Understanding Oracle Application’s Multi-Org Structure
Multi-Org Overview

Before Multi-Org structure was introduced, each unique Operating Unit or business unit required a separate Oracle instance. One-to-many relationships between Sets of Books, Legal Entities, and Operating Units were not possible within one Oracle installation.

Multi-org architecture is an application server-side enhancement that allows multiple operating units and their relationships to be defined within a single installation of Oracle Applications products. This keeps each operating unit's transaction data separate and secure.

Multi-org structure allows you to logically partition all of your application data in one database. A type of an organization called an Operating Unit secures your application data. It supports multiple organizations of the enterprise structure in a single database. Also, provides secure access to the data of the different organizations in your enterprise. Each application Responsibility is associated with an individual Operating Unit.
Before Multi-Org, each unique Operating Unit required a separate Oracle instance. One-to-many relationships between Sets of Books, Legal Entities, and Operating Units were not possible within one Oracle installation.
Multi Org Overview – contd....

With the introduction of Multi-Org, organizations can define a multi-level hierarchy all within one single installation of Oracle 11i applications.

Diagram:

- Business Group
  - US Set of Books
    - Legal Entity 1
      - Operating Unit 1
        - Inventory Org 1
        - Inventory Org 2
    - Legal Entity 2
      - Operating Unit 2
        - Inventory Org 3
    - Legal Entity 3
      - Operating Unit 3
        - Inventory Org 4
    - Legal Entity 4
      - Operating Unit 4
        - Inventory Org 5
      - Operating Unit 5
        - Inventory Org 6
  - UK Set of Books
    - Legal Entity 3
      - Operating Unit 4
    - Legal Entity 4
      - Operating Unit 5

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Multi-Org structure using one primary set of books and one reporting set of books.


**Definitions of Multi-org related components:**

**Set of Books**

Set of Books is a combination of particular chart of accounts, functional currency, and accounting calendar. Oracle General Ledger secures transaction information (such as journal entries and balances) by set of books. When you use Oracle General Ledger, you choose a responsibility that is specific to a set of books.

**Business Group**

The business group represents the highest level in the organization structure, such as the consolidated enterprise, a major division, or an operation company. The business group secures human resources information. Multiple sets of books can share the same business group if they share the same business group attributes, including HR flexfield structures.

**Legal Entity**

A legal company for which you prepare fiscal or tax reports. You assign tax identifiers and other legal entity information to this type of organization. There are currently only a few features provided for legal entities, such as intrastat movement reports and intercompany invoice generation.
Definitions of Multi-org related components contd…:

Operating Unit

OU is an organization that uses Oracle Cash Management, Order Management and Shipping Execution, Oracle Payables, Oracle Purchasing, and Oracle Receivables. It may be a sales office, a division, or a department. An operating unit is associated with a legal entity. Information is secured by operating unit for these applications. Each user sees information only for their operating unit. To run any of these applications, you choose a responsibility associated with an organization classified as an operating unit.

Inventory Organization

Inventory Organization is an organization for which you track inventory transactions and balances, and/or an organization that manufactures or distributes products. Oracle Inventory, Bills of Material, Engineering, Work in Process, Master Scheduling/MRP, Capacity, and Receiving functions secure information by Inventory Organizations. To run any of these applications, you must choose an organization that has been classified as an inventory organization.

Balancing Entity

Represents an accounting entity for which you prepare financial statements. This is a segment in the Accounting Key Flexfield structure (usually the Company segment) at which all accounting entries must balance. There may be multiple companies within the same structure, and each of these must balance within itself. Each legal entity can have one or more balancing entities.
Definitions of Multi-org related components contd…:

**HR Organization**

HR organizations represent the basic work structure of any enterprise. They usually represent the functional management, or reporting groups that exist within a business group. In addition to these internal organizations, you can define other organizations for tax and government reporting purposes, or for third party payments.

**Project Organization**

Oracle Projects allows you to define organization hierarchies to reflect company’s organizations structure. You can add Oracle Projects–specific organization types to the organization hierarchy to help you to better manage your project control requirements. You assign project and expenditure hierarchies to operating units.

**Asset Organizations**

An asset organization is an organization that allows you to perform asset–related activities for a specific Oracle Assets corporate depreciation book. Oracle Assets uses only organizations designated as asset organizations.
Multi Org Overview – contd….

Multi-Org is an important feature of Oracle Applications for several reasons:

- Allows multiple sets of books and multiple legal entities to be configured to operate in the same instance

- Provides support for data security between business units within a single applications installation

- Permits users to sell and ship products from different legal entities (in different sets of books) with automatic intercompany accounting

- Supports internal requisitions and purchasing/receiving products from different inventory organizations (within the same set of books)

- Enables an enterprise to be housed in one database instance of Oracle, spanning multiple countries, currencies, and legal entities without a reduction in response times (technical architecture-related)
The major components of Multi-Org

- **Business Group**: The consolidated enterprise, a major division, or an operations company. Secures HR data like Organization, Employee. (This is assigned to Legal Entity.)

- **Set of Books**: A set of books is a financial entity comprised of a chart of accounts, calendar, and functional currency. Oracle General Ledger secures information by set of books.

- **Legal Entity**: A Legal entity for which fiscal or tax reports are prepared. Currently just a place holder for future Oracle functionality.

- **Operating Unit**: Tied to a Legal Entity, an operating unit can only reference one set of books and one currency. Most Master Data (Customers, Suppliers, Bank) and transaction data of AP, PO, AR, OM, CM are secured by Operating Unit.

- **Inventory Organization**: An organization that tracks inventory transactions by item. Oracle INV, BOM, Engineering, WIP, Master Scheduling/MRP, Capacity, and Purchasing Receiving all secure data by this type of organization. At least one Master Inventory Org needs to be defined to maintain item information.
**Business Group**

- Highest level in the Multi-Org organization hierarchy.
- The consolidated enterprise, a major division, or an operations company.
- Secures HR data like Organization, Employee.
- Primarily used to segment the HR transactions and setups within a single instance installation by major enterprise groups.
- The employees or organizations defined within the business group drive the list of available employee or organization records that can be accessed by the applications at levels below it in the Multi-Org hierarchy. For example, Purchasing is an operating-unit level application. The list of available employees that can be defined as buyers in the Purchasing module is controlled by the employees that are defined with the Business Group the operating unit rolls-up to.
- Has no accounting impact.
Set of Books (SOB)

- Not directly in the organizational hierarchy, but highest level entity that impacts accounting
- A set of books is associated with a single business group, but multiple sets of books can be associated to a single business group.
- A set of books is a financial entity comprised of a chart of accounts, fiscal year calendar, and a functional currency (3 C’s).
- Oracle General Ledger secures information by set of books.
- The set of books drives which chart of accounts, accounting calendar, and functional currency for all levels in the hierarchy below it.
- The General Ledger (GL) is the primary application that secures financial data and transactions by set of books.
Legal Entity

- A legal entity for which fiscal or tax reports are prepared. Tax identifiers and other relevant information are assigned at this level.
- Legal entities belong to a set of books and also belong to respective business group. One or more legal entities may be associated to a set of books, and multiple legal entities may be associated to a business group.
- Some reports can be printed at Legal Entity level based on configuration.
- There is currently not much functionality at this level. Mainly a placeholder for future use of Oracle Multi-Org.
- There are currently only a few features provided for legal entities, such as intrastat movement reports and intercompany invoice generation.
Operating Unit

- Operating Unit is a level below Legal Entity in the hierarchy.
- One or more operating units may belong to a single legal entity.
- An operating unit can only reference one set of books.
- Master Data (Customers, Suppliers, Bank) and transaction data of AP, PO, AR, OM, CM are secured by Operating Unit.
- OU definition must be shared by all these modules and it would not be possible to determine centralized or decentralized functions.
- An operating unit segments financial transactions by storing them in a sub-ledger. The sub-ledger is transferred to the General Ledger at the set of books level periodically in order to consolidate financial information across business units within the same management/statutory reporting entity.
- A user responsibility is assigned to an operating unit. This restricts users logged-in with the responsibility to view and transact only upon data generated within that operating unit.

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**Inventory Organization**

- An organization tracks inventory transactions by item.
- Oracle Mfg modules like INV, BOM, WIP, MS/MRP, Capacity, and PO Receiving all secure data by Inventory Org.
- An inventory org rolls-up through one operating unit, but can be used in more than one operating unit within the same business group.
- Inventory orgs to be accessed can be controlled as per responsibility by using Organization Access function.
- In addition, the following can be controlled by Inventory Organization:
  - Serial or Lot Number Control
  - Manufacturing Workday Calendar
  - Item Sourcing Rule for Replenishment etc
  - Inventory Costing/Valuation Method
Additional components of Multi-Org (below Inventory org)

- **Master Organization and Child Organization:** Inventory Org’s can be divided into 2 entities: Master Organization and Child Organization. Master Organization is a kind of ‘reference inventory org’ to define items. It is also called Item Master Org. Whereas Child Organization is an inventory org to track actual transaction data occurred in Mfg module like INV, COST, WIP, BOM etc for item assigned from master organization.

- **Subinventory:** Subinventories are unique physical or logical separations of material inventory, such as finished goods or defective material. All material within an organization is held in a subinventory therefore, at least one subinventory is required.

- **Stock Locators:** Stock Locators are used to identify physical areas where you store inventory items. Item quantities can be tracked by locator. Items can also be restricted to specific locators.
Components impacted by the Multi-Org structure

- **Responsibility**: A responsibility lets a user access a specific set of Oracle Applications windows, menus, reports, and data to fulfill their role in the organization. Several users can share the same responsibility, and a single user can have multiple responsibilities.

- **Profile Option**: A set of changeable options that affect the way your applications run. These can be set at site, application, responsibility, and user level.

- **Balancing Entity**: An entity for which you prepare a balance sheet, represented as a balancing segment in your accounting key flexfield.

- **Security Rules**: Security rules limit the values of a Key Flexfield which the user will see.

- **Cost Center**: A segment that indicates functional areas of your business, such as Accounting, Facilities, Shipping, and so on. To make use of Cost Center Segment for dual purpose, for each Revenue and Expense natural account you must define a cost center segment value associated with it. This way, the cost center segment will work as both Profit Center and Cost Center depending on the natural account associated with it.
Multi Org Decision Drivers

Financial Relationships:

- Common denominator: Set of Books
  - Chart of Accounts
  - Calendar
  - Currency
- Financial transactions (i.e., intercompany accounting)
- Financial reporting
- Consolidations

Operational Relationships:

- Common denominator: transactional data
- Operational
  - Transactions (internal requisitions, purchase orders across organizations, invoices, etc...)
  - Reporting (sub-ledger, customer, etc...)
  - Processes (transferring to GL, statements, interfaces, etc...)
Data sharing (across operating units):

- Key flexfields
- Descriptive flexfields
- Supplier header data
- Customer header data
- Banks
- Some of the Configuration / setup data
**Considerations for Multi-Org Structure:**

- **Security:**
  - Data segregation and security by operating unit

- **Configuration:**
  - Operating Unit applications can be configured by operating unit independently
  - Although some configuration setup information is shared, each application must be set up the same number of times as there are operating units
  - Structure is more complex
  - Setup and maintenance increases

- **Functionality:**
  - Multiple operating units or sets of books do not support centralized Entry.
  - Month-end reconciliation at sub-ledger level has to be done at each operating unit to facilitate closing the books.
  - Customer sites are operating unit specific. Therefore, same customer information has to be entered and maintained in several OUs.
  - Vendor sites are operating unit specific. They have to be maintained in several operating units.

- **Reporting:**
  - Reporting security by responsibility can be set at the set of books, legal entity, or operating unit level
  - Most application reporting (except GL) is done at the operating unit level
  - Some reports can be done at the set of books, legal entity, or operating unit level.
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