

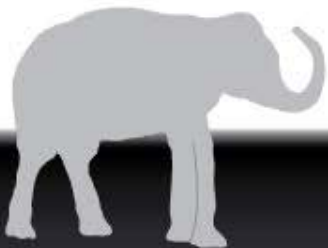
Who Does What, When, and How for a Divestiture?

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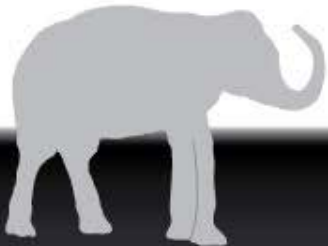
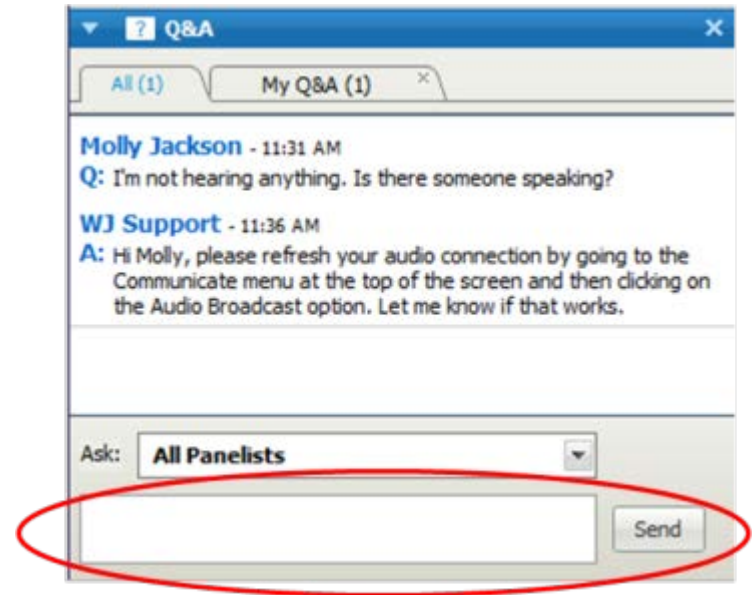
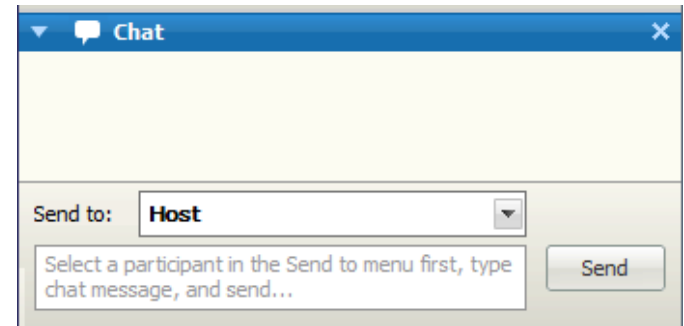
Accelerating the time for change in Oracle E-Business Suite



Webinar Mechanics



- Submit text questions.
- Q&A addressed at the end of the session. Answers will be posted within two weeks on our new LinkedIn Group, EBS Answers:
<http://www.linkedin.com/groups/EBS-Answers-4683349/about>
- Everyone will receive an email with a link to view a recorded version of today's session.
- Polling questions will be presented during the session. If you want CPE credit for this webinar, you must answer all of the polling questions.

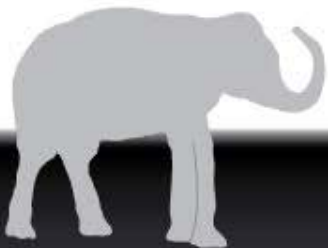


Learning Objectives

Objective 1: Understand key considerations for businesses going through a divestiture, and how to address them.

Objective 2: Take a look at a new or reimplement option, separating data either within an instance or as a standalone, and masking alternatives.





Objective 3: Outline an approach for a successful divestiture that can be used by both business and IT.



*e*prentise[®]: Transformation Software for E-Business Suite

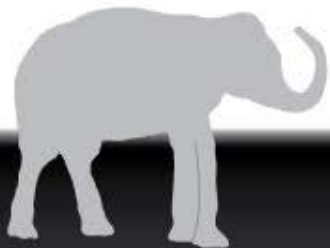
Company Overview: Incorporated 2007 • Helene Abrams, CEO

*e*prentise Can...

-  Consolidate Multiple EBS Instances
-  Change Underlying Structures and Configurations
 - Chart of Accounts, Other Flexfields
 - Inventory Organizations
 - Operating Groups, Legal Entities, Ledgers
 - Calendars
 - Costing Methods
-  Resolve Duplicates, Change Sequences, IDs
-  Separate Data for a Divestiture

...So Our Customers Can:

-  Reduce Operating Costs and Increase Efficiencies
 - Shared Services
 - Data Centers
-  Adapt to Change
 - Align with New Business Initiatives
 - Mergers, Acquisitions, Divestitures
 - Pattern-Based Strategies
 - Make ERP an Adaptive Technology
-  Avoid a Reimplementation
-  Reduce Complexity and Control Risk
-  Improve Business Continuity, Service Quality and Compliance
-  Establish Data Quality Standards and a Single Source of Truth

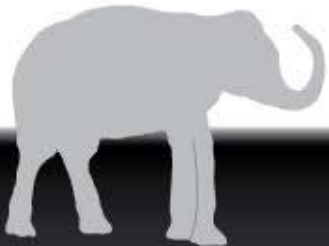


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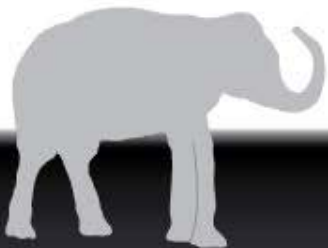
Agenda

- Key considerations for IT and for the business
- Questions businesses going through a divestiture ask -
 - What are we selling, and why?
 - What data belongs to me, and how do I find it?
- Business changes by the rules – achieving agility
- What are the options?
 - Reimplementation
 - Separating data either within an instance or as a stand-alone
 - Masking alternatives
- Conclusion
- Questions



Objective #1

Understand key considerations for businesses going through a divestiture, and how to address them.



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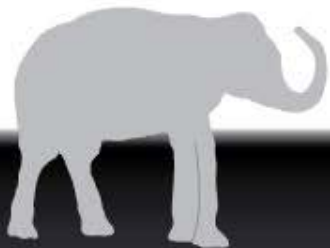
Adding Value by Subtracting

- **Seller's perspective**

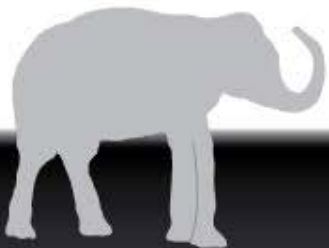
- Why do companies divest?
 - Sell low-performing business units
 - Focus on high-growth opportunities
 - Break up business units to increase business agility
 - Reduce complexity from the business

- **Buyer's perspective**

- Why do companies acquire?
 - Value from new products and customers
 - Synergies and cost savings in product development and administration
 - Exponential value
 - Minimal risk from new product development



Divestiture Lifecycle



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Divestiture Lifecycle

- **Objectives**
 - Define organizational objectives for divestiture
- **Plan & Strategize**
 - Divestiture strategy – sell or spin-off
 - Evaluate risk and rewards
 - Identify and evaluate potential buyers
 - Set timeline
- **Define**
 - Identify sale method
 - Determine what to divest – operating unit, products etc.
 - Evaluate value for business being divested
 - IT & Business drivers
- **Execute**
 - Manage speedy closing
- **Validate**
 - Validate results

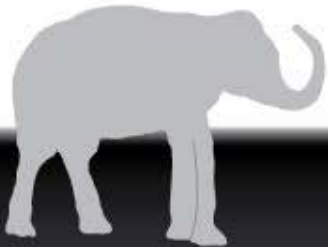
Seller Perspective - System Questions

- What happens to the system containing data for divested entities?
- What are the buyer requirements from system perspective?
- What are the seller limitations from system perspective?
- Are there clear requirements on who gets what data – seller v/s buyer?
- What happens to historical data?
- What happens to master data?
- Does IT organization have tools to be able to meet both seller's and buyer's requirements?
- Can the system requirements be achieved in required timeline for closing?



Buyer Perspective - System Questions

- What system am I getting – platform?
- What data does it contain?
- What will be my integration strategy?
- How will this system fit within my organizational IT strategy?
- What do I need to do to manage short term expectations?
- What do I need to do to manage long term expectations?
- What additional work will be required after getting the divested system from seller?

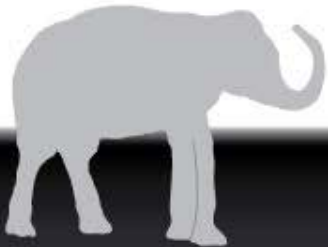


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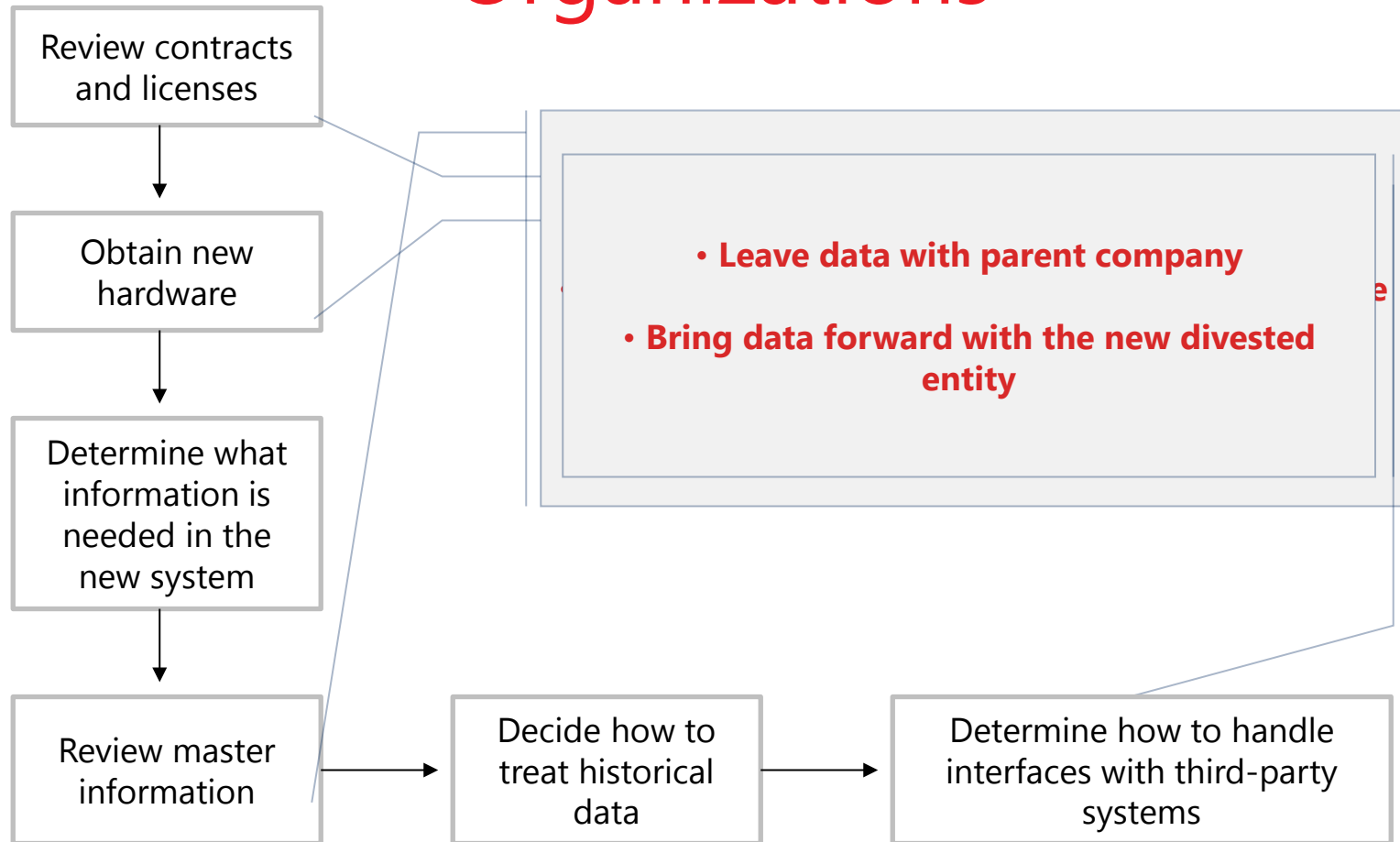


Early Decisions – This Isn't an IT Issue

- Determine criteria for divestiture
- Determine whether COA change, calendar change, asset revaluation are necessary
- Determine if new legal entities or balancing segment values are necessary
- Determine whether there will be a stand-alone instance for NewCo or whether it needs to be consolidated into an existing ERP instance
- Determine if OldCo's instance needs to be purged, and if so, what happens to the history
- What needs to be included in the Transition Services Agreement (TSA)?

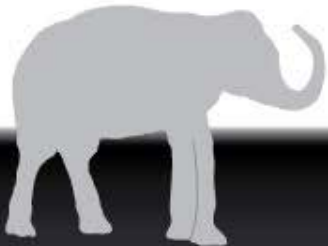


Divestiture: Creating the New Organizations



Some of the Business Considerations

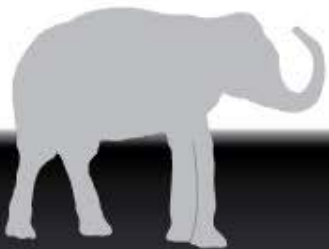
- Interfaces to 3rd party systems (i.e. tax, imaging)
- Reports, Interfaces, Customizations, Enhancements, Workflows (RICE-W Objects) need to be changed
- Intercompany, internal, and split transactions
- Split of non-monetary accounts (assets, equity, bank accounts, pre-pays)
- Adjusting periods, closing entries, reconciliation of balances
- Interim consolidated financial reporting
- Shared data from upstream and downstream systems, internal to ERP, employees (tax forms, benefits), costing
- Security and responsibilities, validations, approvals changes
- License negotiation
- Service-level agreements



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Poll Question

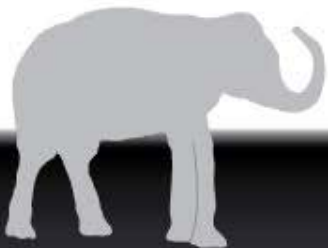


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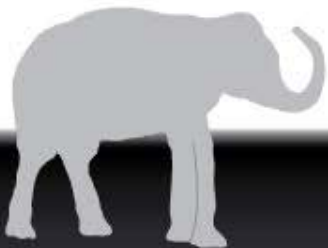
Objective #2

Take a look at a reimplementation option, separating data either within an instance or as a standalone, and masking alternatives



Divestiture Options

- Masking
- New implementation (reimplementation)
- Separating data within an instance
- End-dating responsibilities, some sensitive data
- Archiving (transactions only)
- Use a rules-based software



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Masking as an Alternative

- What is masking?
 - Designed to eliminate the risk of breaching sensitive data when copying data into non-production environments for the purposes of application development, testing, or data analysis
 - Used when sensitive data needs to be shared with non-production users
 - Appropriate for a specific field (or a column in a table) such as credit card numbers, bank account numbers, social security numbers, or healthcare information
 - Masking does not operate at a “structure level” (i.e. legal entity, operating unit, etc.) and doesn’t find related data. There is no built-in intelligence.
- Oracle now allows “decrypting” of sensitive information (credit card numbers, accounts, user passwords, etc.). Instructions are widely available on the internet.



What is Your Confidential Data?

It is the data that would hurt you if a competitor had access to it

- Customers – buying history, discounts, contracts
- Suppliers – costs, discounts, payment terms, credit limits
- Inventory – cost of goods sold, inventory turns, returns, quality inspections
- Financial Information – balances, budgets, days sales outstanding

Finding all of the confidential data to be masked is like digging a hole with a spoon. It requires knowledge of every table, and then filtering that data based on the criteria for divestiture (legal entity, operating unit, or balancing segment value). You would need to hide much of the transaction detail, and then all processes may not work correctly.

Masking is a Risk, Both for Seller and Divested Entity Perspectives

Seller's Perspective

- Can't be sure to get all the confidential data- especially what you don't want a competitor to see.
- Businesses need to spend time checking every table and all the attributes.
- There are no rules that associate the data with the filter criteria (masking won't find the suppliers that are not used by the divested entity). That will need to be done with custom code for each data type. The code is pretty complex requiring many inner and outer joins, and knowledge of all the relationships.
- Split or shared data cannot be masked.
- Data coming in from interfaces won't be masked.

Divested Entity's Perspective

- Masked data may compromise the integrity of the data and the Oracle processes (calculating balances, depreciating assets, creating payments).
- What happens to in-flight transactions, internal transfers, or intercompany accounting?
- How can you be sure that you get all the data that was part of the sales agreement (receivables, liabilities, etc.)?
- Data associated with the sold business components may need to be purged from databases simply to get the reporting accurate.

Masking is a Coding Task, Done by a Development Team

- Define Mask Formats
- Pre-defined Masking Formats for ERP include:
 - Credit Card Numbers
 - United States Social Security Numbers
 - ISBN Numbers
 - UPC Numbers
 - Canadian Social Insurance Numbers
 - North American Phone Numbers
 - UK National Insurance Numbers
 - Auto Mask
- This is not the confidential data that needs to be removed for the divested entity
- Not business driven, no understanding of ERP
- Requires unit and code testing
- Many companies sell it as part of a database administration tool for non-production environments

- User-defined functions

To provide a user-defined function, select **User Defined Function** from the Add list, then click **Go** to access the input fields.

A user-defined function passes in the original value as input, and returns the original output value. **Otherwise, a failure occurs** when the job is Combinable, a user-defined function is a PL/SQL function that can be used in a SELECT statement. Its signature is returned as:

```
Function udf_func (rowid varchar2, column_name varchar2, original_value varchar2) returns varchar2;
```

- rowid is the min (rowid) of the rows that contain the value original_value in the 3rd argument.
- column_name is the name of the column being masked.
- original_value is the value being masked.

That is, it accepts the original value as an input string, and returns the masked value.

Both input and output values mask a number could receive 100, and return 99, the string appropriately when inserting fails.

- SQL Expression

This masking format enables you to enter a SQL Expression for masking a column. Data masking uses this expression to generate masked values to replace the original values. You cannot combine a column using this masking format type with other masking format types, such as Random Numbers or Random Strings.

The SQL Expression can consist of one or more values, operators, and SQL functions that evaluates to a value. It can also contain substitution columns (columns from the same table as the masked column). You should specify substitution columns within percent signs (%). Use SQL Expressions with dbms_lob and other user-defined functions for LOB (LOB, CLOB, NCLOB) masking.

Database Testing Guide

Defining Masking Formats

Examples:

- `dbms_random_string('u', 8) || '@company.com'`
Generates random e-mail addresses.
- `||first_name|| '.' || last_name || '@company.com'`
Generates e-mail addresses using first_name and last_name column values. In this example, first_name and last_name are the substitution columns.
- **CLOB Masking**
`dbms_lob.empty_clob()`
Empties the CLOB.
`custom_mask_clob(%CLOB_COL)`
Applies the custom mask function to the clob column CLOB_COL.
- **Conditional Mask**
`(case when %FIRST_TYP%='PERSON' then %PERSON_FIRST_NAME|| ' ' ||%PERSON_LAST_NAME else (select dbms_random_string('V', 10) from dual) end)`
Columns within %% are present in the same table. The expression masks PERSON_FULL_NAME with the first and last name; otherwise, the mask is a random string.
- **Substitution Mask**
`select MASK_SIPCODE from data_mask.DATA_MASK_ADDR where ADDR_SERJ = ora_hash(%SIPCODE% , 1000, 1234)`
Select 1000 rows in the substitution table data_mask.DATA_MASK_ADDR.Mask %SIPCODE% with the MASK_SIPCODE column in the substitution table. The row selected is dependent on ora_hash and is deterministic in this case. Selection is random if dbms_random procedures are used.

Providing a Masking Format to Define a Column

When you create a masking definition ("Masking with an Application Data Model and Workloads" on page 18-16), you will be either importing a format or selecting one from the available types in the Define Column Mask page. Format entry options are as follows:

- **Array List**
The data type of each value in the list must be compatible with that of the masked column. Uniqueness must be guaranteed if needed. For example, for a unique key column that already has 10 distinct values, the array list should also contain at least 10 distinct values.
- **Delete**
Deletes the specified rows as identified by the condition clauses. If a column includes a delete format for one of its conditions, a foreign key constraint or a dependent column cannot refer to the table.
- **Encrypt**
Encrypts column data by specifying a regular expression. The column values in all the rows must match the regular expression. This format can be used to mask data across databases. That is, for a given value it always generates the same value.
The regular expression `[0-9]{1-9}[0-9]{2}[0-9]{1-4}` generates U.S. phone numbers such as (123) 456-7890. It supports a subset of the regular expression language. It supports strings of fixed widths. However, it does not support * or + syntax or parentheses.
If the masked value does not match the format specified, the encrypted value may no longer map to one-to-one mappings. All non-confirming values are mapped to a single value, thereby producing a many-to-one mapping.
If the masked value is null, the encrypted value is null.
If the masked value is a column applicable to this entry is a NUMBER column or a STRING column, if you mask a column that has a social security number, one of the entries can be Fixed Number 900. This format is combinable.
If the masked value is a column applicable to this entry is a STRING column. For example, if a column has a License Plate Number, one of the entries can be A. This format is combinable.
If the masked value is a column using a value of NULL. The column must be nullable.

Masking Function

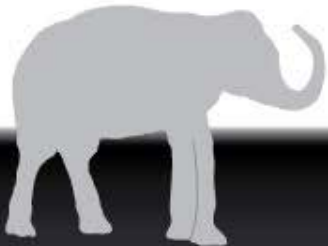
A masking function that you can apply to the mask value that the masking table. This function takes the mask value as input and returns the masked value to be used for masking.

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New Implementation (Reimplementation)

- Expensive and lengthy process
- Install hardware and software
- Define and configure business processes
- Configure applications
- Load and convert historical data
- Customizations
- Extensive documentation for all process flows and customizations
- Extensive resource requirements
- Extensive testing requirements

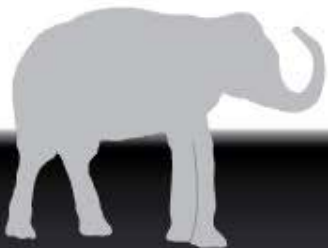


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End-Dating responsibilities

- Revoke user access to business functions and data for an organization
- Restricts user access to required data from UI
- Data can still be queried from the database
- Cannot be applied to a divestiture criteria with complex conditions

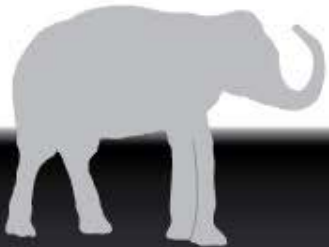


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Archiving

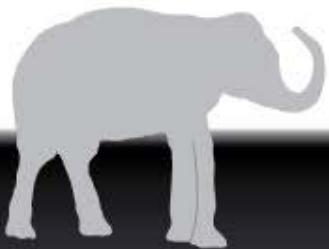
- Use a commercial-of-the-shelf archiving solution to remove required data
- Archiving solution may not know all the entity relationships within a database
- Archiving is usually done to reduce transaction data therefore not all data may be removed
- Cannot be applied to a divestiture criteria with complex conditions



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Poll Question

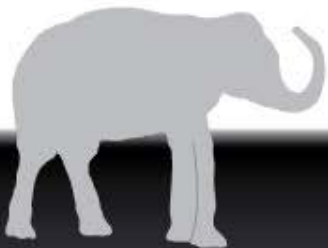


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Objective #3

Outline an approach for a successful divestiture that can be used by both business and IT



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Five-Part Approach for Success

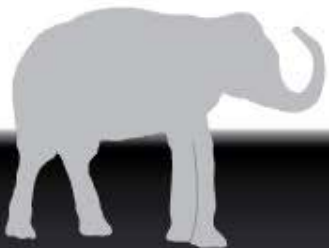
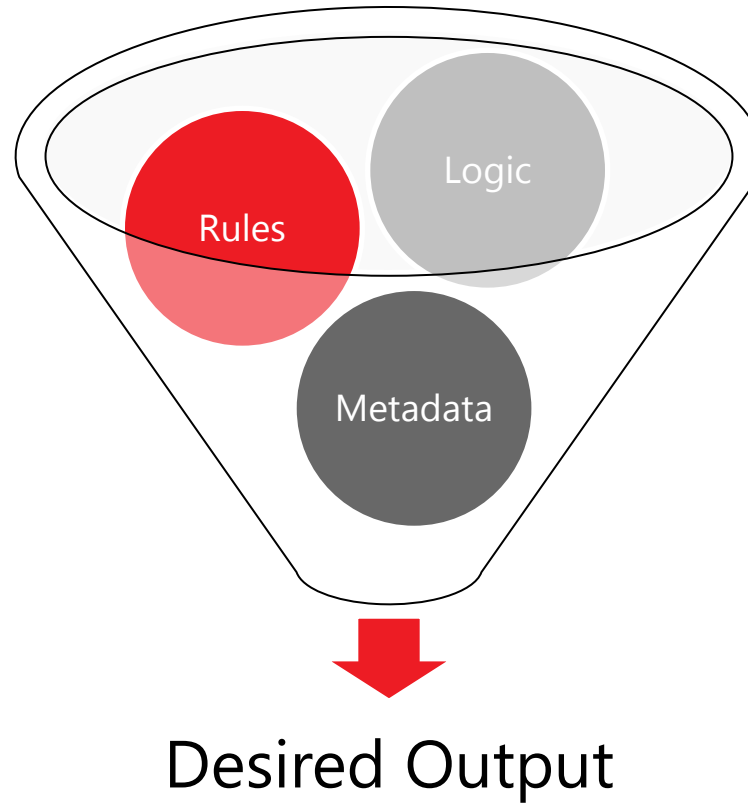
1. Evaluate a rules-based engine
2. Prepare early
3. Create a transition team
4. Focus on core processes
5. Remember post-sale plans



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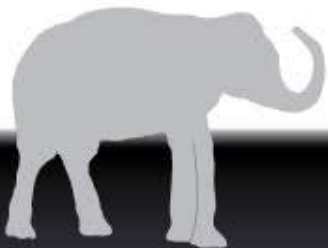
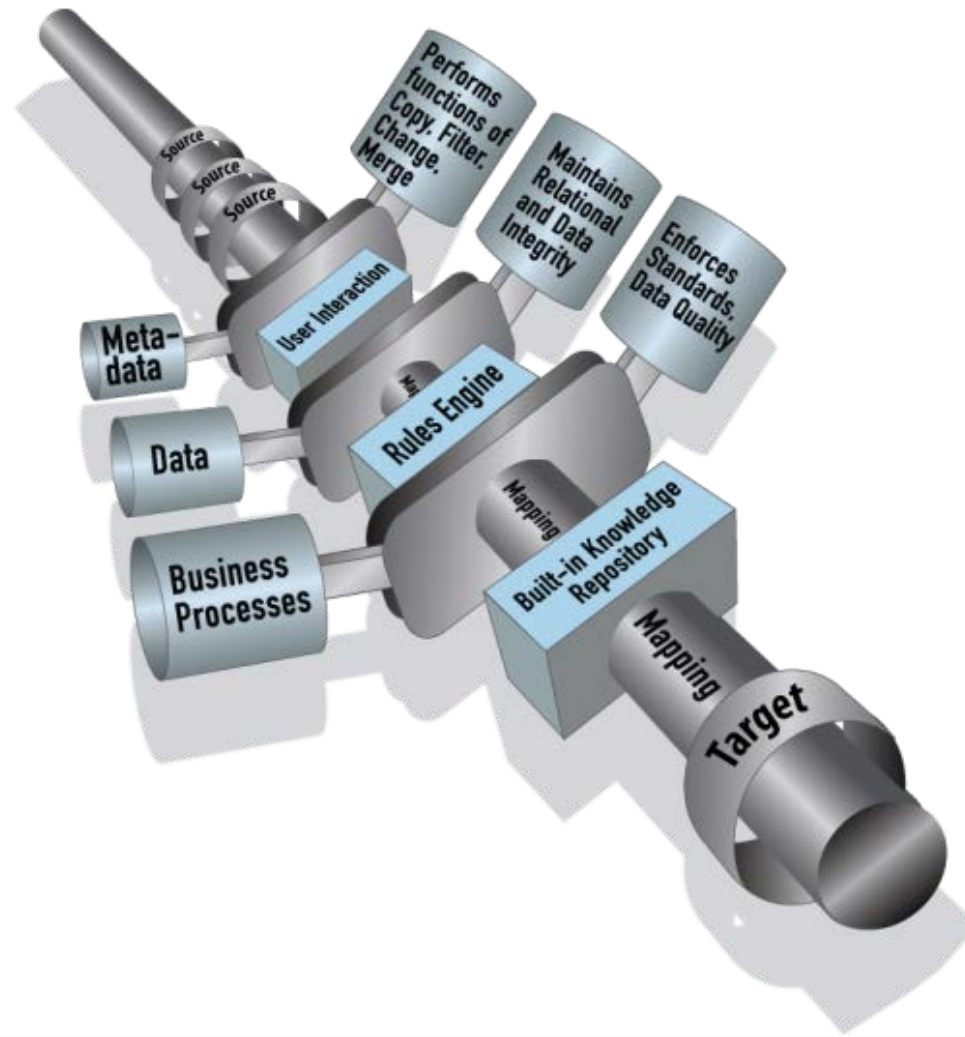
Rules Engine Functioning



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Rules Engine Components



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What Constitutes a Rules Engine?

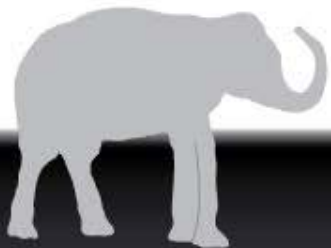
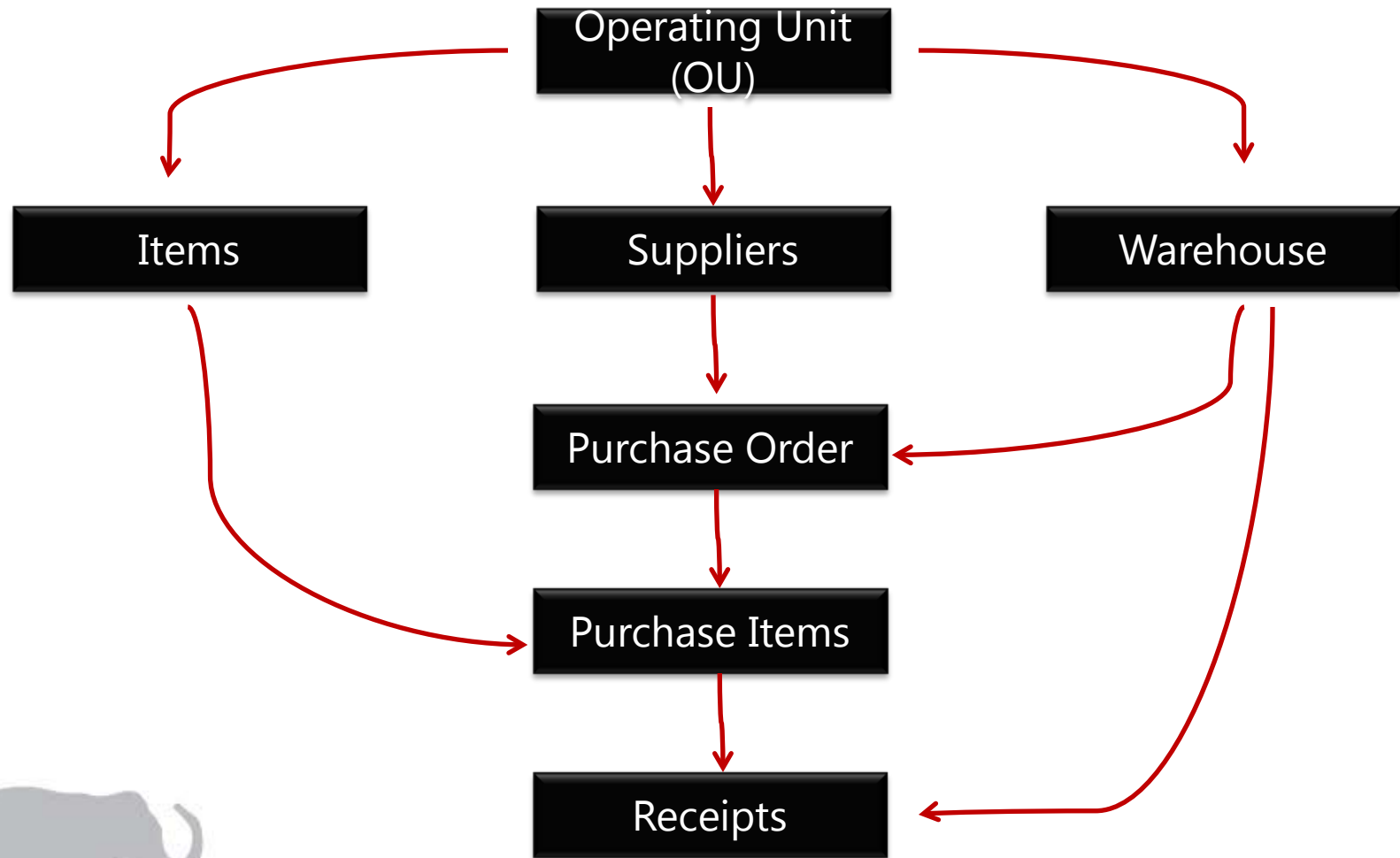


Source: www.flexrule.com

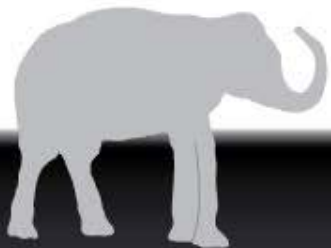
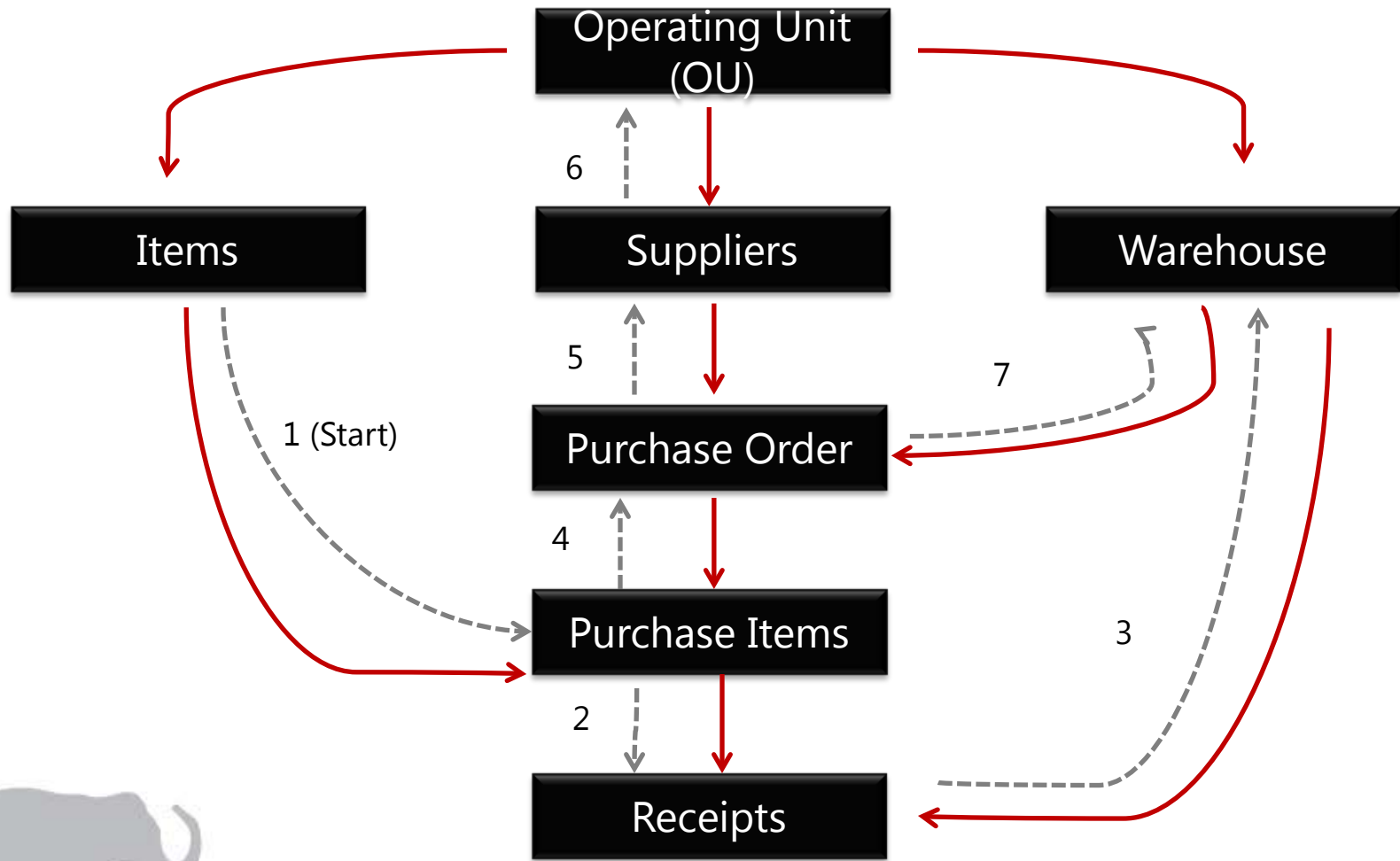
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Rule Example – Entity Relations



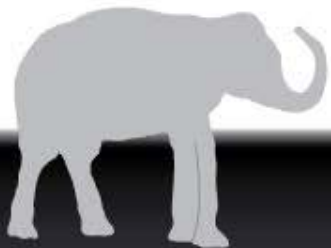
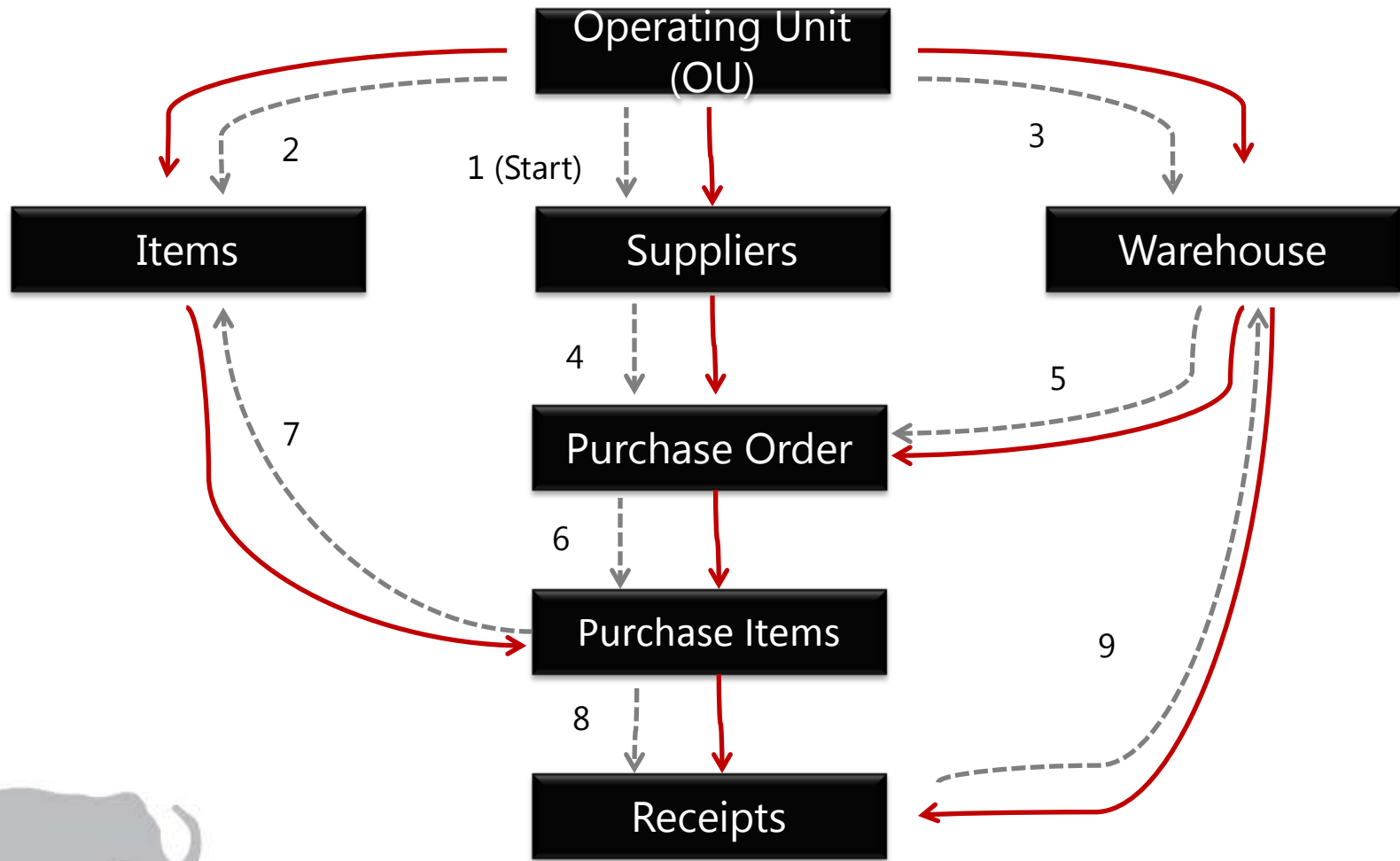
Rule Example – Divest Based on Items



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Rule Example – Divest Based on OU

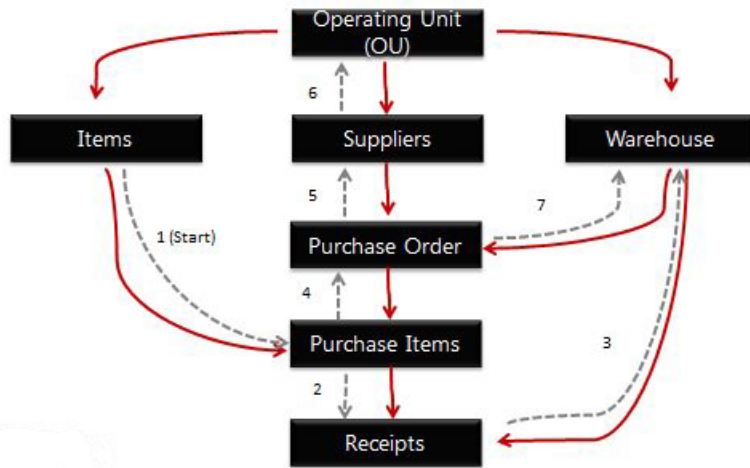


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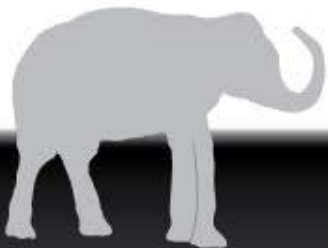
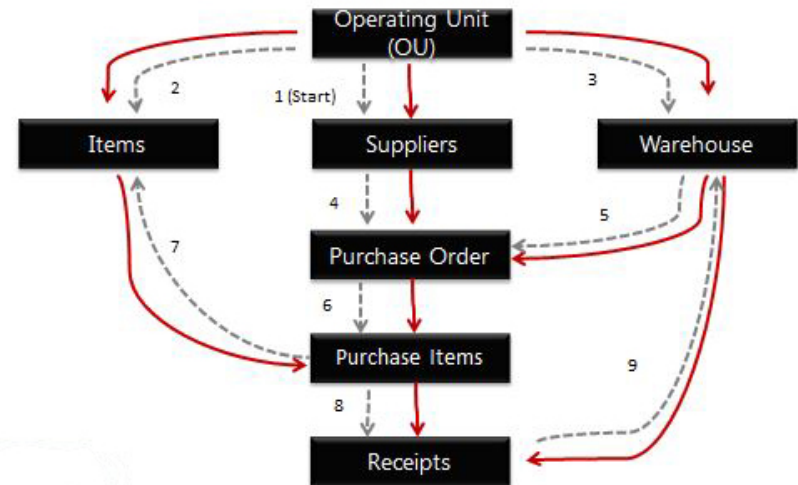


Rules – Flexibility to Travel Different Paths

Rule Example – Divest Based on Items



Rule Example – Divest Based on OU

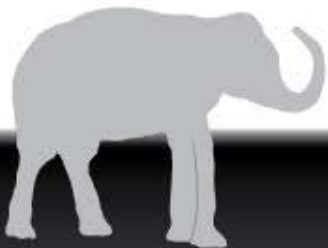


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Prepare Early

- Determine the value of each area of the business
- Evaluate the strengths and weaknesses
 - Capitalize on the strengths that will provide the greatest value to a prospective buyer
- Begin to prepare a “due diligence” package for each part of the company
 - By product line, a region, a department, or a legal entity



Prepare Early - Due Diligence Package

Mission Statement

- Why you are doing what you are doing?
- How does that tie into a long-term vision for the entity?

Value Proposition

- What are the benefits, value, and ROI?
- Why would someone pay for this part of the business?
- What are the current assets of the business?

Product or Service

- What are you selling?
- How are you pricing it?

Marketing and Sales Strategy

- Who is your market? How do you reach them?
- Who are your current customers? Why do they buy from you?
- Who are your competitors?

Operations and Operating Assumptions

- What is the length of sales cycle, sales per month, revenue per sale, accounts receivable timing, major suppliers and headcount?

Financial Projections

- What is your five-year plan?

Management Team

- If you sell this part of the business, who will lead the charge?
- Do you have an experienced team in place that can develop a strategy and execute toward that strategy?

Create a Cross Functional Transition Team

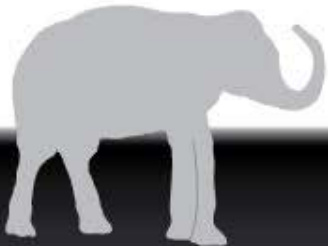
Develop a plan and deliverables for the divestiture - work with multiple teams (business, legal, accounting, banking, IT and HR).

Work on a plan to have divested entity's own infrastructure, systems, human resources, financials and facilities to support operations. For systems, determine who gets what data and how open transactions will be handled.

Transition Team

Determine assets to be divided - fixed assets, financial assets, and intellectual property.

Evaluate service contracts, leases, lines of credit, supplier contracts, license agreements and employment agreements for renegotiation.



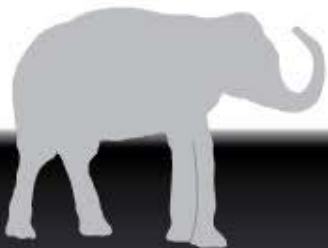
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Focus on Core Processes

Revenue growth adds value and creates positive dynamics both internally and externally that can help retain customers and talented staff.

1. Give priority to customer-facing processes – sales, support, order management
2. Design processes to present a consistent face to the customer before and after the split
3. Create and staff interim processes to sustain the quality of products and services through the transition



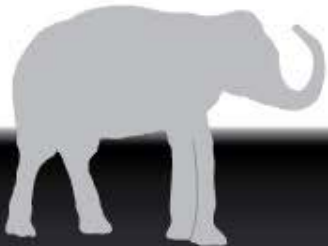
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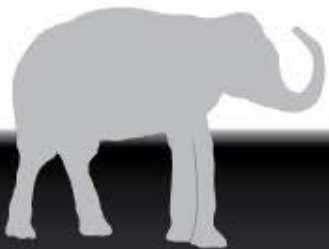
Post-Sale Planning

It's not over when the sale is complete!

- Carefully manage the divested companies until both companies achieve independent stability
- Manage both companies carefully to-
 - Minimize disturbance in operations
 - Continue without significant interruptions
 - Capitalize on creativity
 - Maintain excitement of building new business



Poll Question

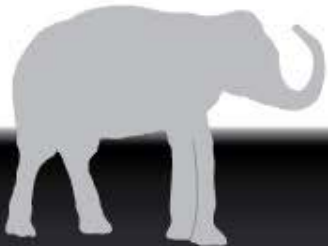


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Conclusion

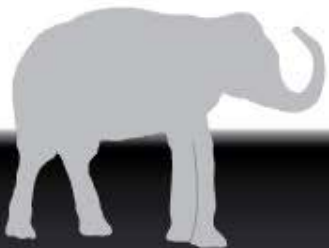
- Clear objectives should be defined
- Planning is the key to success
- Collaboration between business & IT
- Clear understanding of seller's as well as buyer's requirements
- Make technology work for you
 - Use a tool that can guarantee success within the required timeline
 - Rules-based divestiture is easy to manage



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Questions?



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Thank You!

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