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

Helene Abrams
CEO
eprentise
habrams@eprentise.com
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

<table>
<thead>
<tr>
<th>Problem</th>
<th>Results in</th>
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</thead>
<tbody>
<tr>
<td>Multiple Instances</td>
<td>• Infrastructure costs&lt;br&gt;• Resources&lt;br&gt;• Customizations, interfaces, application integration&lt;br&gt;• Support, maintenance, upgrades</td>
</tr>
<tr>
<td>Data Quality</td>
<td>• Ongoing transformations for analytics&lt;br&gt;• Customer, supplier, employee inconsistencies&lt;br&gt;• Governance</td>
</tr>
<tr>
<td>Multiple Charts of Accounts</td>
<td>• Complexity to reconcile&lt;br&gt;• Statutory and regulatory compliance&lt;br&gt;• Long close cycle</td>
</tr>
<tr>
<td>Lack of Common Business Processes</td>
<td>• Training&lt;br&gt;• Lack of visibility&lt;br&gt;• Redundant processes</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Traditional Migration Approach</th>
<th>eprentise Consolidation Approach</th>
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</thead>
<tbody>
<tr>
<td><strong>Pros</strong></td>
<td><strong>Cons</strong></td>
</tr>
<tr>
<td>Common approach, often recommended by consulting organizations</td>
<td>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.</td>
</tr>
<tr>
<td>No need to upgrade Current 11i to New R12 due to straight data migration into an R12 instance.</td>
<td>More risk in extract, transform, and load (ETL) that will not be supported by Oracle.</td>
</tr>
<tr>
<td>Requires technical knowledge of all tables and usage in the E-Business Suite.</td>
<td>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.</td>
</tr>
</tbody>
</table>
## Migration vs Technical Consolidation, Continued

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<th>Traditional Migration Approach</th>
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<tr>
<td><strong>Pros</strong></td>
<td><strong>Pros</strong></td>
</tr>
<tr>
<td>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.</td>
<td>All data integrity is maintained because the code is automatically generated.</td>
</tr>
<tr>
<td><strong>Cons</strong></td>
<td><strong>Cons</strong></td>
</tr>
<tr>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td>Need to configure target instance</td>
<td>No need to configure target instance</td>
</tr>
<tr>
<td>Scripts are written for the current state of the data. Any changes require re-writing of the scripts.</td>
<td>Full documentation of existing instance including comparison of instances from Metadata Analysis</td>
</tr>
<tr>
<td>12-18 months duration</td>
<td>4-8 months duration</td>
</tr>
<tr>
<td>Need to maintain multiple production instances and consistent patch application, addition of master data for all instances.</td>
<td>Consolidation of entire instance occurs in a weekend so no need to maintain separate instances for reports, business intelligence, open items.</td>
</tr>
</tbody>
</table>
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
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:

  - Greater confidence in analytic systems
  - Less time spent reconciling data
  - Single version of truth
  - Increased customer satisfaction
  - Reduced costs
  - Increased revenues

  ![Bar Chart](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

- 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
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!

Helene Abrams  eprentise  habrams@eprentise.com

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