

# How to Reduce: 10 Benefits of Instance Consolidation in Oracle E-Business Suite

Monday, September 20, 2010

2:00 PM

Moscone West L2, Room 2018

Session ID: S316469

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## Session Objectives

- Learn why an automotive parts supplier wanted to consolidate their instances. **A business justification.**
- Learn how they planned for a global consolidation and got buy-in from the business. **The project roadmap.**
- Explore what decisions needed to be made and the impact of those decisions. **A truly global environment.**
- Understand the top 10 benefits to the business and IT of consolidating. **Growing with agility.**
- Focus on the critical success factors and how the company assessed the system's effectiveness. **ROI.**

## The Company

- 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.
  - Automotive aftermarket is worth more than \$250 billion and growing annually
  - All stores are local, independently owned and operated businesses with deep roots in their communities – 5,000+ employees
- Private Company with 3,000 locations in North America and 43 years in business
  - Additional extended Canada network
- Oracle 11i - GL, AP, AR, FA, PO, HR, Payroll

## Factors that Contribute to the Total Cost of Ownership of Oracle E-Business Suite

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>

# Why Consolidate Instances?

- Cost Reduction
- Operation of a single business with consistent data, streamlined processing and the ability to leverage markets, suppliers of other parts of the business
- Agility to grow and to embrace new initiatives
- Provision of better customer service and the ability to operate globally
- Streamline operation of shared services center
- Regional production instances were an obstacle to business improvements
- Made very little sense for 10% of the revenue to be burdened by the cost structure of an entire EBS instance and support.

## 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.”

# Roadmap to Consolidation

- Decide on Consolidation Approach
- Make the Business Case and Get Approvals
- The Consolidation Project
  - Timeline
  - Team
  - Business Decisions
- Results
- Lessons Learned

# Comparing Alternatives

	Use Software to Consolidate	Reimplement	Keep Separate Instances
Pros	<ul style="list-style-type: none"> <li>• Software</li> <li>• Reusable</li> <li>• A fraction of the cost of reimplementing</li> <li>• Staged rollout</li> <li>• Shorter duration</li> <li>• Industry expert</li> <li>• Reduces Risk</li> <li>• Brings over all history</li> <li>• Accurate, consistent results (no need to worry about different coding styles, standards, skill levels, corrupting database, differences in different versions)</li> <li>• Generates code automatically without technical knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Industry standard procedure</li> <li>• Recommended by Oracle Consulting</li> </ul>	<ul style="list-style-type: none"> <li>• No initial investment required</li> </ul>
Cons	<ul style="list-style-type: none"> <li>• Early Adopter Stage</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive</li> <li>• Complex, multi-year effort</li> <li>• Limited carry-over of historical data</li> <li>• Standards, data quality, consistency not enforced</li> <li>• Requires data conversion</li> <li>• Human capital requirements are large</li> <li>• Extensive setup time</li> </ul>	<ul style="list-style-type: none"> <li>• Supply Chain / Demantra – requires duplicate installations and integration.</li> <li>• Not able to take advantage of:               <ul style="list-style-type: none"> <li>• Instant Access</li> <li>• ePresentment, eInvoice and ePayment</li> <li>• Trintech / Cash Management</li> </ul> </li> <li>• No single source of truth</li> <li>• High cost of ongoing maintenance</li> <li>• Maintain multiple environments for development, testing, DR</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>• Results in a single, consolidated instance</li> <li>• Benefits IT organization as well as operational and business side of business</li> <li>• Minimizes maintenance and increases data quality – establishes a single source of truth</li> <li>• Enables company to rationalize suppliers</li> <li>• Resolves inconsistencies (different HR configurations, duplicate suppliers, sequences, organization units)</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to reconfigure and streamline existing processes</li> <li>• Opportunity to streamline existing data</li> </ul>	<ul style="list-style-type: none"> <li>• Users are familiar with the current state of IT</li> </ul>



# The Consolidation Project

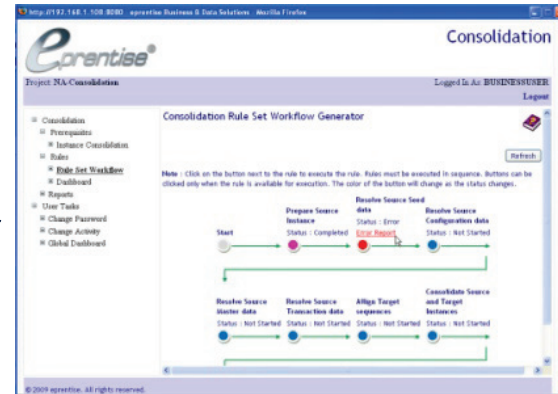
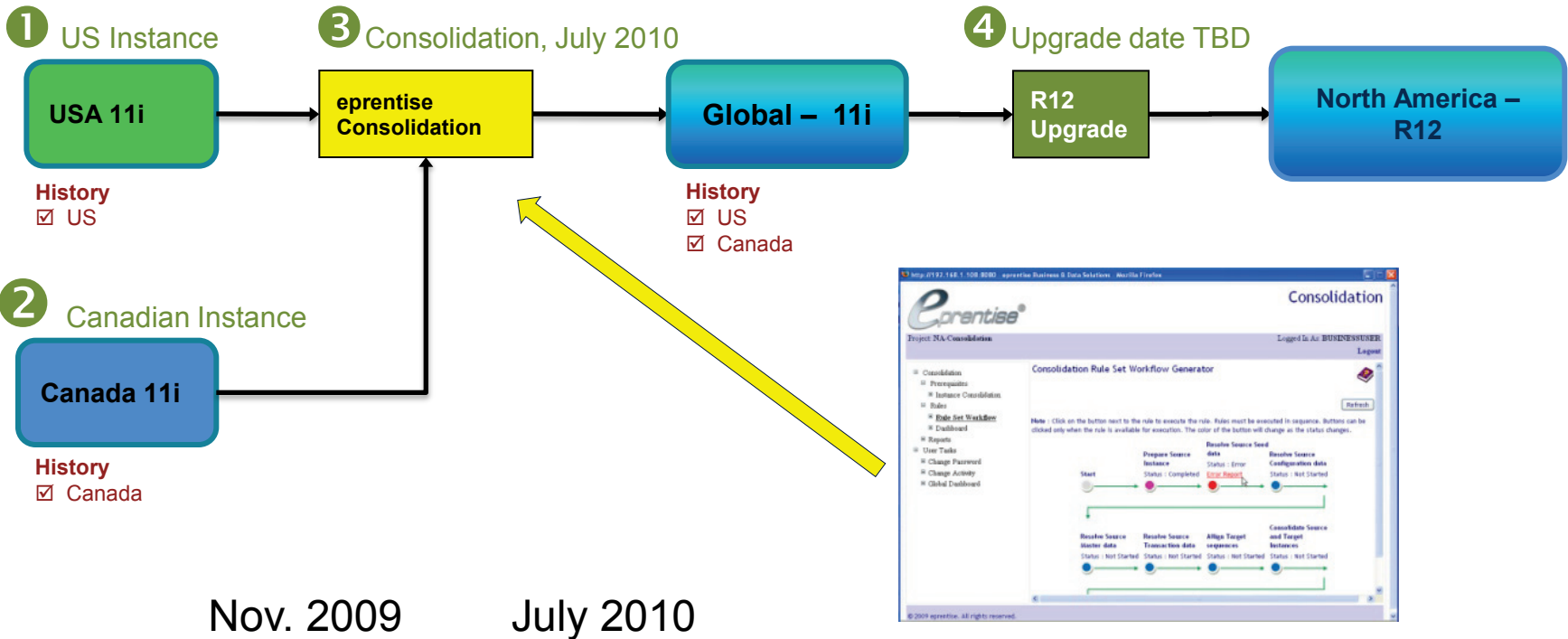
## ■ With Software

- Resources ~5 FTE
- Project duration 7 months
- Cost under \$500K
- All history in single instance
- Done in R11.5.10

## ■ Manual Effort

- Resources ~250 consultants
- Project duration 18 months
- Cost between \$12 million and \$15 million
- 1 year history and balances
  - Maintain sunset instances
- Upgraded to R12

# Consolidation Road Map



## Consolidation Team

- Project sponsor
- Project management
- DBA (install and approximately 2 hours/wk after that)
- Business/Functional (representing the different functional areas for both US and Canada) for business decisions and testing
- Technical resources for interfaces, customizations, reports, integration of non E-Business Suite modules
- Standard EBS support and maintenance (clones, backups, access, security)

# Business Decisions

Jobs & Positions
Configuration
Field Label
Security
Report Content
Configuration
Constraints
Different but same DFF
Same but different DFF
Missing DFF Target
Missing DFF Source

ePrentise Metadata Analysis

Instance 1	Instance 2
Dir. Of Apps	Fin. Systems
July 9, 2010	10-07-09
Labor	Labour
Hierarchical	No Security
Report A	Report A
Bi-monthly	Two-week
300 Hrs	199.99 Hrs
XYZ	Xyz-1
XA-01	XA-01
1-2-3	
	RB

ePrentise Consolidation Software



Consolidated Instance
Fin. Systems
10-07-09
Labor
Hierarchical
Report A
Two-week
199.99 Hrs
Xyz-1
XA-01, XA-02
1-2-3
RB

# Changes Made Automatically During Consolidation

## Three Types of Changes

### Name Changes

TAB_NAME	COL_NAME	USER_NON_SEQUENCE_NAME	OLD VALUE	NEW VALUE
FND_MENU	MENU_NAME	APPLSYS Fnd Menu Name	PO_RECEIVING_GUI	PO_RECEIVING_GUI-CAN
FND_MENU	MENU_NAME	APPLSYS Fnd Menu Name	PO_RECEIVER_GUI	PO_RECEIVER_GUI-CAN
FND_MENU	MENU_NAME	APPLSYS Fnd Menu Name	PO_PURCHASE_ORDERS_GUI	PO_PURCHASE_ORDERS_GUI-CAN
FND_LOOKUP_TYPES_TL	MEANING	APPLSYS FND Lookup Type Meaning	MTL_PHYSICAL_WIP	MTL_PHYSICAL_WIP-CAN
FND_LOOKUP_TYPES_TL	MEANING	APPLSYS FND Lookup Type Meaning	MTL_PHYSICAL_TYPE	MTL_PHYSICAL_TYPE-CAN
FND_LOOKUP_TYPES_TL	MEANING	APPLSYS FND Lookup Type Meaning	MTL_PHYSICAL_TRANSIT	MTL_PHYSICAL_TRANSIT-CAN

### ID Changes

TABLE	COLUMN	USER FRIENDLY NAME	INCREMENTAL FACTOR	PROCESSED
AP_BANK_ACCOUNTS_ALL	BANK_ACCOUNT_ID	AP Bank Account Identifier	535827	Y
AP_BANK_BRANCHES	BANK_BRANCH_ID	AP Bank Branch Identifier	76281	Y
AP_BATCHES_ALL	BATCH_ID	AP Batch Identifier	715530	Y
AP_CHECKS_ALL	CHECK_ID	AP Check Identifier	3819806	Y

### Synchronization

MODULE	TABLE	COLUMN	USER FRIENDLY NAME
HR	PAY_EVENT_GROUPS	EVENT_GROUP_ID	HR Pay Event Group Identifier
HR	PAY_TRIGGER_EVENTS	EVENT_ID	HR Pay Trigger Events Identifier
HR	FF_CONTEXTS	CONTEXT_ID	HR Ff Context Identifier
HR	FF_ROUTES	ROUTE_ID	HR Ff Route Identifier
HR	FF_USER_ENTITIES	USER_ENTITY_ID	HR Ff User Entities Identifier
HR	FF_FORMULAS_F	FORMULA_ID	HR Ff Formulas F Identifier

# Planning for Consolidation

- RICE Activities
  - Data warehouse integration
  - Reporting requirements
  - OFA – Oracle Financial Analyzer impact
  - 3<sup>rd</sup> party integration impact (benefits suppliers, banks, HOVs)
  - Tax requirements
- New Features
  - Multiple Reporting Currency consolidation & conversion
  - HR, Payroll, and Benefits setup
- Single Instance
  - Conversion of Canada into US instance

# Results

- 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

## 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)



## Critical Success Factors and Lessons Learned

- Involvement of executive level sponsors
- Understanding that this is a business project and not an IT project
- Low-hanging fruit was IT benefits, but the real benefit is the ability to operate globally from a single instance
- Good testing plan

# Questions?

# Thank You!

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