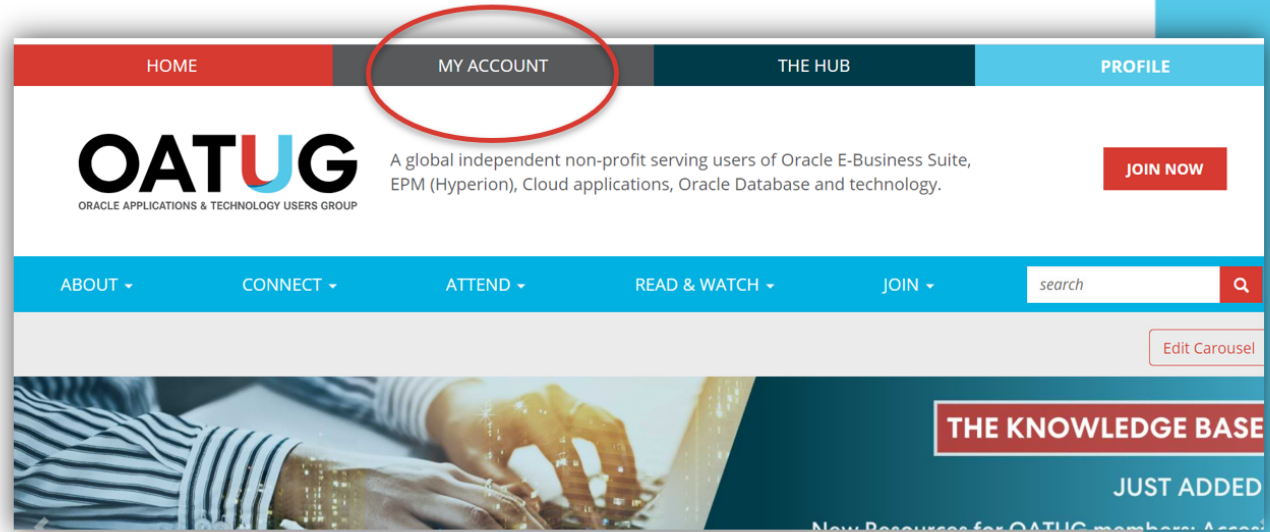
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- Go to My Account > Geos/SIGs
- No account? Create a free profile first.

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- **The Knowledge Base:** Thousands of recordings and presentations
- **The Hub:** Discussion forums connecting you to a global network of Oracle users and professionals
- **Savings:** Save hundreds when registering for OATUG online and in-person conferences and events with members-only discounts



www.oatug.org

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Ascend 2024
in Las Vegas
June 17 - 20, 2024

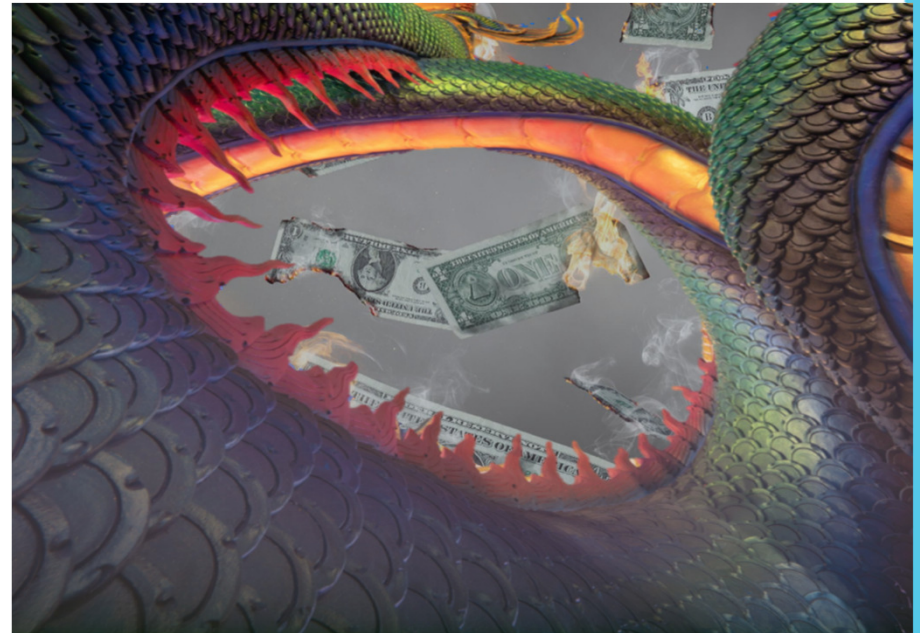
presented by



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Agenda

- Cost Management SIG Introduction & Welcome
- Taming the Dragon
Optimizing Cost Management for Sustainable Business Success



OATUG Cost Management SIG

Who Are We?

- A volunteer group
- 370+ members from 16 countries

Cost Management Related Webinars – Free to Attend

- EBS and Cloud presentations
- Discrete, Process, Periodic Costing
- Help each other do more – business solutions you can use!
- Showcase new products and ideas
- Latest news from Oracle Cost Development and Support
- Up to nine webinars each year
- Typically, the 4th Monday of the month

We do
answer
questions!

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SIG Benefits

– Cost Accounting Solutions

Prior Webinars and Solutions Presented to the Cost Management SIG

- G/L to Inventory Reconciliation
- Interface Errors Report
- Intercompany and Profit in Inventory
- Cost Rollup Analysis
- Margin Analysis
- WIP Variance Analysis
- Period Close Improvements
- A/P Accruals
- Several more, OATUG members may go to the Knowledge Base at:

<https://www.oatug.org/read-watch/knowledge>

Taming the Dragon...



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My connection with the topic

- 20 years in Oracle ethos
- Involved in multiple implementation, upgrade and support projects (Oracle E-Business Suite Costing, Manufacturing, Inventory modules)
- Board positions in Oracle OM/ Pricing and AR SIGs
- Regular speaker at conference sessions

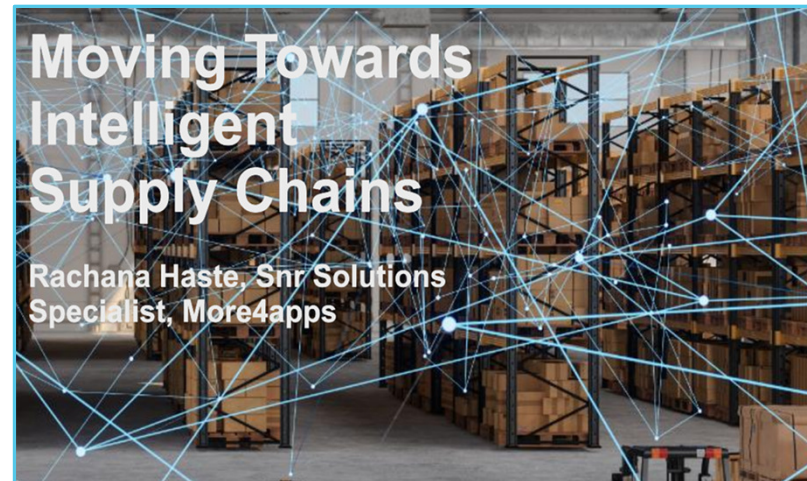


My other OATUG publications



**Coming in this Summer
2023 Issue of Insight**

**Tips to pivot quickly &
Prepare for the next disruption**

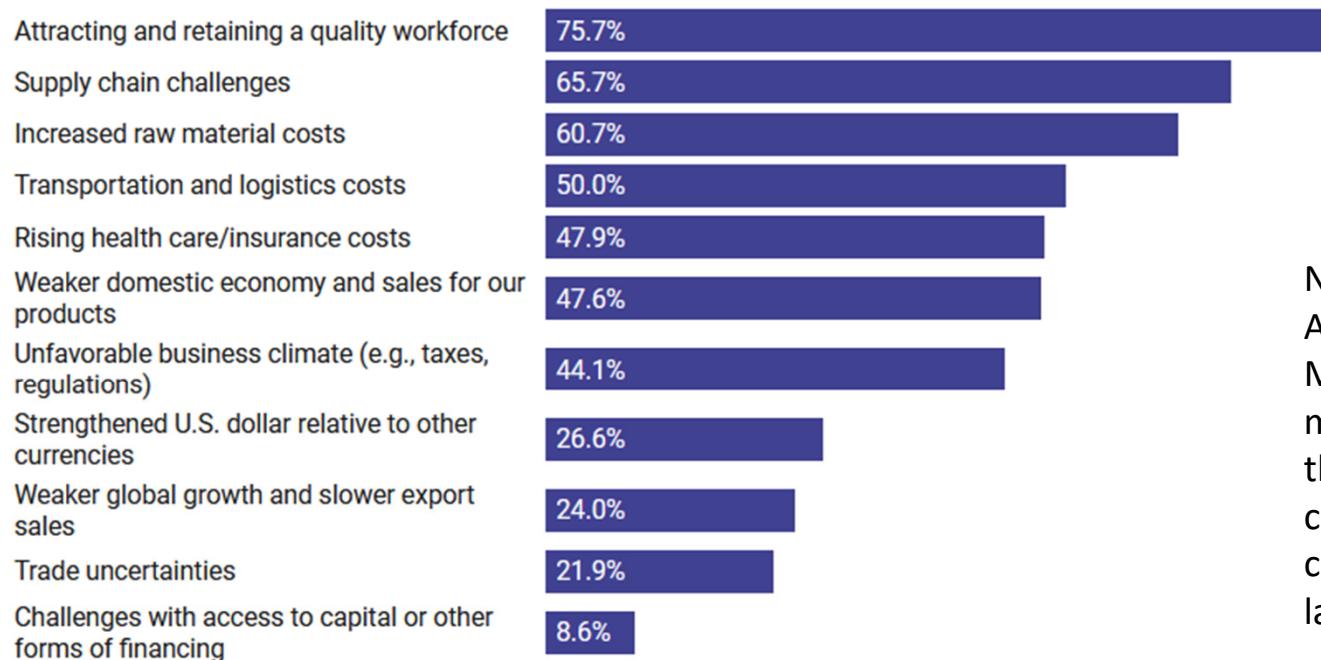


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The High Costs of Poor Costing

- Compaq
- Webvan
- E.F. Hutton & Co.
- DeLorean Motor Co.

Key Supply Chain Issues Confronting Business



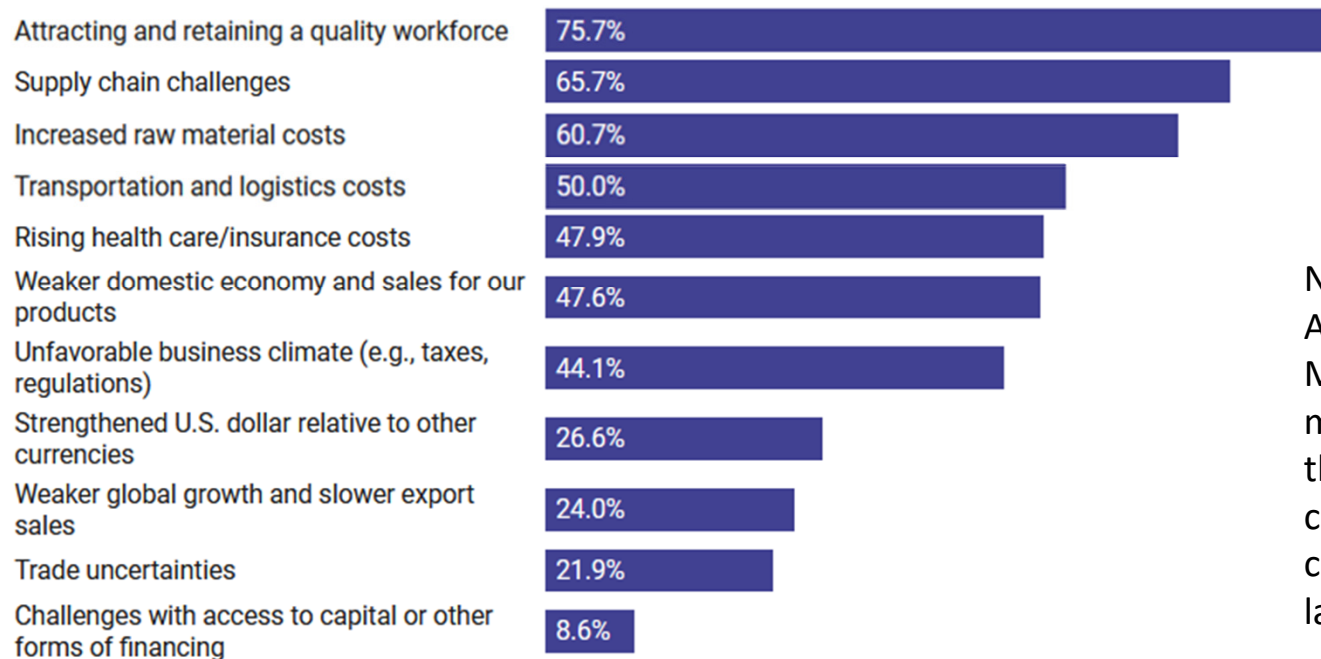
National Association of Manufacturers members ranked their “primary current business challenges” for the last quarter of 2022.

Chart: Kate Magill / Supply Chain Dive • Source: [National Association of Manufacturers](#) • [Get the data](#) • Created with [Datawrapper](#)

<https://www.supplychaindive.com/news/manufacturing-supply-chain-costs-up-2023-outlook/641139/>

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Key Supply Chain Issues Confronting Business – Affect Cost Management



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Key Supply Chain Issues Confronting Business – Affect Cost Management

Attracting and retaining a quality workforce 75.7%



Competition in the job market for:

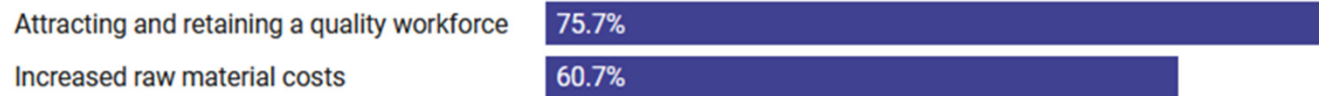
- Production workers
- Engineers
- Middle skill workers
- Entry Level

“One man's wage increase is another man's price increase.” Harold Wilson UK Prime Minister 1971

<https://www.supplychaindive.com/news/manufacturing-supply-chain-costs-up-2023-outlook/641139/>

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Key Supply Chain Issues Confronting Business – Affect Cost Management

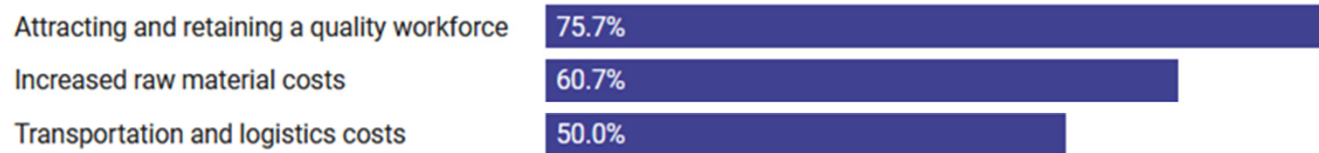


Supply chain disruptions
Inflationary pressures
Geopolitical conflicts
Climate change events

<https://www.supplychaindive.com/news/manufacturing-supply-chain-costs-up-2023-outlook/641139/>

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Key Supply Chain Issues Confronting Business – Affect Cost Management



Reduced container and ocean freight availability
Passing on Increased energy charges
Labor shortages for fleet management

<https://www.supplychaindive.com/news/manufacturing-supply-chain-costs-up-2023-outlook/641139/>

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What can you control?

Resilience against labor, transportation and material cost fluctuations

- Reduce Vulnerabilities/ Building Redundancies
- Improved planning and safety stock & substitutes
- Inflation Effects
- Customer/Supplier Relationships

Strengthen Internal process efficiencies

- Maintenance
- Improved Engineering/Design
- Tight alignment between Commercial & Production Planning
- Understanding of profitability and costs of your products



Mitigation strategies

Procurement

Tighter Review of Supplier Logistics

Improve supplier relationships with Blanket Agreements, ASLs and Sourcing rules

- Fixed pricing – Cost Certainty

- Multiple Vendors – Resilience

Reduce Dark Purchases

- Off catalog (compliance questions)

- Incorrect Items/Products Delivery info

- No real vendor visibility or negotiation capability



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Mitigation Strategies

Product Definition

Correct Item Setup

Description

UOMs

Cross references

Make/Buy Attributes

Lead times

Safety Stock

Bom/Structures

Quantities

Substitutes

Active Items

Rollup Flags



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Mitigation Strategies

Material and Resource Costs

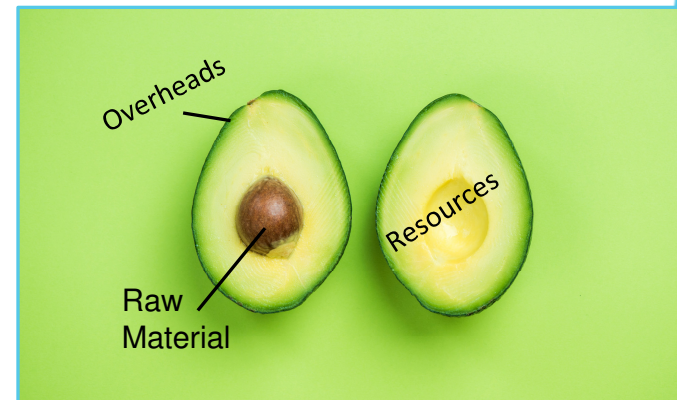
Material Costs reflect the true item costs including:

Raw Material

Overheads

Resources

Rolled Up Child Boms/Structures



Key Costing Issues Confronting Business

Informed business decisions rely on accurate costs

- System costs lagging reality
- Inflation hitting overheads & raw materials
- Labor and Resource Rate changes
- Uncosted Average Costed Items

Difficulty in building up new cost types

- Takes too long to build what-if costing scenarios
- Tackling the Year end to New Year cost update

What is key to improve outcomes?

Data Accuracy

Data Timeliness

Leads to

Process efficiency

Better decision making

End-User Data Challenges

Accuracy

- Item Master Inaccuracies
- Inaccurate Bills/Routings or Formulas/Ingredients
- Material/Purchase Price Variances
- Input Labor/Resource costs
- Item Cost setup - Rolled up, lot size, shrinkage
- Up to date Sub-element setup

End-User Data Challenges

Tight Timelines for

- Item Cost Creation/Updates
- Sub-element Updates
- Rolling up costs with accurate feed data
- New product costs: Uncosted until we receive against a PO (Average Costing)
- Copy, Duplicate Costs across warehouses

How it can be made easy

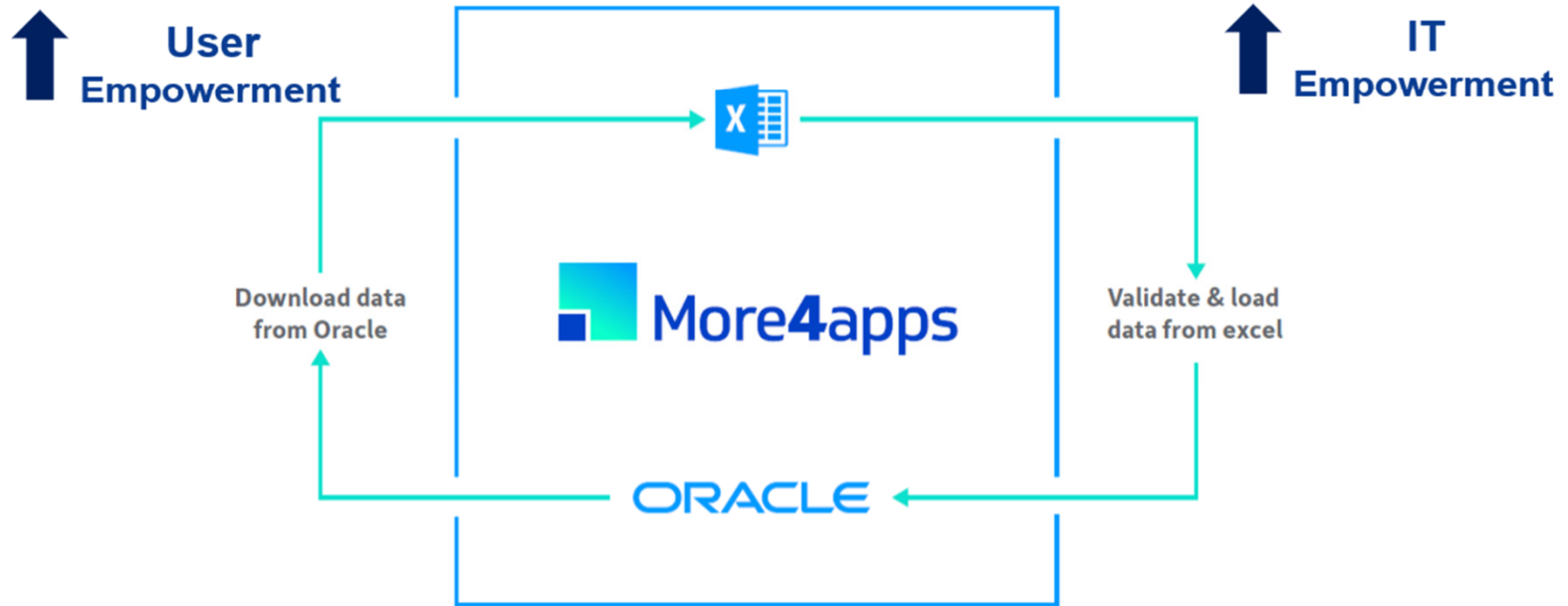
Panasonic Aviation

- Standard Cost updates in 2 hours/month
Instead of 2 weeks work effort every 6 months

Spyglass

- Loading 1000's cost updates at once
Using dataloader, only able to update 120 item costs at a time
- Less than 1 second per item
From 20 secs/item
- Purchase price updates with PO/Rec/Invoice data in one spreadsheet
Used to Reviewing 3 different screens per item

Your Excel → Oracle Interface



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More4apps Costing Solutions

Item Cost Wizard

- Discrete manufacturing
 - Standard Cost Items and subelements creation
 - Standard Cost Item Subelement updates
 - Cost Rollup
 - Item Cost Shrinkage, Rollup changes
 - Discrete Resources Rates
 - Discrete Resource Overheads
 - Discrete Overhead Associations
- Process Manufacturing
 - Standard Costs and Elements
 - Actual Costs and Elements

More4apps Costing Solutions

Material Transaction Wizard

- Discrete manufacturing
 - Average Cost Updates
- Inventory transactions
 - *eg writeoff/writeon stock, stock transfers*

PO Wizard

- Update BPA prices

More4apps Costing Solutions

Price List Wizard

- Update selling prices

Physical Stock Take Loader

Item Wizard

- Category Updates
- Item UOM/Description updates

Wip Loader

- Move Transact and complete jobs

More4apps Costing Solutions

Bom Wizard

- Update Components/Substitutes
- Rollups

Routing Wizard

- Operation and Resource Changes

OPM Loader

- Recipes
- Formulas
- Ingredients

How it helped

- [Item Cost Updates Video](#)
- [Copy Cost and Supply Chain Rollup Video](#)

More4apps – Advanced Validation

[QA 12.2.6 Fripp] Item Cost Elements

Organization Item

Based On Rollup Lot Size MFG Shrinkage

Cost Element Sub Element

Activity Basis

Rate Or Amount Activity Occurrences

Basis Factor Number Of Items

Ok Cancel << Header

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More4apps – Feature Rich Downloading

[QA 12.2.6 Fripp] Download Costing Information

Download From:

Inventory Org: Aggregate by Sub Element

Cost Type:

Uncosted Items Only User Defined Based on Roll Up

Item: ...

To:

Item Status: Make Buy:

Category Set:

Category From: ... To: ...

Cost Element Source Types

Cost Element: User Defined Rolled Up

Sub Element:

Purchase Order Options

Include Last PO Price

Purchase Order: ... Include Items Only on this PO

Invoice Order Options

Include Last Invoice Price (Last 12 months)

[QA 12.2.6 Fripp] Manage Query Sets

Action:

Query Set Name:

Query Set Description:

Queries | Responsibilities

Query Name	Parent Query
Make Buy Rollup Check	Parent

[QA 12.2.6 Fripp] Edit Query

Query Name:

Parent Query:

Query | Key Columns | Lookups | Parse Results | Settings

```
Select * from (/*
-- Copyright 2008-2021 Douglas Volz Consulting, Inc.
-- All rights reserved.
-- Permission to use this code is granted provided the original author is
-- acknowledged. No warranties, express or otherwise is included in this
-- permission.
--
+-----+
--
-- Original Author: Douglas Volz (doug@volzconsulting.com)
-- Program Name: xxx_cost_vs_plan_ctrls_repts.sql
-- Parameters:
-- p_cost_type -- Desired cost type, mandatory
-- p_assignment_set -- The assignment set you wish to report
-- p_item_number -- Specific item number, to get all values enter a
-- null value or blank value
-- p_org_code -- Specific inventory organization you wish to report (optional)
-- p_operating_unit -- Operating_Unit you wish to report, leave blank for all
-- operating units (optional)
-- p_ledger -- general ledger you wish to report, leave blank for all
-- ledgers (optional)
```

More4apps Flexible Template Setup

Set Discrete Standard Costing Fields ✕

Listed below are the fields available to the wizard for upload. These fields can be made mandatory by checking the mandatory box.

Wizard Mode Discrete Standard Costi ▾

Select	Name	Custom Label	Mandatory	Comment
<input checked="" type="checkbox"/>	Upload Result		<input checked="" type="checkbox"/>	Comments Upload Result
<input checked="" type="checkbox"/>	Group ID		<input checked="" type="checkbox"/>	Comments Group ID
<input checked="" type="checkbox"/>	Upload Cost Result		<input checked="" type="checkbox"/>	Comments Upload Cost Result
<input checked="" type="checkbox"/>	Upload Cost Element Result		<input checked="" type="checkbox"/>	Comments Upload Cost Element Result
<input checked="" type="checkbox"/>	Item Cost Interface ID		<input checked="" type="checkbox"/>	Comments Item Cost Interface ID
<input checked="" type="checkbox"/>	Upload Error		<input checked="" type="checkbox"/>	Comments Upload Error
<input checked="" type="checkbox"/>	Inventory Org Code		<input checked="" type="checkbox"/>	Comments Inventory Org Code
<input checked="" type="checkbox"/>	Cost Type		<input checked="" type="checkbox"/>	Comments Cost Type
<input checked="" type="checkbox"/>	Item		<input checked="" type="checkbox"/>	Comments Item
<input checked="" type="checkbox"/>	Item Description		<input type="checkbox"/>	Comments Item Description
<input checked="" type="checkbox"/>	Item UOM		<input type="checkbox"/>	Comments Item UOM
<input checked="" type="checkbox"/>	Cost Rollup		<input type="checkbox"/>	Comments Cost Rollup
<input checked="" type="checkbox"/>	Assignment Set		<input type="checkbox"/>	Comments Assignment Set
<input checked="" type="checkbox"/>	Rollup Option		<input type="checkbox"/>	Comments Rollup Option
<input checked="" type="checkbox"/>	Based On Rollup		<input checked="" type="checkbox"/>	Comments Based On Rollup
<input checked="" type="checkbox"/>	Lot Size		<input type="checkbox"/>	Comments Lot Size

More4apps Cloud Solutions



Procurement

Purchase Orders
Requisitions
Document Builder
(Req to PO)
Suppliers *
Sourcing
Receiving



Projects

Financial Projects
Budgets
Assets and Assignments
Awards
Costs and Adjustments
Resource Assignments
Events
Project Templates
Contracts *
Forecasts #



Finance

Payables Invoices
Receivables Invoices
Assets *
Customers #
Receivables Receipts
Payments
General ledger
Bank Statements



Product Definition

Items
Item Structures
Item Relationships
GTIN Cross Reference
Spoke Systems
Related Items
Trading Partners

** In development*
Pending Oracle API

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Questions?

Rachana Haste

rachana.haste@more4apps.com

Doug Volz

doug@volzconsulting.com