A Single Version of the Truth – Top 10 Benefits of a Global Consolidation

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Introduction

Two global companies, CARQUEST and Experian, consolidated multiple instances of E-Business Suite to significantly reduce maintenance costs, operate a shared service center, and support growth. CARQUEST used software to automate the consolidation process. Experian used consultants to migrate their data into their R12 instance. This paper details the decisions made on what and how to consolidate and the results that CARQUEST and Experian achieved by improved consolidated reporting, eliminating duplicate efforts, and sharing real-time information.

This session describes how the companies planned for a global consolidation, how they got buy-in for the projects from the business, what decisions they needed to make, and the impact those decisions had on the business and on the project. CARQUEST and Experian explain some of the businesses reasons behind the consolidation project and the top 10 benefits to the business and IT of consolidating. They evaluate critical success factors and assess the consolidated systems' effectiveness.

Oracle E-Business Suite Trends

EBS users whose implementations may have once improved their businesses' processes and efficiency significantly now face aging systems that are no longer aligned with how they do business. Whether because businesses expanded or contracted organically or through mergers and acquisitions, because of new regulatory requirements such SOX or IFRS, or because of an economy that exacerbates competition for the few remaining customers, whatever the reason, changes in business changed EBS requirements. These days EBS customers, ISV's and consultants all discuss the same trends: consolidate to support migration to a shared services center or a centralized data center; resolve duplicates and standardize data to improve data quality; merge all configurations, master, and transaction data to create a single source of truth; reorganize entities, sets of books, and operating units to align EBS with the current business environment; reduce operating and maintenance costs to improve the bottom line; create a single source of truth to improve business processes or business intelligence; and enable revenue optimization whenever and wherever possible to improve the top line.

Why Consolidate Instances

Operating in a global economy changes the way companies must do business, and very often, the technology of many corporations has not kept pace. For example, many organizations operate disparate instances of their E-Business Suite scattered around the world. Multiple general ledgers, employee records, and system interfaces in these systems constitute barriers to compliance and are often a barrier to growth.

Globalization has fundamentally changed the way businesses operate and added a whole new level of complexity for companies who have inconsistent business processes and a patch work of systems that inhibit efficiency, increase risk, and fail to provide enterprise visibility into measures and results.

Despite the expected costs, human capital, and amount of time spent on the project, by consolidating EBS instances organizations reduce the costs of the hardware, maintenance and license fees poured into their EBS infrastructures. They can reduce the number of people required to support multiple systems and migrate to a shared service center or a centralized data center. A single instance leads to consistent data, streamlined processing, and the ability to

leverage markets and suppliers of other parts of the business. Consolidation improves an organization's agility and allows it to embrace new initiatives while providing better customer service and improving global operations.

CARQUEST and Experian recognized that in order to achieve economies of scale, increase process efficiencies, and have better access to their data, they would need to standardize on a single, global instance. In order to have visibility into their operations, data and business processes had to be consistent. They had to put in controls on accounting policies and procedures in order to operate a centralized shared services center, comply with different statutory and regulatory requirements, and report on their data accurately across the enterprise.

CARQUEST and Experian chose slightly different paths for their consolidation projects. In charting their courses, each made choices that best fit organizational imperatives and that maximized the benefits in relation to the time and resources that could be invested.

A Snapshot of the Two Firms

Experian and CARQUEST, both large companies with complex markets and business practices, consolidated instances to improve overall business performance. CARQUEST Auto Parts is the premier supplier of replacement products, accessories, supplies, and equipment for virtually all makes of automobiles, as well as light and heavy-duty trucks, off-road equipment, buses, recreational vehicles, and agricultural equipment. It services the automotive aftermarket, worth more than $250 billion and growing annually. Privately owned, CARQUEST has 16,000 employees in over 3,400 locations and has been in business over 43 years. Its stores are corporately or privately owned and operated with deep roots in their local communities. The Canadian business accounts for about 10% of its revenue. CARQUEST runs GL, AP, AR, FA, PO, HR, and Payroll modules in EBS 11i.

After more than half a decade running separate US and Canadian instances of Oracle E-Business Suite 11i, CARQUEST's executive team prepared for the next big EBS initiative – Consolidating the Canadian instance into the US instance. A high priority, in concept, since at least 2004, consolidating would eliminate the IT costs of managing multiple instances while improving the quality of information for business users by providing them with a single source of truth.

Experian, a $3.821 billion global information services company, provides data, analytical tools, and marketing services to organizations and consumers to help manage risk and reward of financial decisions. It has clients in more than 65 countries and 15,000 employees in 40 countries. It is listed on the London Stock Exchange and is included in the FTSE index. Experian runs all of the Financial and HR modules in EBS R12.

After its spinoff from TRW in the mid 90s, Experian grew both organically and through a steady stream of M&A activity that included direct marketing and e-mail marketing firms. By 2001 Experian focused on four main product lines: risk management, fraud prevention, collections and authentication, and marketing. International businesses made up 35% of its revenue, the rest coming from North America. Back at corporate headquarters in the United Kingdom, Experian had two-thirds of the market share of consumer credit reporting and was tied with Dun and Bradstreet for business credit reporting.

CARQUEST Business Drivers

CARQUEST recognized that regional production instances were an obstacle to business improvements. It made very little sense for the revenue generated by Canada, about 10% of total revenue, to be burdened by the cost structure of supporting an entire EBS instance. Different functional areas made their own business cases for consolidating. In 2004, IT's business case estimated that consolidation would reduce expenditure on hardware and IT personnel

because there would be fewer servers, fewer databases, and less storage to manage. IT would be able to maintain consistent support on the remaining production, project, test, backup, and disaster recovery instances by eliminating redundant instances (both the US and Canadian enterprise-class data centers operated a production instance, a test instance, a development instance, and a project instance in addition to the backup and DR instances). A deliberate over-allocation of hardware resources to accommodate sporadic peaks in CPU and RAM usage coupled with the fact that each EBS instance resided on a separate server exacerbated the cost of maintaining multiple instances. So much overhead necessary to manage any planned new integrations such as Demantra would require additional site-specific IT and Technical Services staff.

Consolidating would eliminate duplicate integrations and interfaces and reduce testing during patches and upgrades. According to Liz Babinsack, IT Director - Portal & EDI Services / HRMS, "IT wanted to consolidate because of the reduced hardware footprint, reduced maintenance and support across all areas, but it wasn't until the stakeholders saw a direct business benefit that we received approval."

In 2009, the Canada instance finally became a real obstacle to rolling out business functionality that was viewed by top management as necessary for revenue enhancement and overall cost reductions, above and beyond IT cost reductions. For US and Canadian HR and Accounting teams, consolidation would facilitate efficient and effective decision making with timely and reliable fact-based information, provide a single version of the truth and a single system of record, and enable access to real-time information at a consolidated level. CARQUEST would be able to establish a centralized shared services organization for maintenance and setup with centralized processing handled by Financial Systems, Accounts Receivable, and Accounting.

For the Finance and HR functions, CARQUEST expected that with only one instance to log into for access to all of the data they needed, Finance and HR teams would benefit from staffing efficiencies. They would derive information and produce reports from a single instance, providing them with a single source of truth. Access to all of the information about a single customer, from contact information to credit limits and buying history, would improve customer service. A consolidated instance would simplify the preparation of consolidated financial reports and create consistency in data and business processes.

Whereas the cost of installing and maintaining Demantra separately on the Canadian instance prior to consolidation was unjustifiable, after consolidating the instances, Canada could use Demantra without incurring the costs of separate licenses, servers, and IT staff. Purchasers would be able to leverage information on a global supply chain rather than on a regional basis, improving terms for consolidated purchase orders.

For IT the benefits of consolidation remained unchanged: reduced maintenance, storage, backups, DR, licenses, updates, and patch applications. Because historical data would be consolidated, there would be no need to maintain a separate sunset instance. Overall, license and support fees would drop and teams would reduce their reliance on error-prone spreadsheets to share information.

Experian Business Drivers

Experian identified the natural, operational savings that would come from eliminating two of their three distinct EBS instances. Experian was carrying significant overhead expenses for managing the redundant hardware and software ecosystems supporting each instance. The company expected to eliminate duplicate hardware and software licenses and redundancies on the support team. Migrating to a single instance would reduce the costs of keeping systems upgraded and supported.

The three separate instances prevented Experian from establishing a shared service center and adopting standard business processes. A single global instance provided the opportunity for operating a shared service center and a centralized data center, further reducing labor costs.

Although hard costs savings were driving the decision, the soft benefit of enabling a common warehouse of data in the future contributed to the decision. A single data warehouse would enable customer analysis, cross selling, up selling, taking market share from competitors, and knowing when to buy into or expand into new markets or countries. In short, Experian viewed the implementation of a data warehouse as a competitive advantage and growth

strategy.

Building a revenue optimization business case was more difficult. Experian expected to optimize revenue from its global customer base, many of whom also operate in a global market with their customers spanning many regions. Experian believed their global brand supported standard global service products and would be welcomed in their various markets. This would lead to standard enterprise-wide data and better business intelligence ultimately resulting in an optimized revenue stream. Consolidating instances would facilitate Experian's plan to adopt a single global COA to record transactions seamlessly among all parts of the organization and to conduct their international business transparently, further optimizing revenues.

Experian created a roadmap for the globalization project, code named Gemstone. The challenge for the Gemstone team was to get to a single global EBS instance without stopping growth and global expansion. Gemstone's roadmap included: work to be done on the application and data, a project code named Diamond; creating a global reporting environment, a project code named Ruby; and creating shared services centers using standard global business process, code named Sapphire.

The need to upgrade to R12 dictated Experian's approach to the Diamond program and included four distinct steps. First, Experian created a very small EBS instance that housed the data for Spain and Hong Kong that they referred to as the "seed" Unify 11i instance. Next they upgraded Unify to R12. They continued the implementation of countries into Unify and finally converged the older UK and US 11i instances into Unify R12.
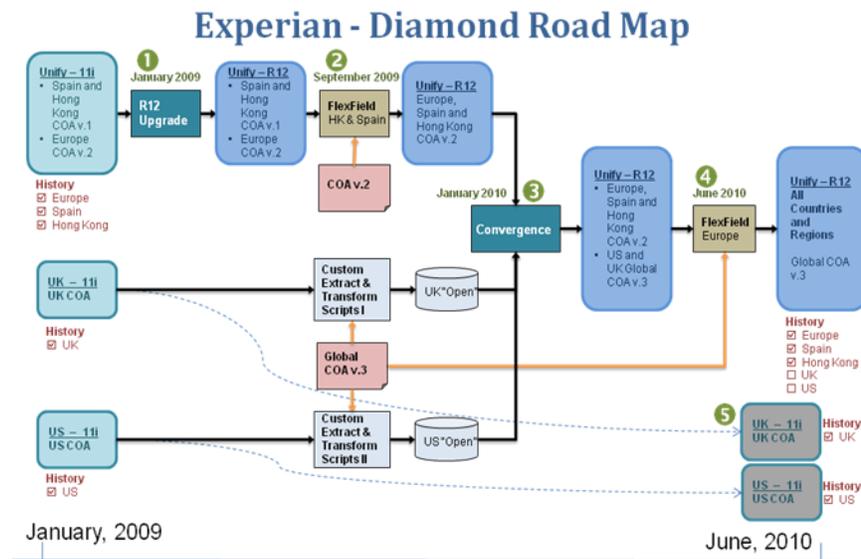
During the course of the consolidation project, Experian discovered that the Unify Chart of Accounts was not adequate. A cross-functional team worked on changes to the COA and included business users who represented the different instances and different COAs. This newly minted COA was adopted in the "seed" Unify instance and propagated to other users as their instances were merged into Unify. Experian is maintaining the US and UK instances as read-only sunset instances so that they have access to their history.

CARQUEST Alternatives
CARQUEST considered three alternatives: make no changes, re-implement, or use eprentise Consolidation software to consolidate the instances. If they made no changes, CARQUEST would keep the US and Canada instances separate and continue to maintain and support both. Re-implementation would result in a fresh installation of EBS. Using eprentise Consolidation software they would merge the Canada environment into the existing US instance including all historical Canadian data.

	Use Software to Consolidate	Reimplement	Keep Separate Instances
Pros	• Software • Reusable • A fraction of the cost of reimplementing • Staged rollout • Shorter duration • Industry expert • Reduces Risk • Brings over all history • Accurate, consistent results (no need to worry about different coding styles, standards, skill levels, corrupting database, differences in different versions) • Generates code automatically without technical knowledge	• Industry standard procedure • Recommended by Oracle Consulting	• No initial investment required
Cons	• Early Adopter Stage	• Expensive • Complex, multi-year effort • Limited carry-over of historical data • Standards, data quality, consistency not enforced • Requires data conversion • Human capital requirements are large • Extensive setup time	• Supply Chain / Demantra – requires duplicate installations and integration. • Not able to take advantage of: • Instant Access • ePresentment, eInvoice and ePayment • Trintech / Cash Management • No single source of truth • High cost of ongoing maintenance • Maintain multiple environments for development, testing, DR
Benefits	• Results in a single, consolidated instance • Benefits IT organization as well as operational and business side of business • Minimizes maintenance and increases data quality – establishes a single source of truth • Enables CARQUEST to rationalize suppliers • Resolves inconsistencies (different HR configurations, duplicate suppliers, sequences, organization units)	• Opportunity to reconfigure and streamline existing processes • Opportunity to streamline existing data	• Users are familiar with the current state of IT

CARQUEST considered the pros, cons, and benefits of all three options. Keeping separate instances and doing nothing required no initial investment or training since all users were already familiar with the current state. But improving supply chain management or installing Demantra would require duplicate installations, integrations, and maintenance. They would not be able to take advantage of any of the R12 features: Instant Access, ePresentment, einvoice and ePayment, or Trintech Cash Management. They would not be able to leverage any of the benefits of having their data in a single place, providing business users with a single source of truth. Their maintenance costs would remain high and they would have to continue to support and maintain duplicate environments for development, testing, and DR.
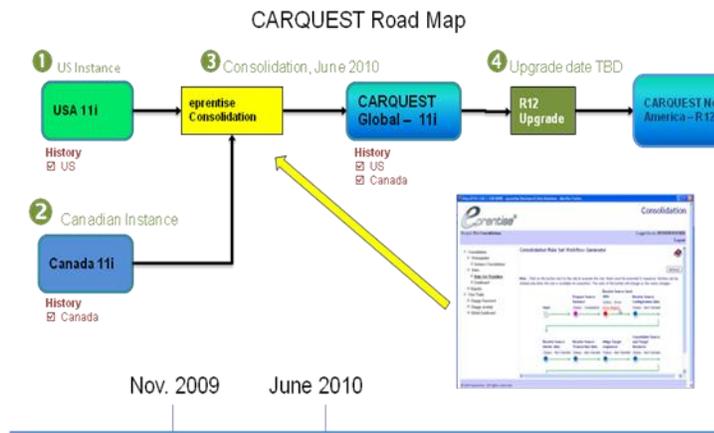

Reimplementing, recommended by Oracle Consulting and considered an industry standard procedure, would give CARQUEST the opportunity to reconfigure and streamline existing processes and data. But reimplementing carried a very high price tag. The complex, multi-year effort would require significant human capital. Not all historical data would be carried over, creating the need for a sunset instance. Standards, data quality, and consistency would not be enforced and the project required data conversion and extensive setup time.

Even though the software CARQUEST considered was in the early adopter stage, licenses would amount to a fraction of the cost of reimplementing. The project would take much less time, and all of the history would be carried over. The software enforced standards, data quality, and consistency, was reusable, and permitted a staged rollout. The software would create a single source of truth in a single consolidated instance that included all historical data, benefiting both IT and business users. The software would resolve inconsistence in different HR configurations, sequences, and organization units. Resolving duplicate suppliers would enable CARQUEST to improve terms and better leverage its entire supply chain. CARQUEST expected to reduce overall project risks by not using consultants writing custom scripts to extract, transform, and load data over a long period of time to manually consolidate instances.

Different Approaches

CARQUEST and Experian both decided to consolidate instances, taking fundamentally different approaches. CARQUEST used software to make changes in its 11i instance and planned to later upgrade to R12. Experian started with smaller "seed" 11i instance for Spain and Hong Kong, upgraded that to R12, and then manually migrated the remaining Europe, UK, and US instances into the R12 instance by extracting, transforming, and loading data.

CARQUEST planned to begin the project in November 2009 and go live by May 2010. The 6-month timeframe included time for thorough testing. In February 2010 they consolidated instances and began their first round of testing, simplified by the fact that they tested in a well known environment.
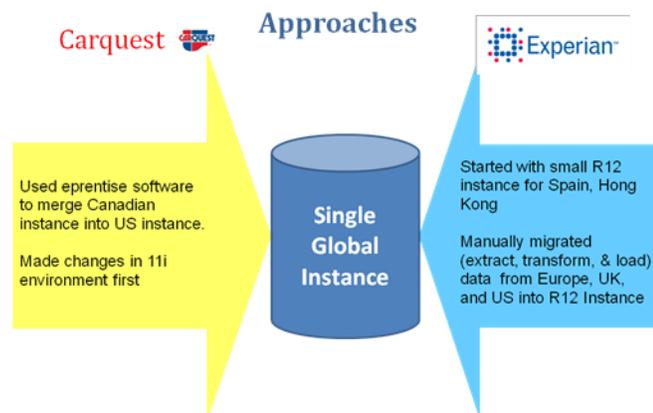
Experian's project plan spanned 1.5 years, but included the upgrade to R12. All of the instances that were consolidated required custom scripts to extract and transform the data before it was loaded into the R12 environments. Even after Experian consolidates the two sunset 11i instances that contain historical data, they will remain as read-only and require maintenance and support for the foreseeable future.

Planning for Consolidation

Both CARQUEST and Experian planned for various RICE activities related to each of their projects including data warehouse integration, reporting requirements, Oracle Financial Analyzer (OFA) impact, how they would handle any interfaces to and from third party systems, and tax requirements. Their project plans addressed new R12 functionality.

Top 10 Benefits of Consolidation

1. Dramatically reduced operational costs
2. Standardized business processes
3. Increased supplier leverage
4. Easier consolidated financial reporting
5. Single source of truth
6. Decreased IT footprint
7. Easy to access accurate, real-time data
8. Ability for global operations
9. Reduced training
10. Agility for new technologies (R12 functionality), new business initiatives (mergers, divestitures)

To ensure the consolidation projects' successful completion and because changes would impact a wide variety of cross-functional business users and IT teams, both project teams were assigned executive level project sponsors for high-level oversight. Project managers led the teams which included DBAs, testers from both the IT side and business side, technical resources for interfaces, customizations, reports, and integration of any non-EBS modules. IT staff was needed for standard EBS support and maintenance, such as clones, backups, access, and security. In addition, Experian required additional resources from various business functional areas for setup and other decisions, as well as technical teams to create extract, transform, and load scripts. Together this added a significant number of FTE's to the project team. CARQUEST, by using software, did not need any resources to extract, transform, and load their data into the US instance.

Results

CARQUEST completed its first test consolidation in February, and finding no issues, is scheduled to go into production in June 2010, a little over 6 months from the start of the project as originally planned. The consolidation will include retaining all of their historical data. In the end they will be managing and supporting a single environment with no sunset instance to maintain.

Experian, choosing to migrate their data into their R12 environment, spent a significant portion of its project timeline on adapting their data to fit into the Unify instance. Experian's Spain, Hong Kong, and Europe maintained all their history in R12, but the US and UK instances, after migrating to Unify, will only include 1-2 years of historical data, and for some modules, only balances. They will maintain the older historical data on a sunset, read-only 11i instance. As with CARQUEST, all interfaces, RICE objects, and customizations will need to be redone.

Both companies expect many of the same benefits from their consolidation projects.[1] They will dramatically reduce their operational costs for both business users and IT teams. They will standardize businesses processes, eliminating redundant or off-line steps. By consolidating supplier data they will be able to leverage new information to negotiate better terms. They will improve the quality and speed of preparing consolidated period-end financial reporting with a single source for financial data. Business users across the board, from purchasing to marketing and general accounting, will have easier access to real time data and a single source of truth. Eliminating instances will dramatically decreases the IT footprint and, consequently, IT support and maintenance costs. Both companies

recognized that consolidation would improve their ability to expand their global operations. Consolidation will reduce the hidden costs of training, IT management and support, and for functional areas to use the systems. And perhaps most importantly both companies will be better positioned to take advantage of new technologies such as the functionality in R12, or address external threats and opportunities and strategic business initiatives, such as mergers or divestitures.

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[1] A summary of lessons learned and critical success factors is available on www.eprentise.com.