

# Tips for Reducing the Total Cost of Ownership of Oracle® E-Business Suite

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# Learning Objectives

After completion of this program you will be able to:

- **Objective 1:** List how multiple instances contribute to high TCO and put ROI and business agility at risk.
- **Objective 2:** Identify the differences between a technical consolidation and a business consolidation.
- **Objective 3:** Identify ways an agile, single-instance global enterprise can leverage the features of Release 12.

# Agenda

- Introduction
- Factors that Contribute to The Total Cost of Ownership of Oracle E-Business Suite
- Reducing the Total Cost of Ownership of EBS
  - Leveraging the Features of R12 to Reduce Costs
  - Reducing TCO by Changing or Remodeling your Business

# Introduction

- eprentise
  - Established in 2006
  - Transformation software for E-Business Suite
  - Helene Abrams, CEO
- Who we serve
  - Large and middle-market US-based and international customers from both private and public sectors
- What we do
  - Provide software that assists companies looking to upgrade to R12, particularly companies that need to re-structure their business to change configurations, consolidate instances, separate data, or address other significant organizational changes they have experienced since originally implementing EBS.

# What is Total Cost of Ownership (TCO)

- Infrastructure costs to support an application
  - Hardware, software licenses
- Initial implementation costs
- Ongoing support and maintenance
- Operational costs associated with how the application is deployed

# 4 Major Factors that Contribute to TCO

Problem	Results in
Multiple Instances	<ul style="list-style-type: none"><li>• Infrastructure costs</li><li>• Resources</li><li>• Customizations, interfaces, application integration</li><li>• Support, maintenance, upgrades</li></ul>
Data Quality	<ul style="list-style-type: none"><li>• Ongoing transformations for analytics</li><li>• Customer, supplier, employee inconsistencies</li><li>• Governance</li></ul>
Multiple Charts of Accounts	<ul style="list-style-type: none"><li>• Complexity to reconcile</li><li>• Statutory and regulatory compliance</li><li>• Long close cycle</li></ul>
Lack of Common Business Processes	<ul style="list-style-type: none"><li>• Training</li><li>• Lack of visibility</li><li>• Redundant processes</li></ul>

# Focus on Value

- Eliminate redundant processes and data
- Link initiatives to enterprise value (not IT performance)
  - Customer retention
  - Growth in market share
  - Increase in margins
- Can the same people be doing work that adds value?

# How Multiple Instances Contribute To High TCO and Put ROI and Business Agility At Risk

## Single Instance Strategy

- Should be driven by business value, not IT cost savings
- Set of common business processes
- Common data structures
- Centralized support organization



# Technical Consolidation vs. Business Consolidation

- Technical consolidation moves the database to the same server
  - Saves on physical infrastructure costs
  - Performed by IT, business usually not involved
- Business consolidation reconciles the differences among different E-Business Suite applications
  - Consistent business processes, data standards, and configuration
  - Adds value to the business

# Migration vs Technical Consolidation

Traditional Migration Approach		ePrentise Consolidation Approach	
Pros	Cons	Pros	Cons
Common approach, often recommended by consulting organizations	No standard extract/transform scripts. Very similar to a custom development project requiring a more formal development and testing methodology including documentation, error handling, and development standards.	Shorter project duration with fewer resources translates to lower costs. Project can easily be completed in less than 8 months and generally for well under a million dollars in labor. That means that the savings of a single instance are available sooner.	Not widely understood among Oracle professionals. Customer needs strong “Early Adopter” sponsor.
No need to upgrade Current 11i to New R12 due to straight data migration into an R12 instance.	More risk in extract, transform, and load (ETL) that will not be supported by Oracle.	Only testing that is required is functional testing	Need to upgrade Current 11i to New R12, so cutover will be done in stages. May need to have interim production of New R12 prior to consolidation into Global R12.
	Requires technical knowledge of all tables and usage in the E-Business Suite.	Repeatable results, reusable as requirements change. As requirements change, only need to add/change rules, a step that is usually done by a functional user on a specially designed user interface in the software In a very short time.	

# Migration vs Technical Consolidation, Continued

Traditional Migration Approach		ePrentise Consolidation Approach	
Pros	Cons	Pros	Cons
	APIs do not exist for all tables. There is a risk of compromising the data integrity by extracting and loading data incorrectly. Oracle Support not available.	All data integrity is maintained because the code is automatically generated.	
	History is generally not converted. Generally a sunset instance is required for reporting, reconciliation, business intelligence, and audits. Every time the sunset instance is accessed, data must be transformed to align with the R12 instance.	All history is converted so there is no need to maintain a sunset instance for reporting, reconciliation, etc. All the data is complete and consistent and available in a single instance.	
	Need to configure target instance	No need to configure target instance	
	Scripts are written for the current state of the data. Any changes require re-writing of the scripts.	Full documentation of existing instance including comparison of instances from Metadata Analysis	
	12-18 months duration	4-8 months duration	
	Need to maintain multiple production instances and consistent patch application, addition of master data for all instances.	Consolidation of entire instance occurs in a weekend so no need to maintain separate instances for reports, business intelligence, open items.	

# Added Value of Business Consolidation

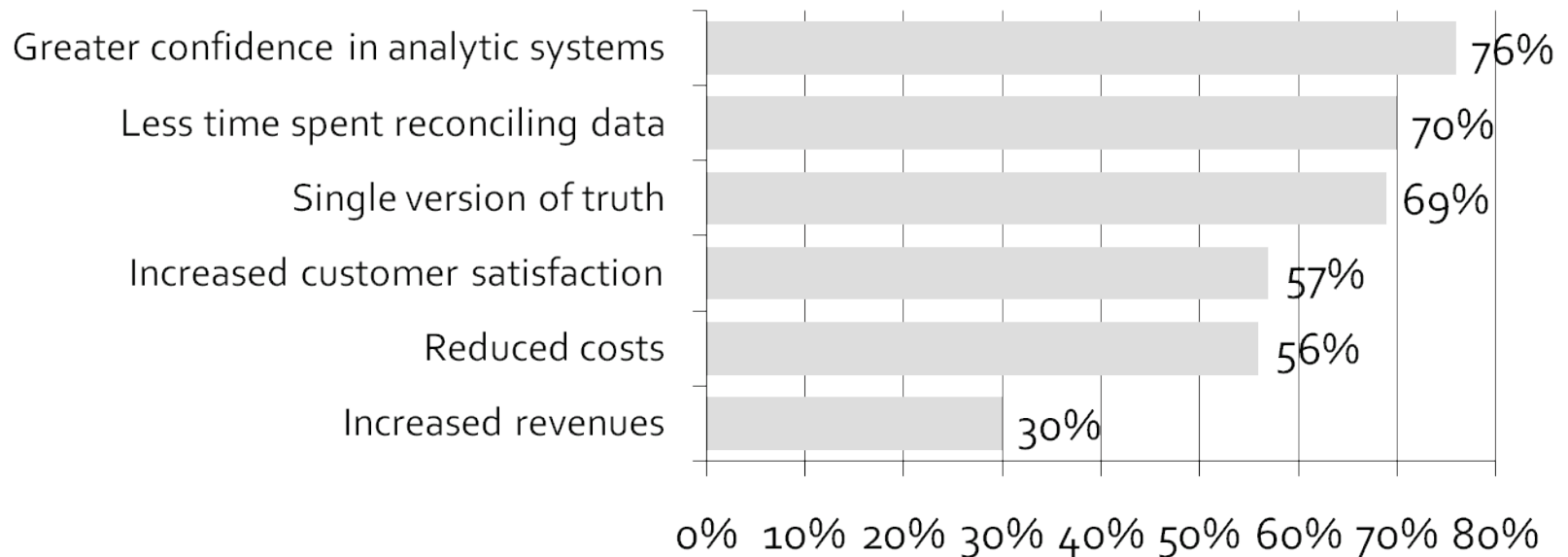
- *Studies often cite a 20% to 45% savings in moves toward consolidation. The reduction in IT personnel, hardware, and software costs (i.e., license, maintenance, and support) is obvious. However, these factors may be less significant than the exponential leap in days-sales outstanding (DSO) reductions, inventory reductions, quicker financial close, and other metrics of corporate performance.*
- *Nearly two-thirds of all mergers fail to realize their value because of an inability to integrate and/or consolidate...Successful execution is the difference between creating shareholder value and destroying investment.*  
- Forrester Analyst Ray Wang, 2005

“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 finally received approval.”

- Automotive Supplier

# Reducing Costs: Data Quality

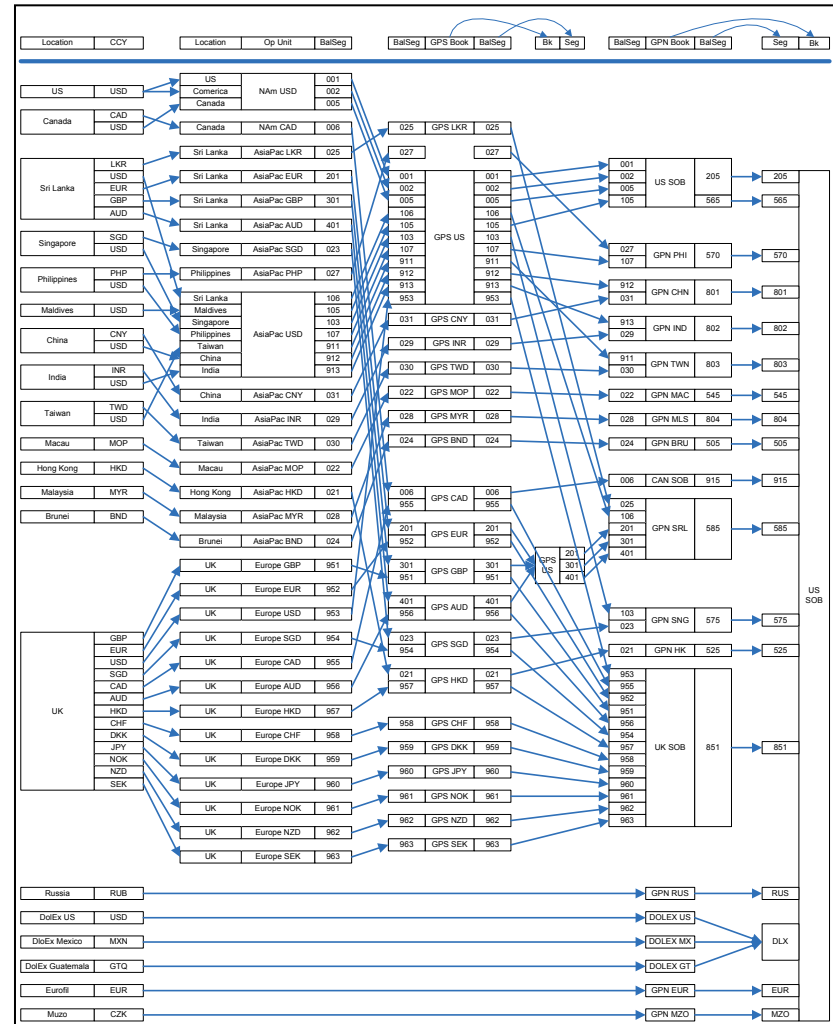
- High quality, consolidated data provides ROI benefits due to the exposure of hidden costs or expenses that are simply unknowable without a truly consolidated system.
- **For example, an insurance vendor consolidated previously separate renewals, cancellations, and new policy databases, and in doing so, revealed a pattern of fraudulent activity that was costing the company \$14 million per year.**
- Other benefits of high-quality data include but are not limited to:



Source: *The Data Warehousing Institute*, March 2006.

# Reducing Costs: A Single Chart of Accounts

- Streamline the month- and year-end closing processes
- No more messy financial consolidations using spreadsheets



# Reducing Costs: Common Business Processes

- Operating a Shared Services Center
- Reduced Headcount
- Improved Services
- Measure Against Best Practices Benchmarks

# Reduced Costs – Extending the Life of EBS

- Average life span of an ERP system is 15-20 years
- 5-10 years into the implementation, the business has changed
  - Changes within EBS were difficult to do
    - Reimplementation – adds substantial costs
    - Accommodating the changes often means adding complexity in the form of other systems, additional spreadsheets, and translation
- Without proper governance and stewardship of data, it becomes meaningless



# Ways an Agile, Single-instance Global Enterprise Can Leverage Release 12.

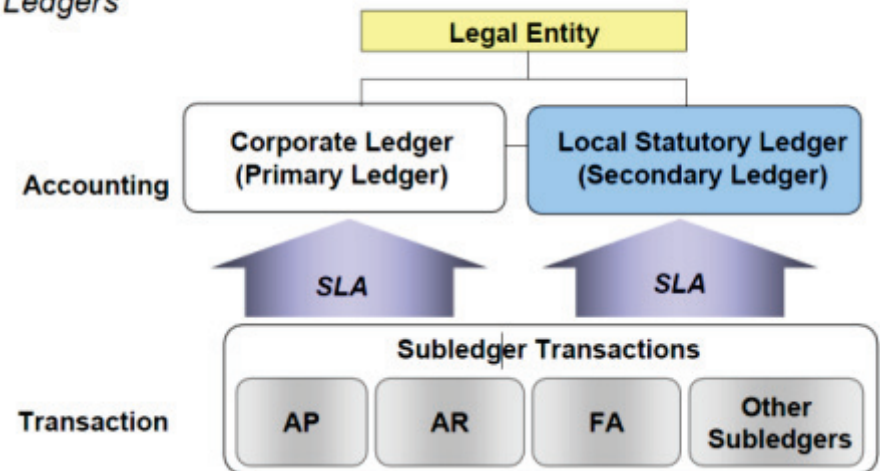
- Common Accounting Engine
- Subledger Accounting (SLA)
- Multi-Org Access Control (MOAC)
  - Provides the ability to manage customers and suppliers across operating units without changing responsibilities
    - Users can be assigned to multiple operating units
    - Processes and transactions can span operating units
  - Increases efficiency of operating a shared service center
    - Streamlined access, processing, and reporting
  - Provides the ability to negotiate with suppliers and leverage purchasing power

# Leveraging R12 to Reduce Costs

- Define create accounting rules and events
- A single transaction will update multiple ledgers according to rules
- Widely applicable to foreign subsidiaries, compliance with multiple regulations (IFRS, US GAAP)
- Streamlines close process, ensures consistent financial reporting

## ✓ Ledgers and Ledger Sets

*Maintaining Multiple Accounting Representations with Secondary Ledgers*



# Reduce TCO by Remodeling your EBS

- Shorter project duration with fewer resources translates to lower costs
    - Repeatable results, reusable as requirements change
    - Requires less than half the time and resources of consulting efforts
  - Accurate, consistent results (no need to worry about different coding styles, standards, skill levels, corrupting database, differences in different versions)
    - Eliminates need to “qualify” consultants on technical skills
    - Maintains database integrity
    - Retains all history
    - Avoids reimplementation
    - Reduces risk
  - No need for external, mapping, data warehouse, or reporting to reconcile different businesses
- Move to a single global chart of accounts (CoA)
  - Move to a single global instance
  - Rationalize clients, vendors, and products
    - Change accounting structures
    - Move legal entities into new sets of books
    - Divest a business unit
    - Change calendars
    - Change other flexfields
    - Merge sets of books
    - Combine organization units
    - Create testing subsets
    - Resolve duplicates
    - Archive data
    - Merge inventories

# Reduce TCO By Changing Your EBS

## Consolidation of Multiple Instances

### Automotive Supplier

- All history moved
- No need to configure new responsibilities, new operating units, new parameters
- One instance – no sunset instance to maintain
- Only had to redo Canadian interfaces, RICE, customizations
- Still need to upgrade to R12

### Experian

- Spain, HK, Europe all history
- US, UK 2 years history
- Maintaining 2 (R11i) sunset instances for history, OBIEE
- All interfaces, RICE objects, customizations need to be redone
- Time spent in configuring Unify instance to accommodate additional data (org units, ledgers, etc.)

# Conclusions

- Results of a single global Chart of Accounts and single global instance
  - Take advantage of R12 functionality
  - Additional cost savings
    - Interfaces only have to be written once
    - Analytics have a complete view of all the data without ETL from multiple diverse environments
    - Smaller IT infrastructure footprint produces lower cost of ownership
- Efficiencies of operating as One Business
  - Managing global view of customers, suppliers
  - Consolidating financials
  - Shared service center
  - Standardized pricing and discount policies
  - Managing inventories

# 10 Tips for Reducing Costs and Adding Value

1. Business consolidation
2. Single chart of accounts
3. Data quality initiative
4. Standard business processes and operating procedures
5. Common lexicon of data definitions
6. Standard reports, elimination of customizations
7. Enterprise-wide security, access, and control
8. Elimination of silos of information
9. Common vision
10. Complete, consistent, and correct information

# QUESTIONS?

# Thank You!

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**- One World, One System, A Single Source of Truth -**