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RESEARCH NOTE

THE EVOLVING BUSINESS CASE FOR TIER-1 ERP IN MIDSIZE COMPANIES

THE BOTTOM LINE

Today, usability improvements and rapid implementation tools that simplify deployments make enterprise applications a less risky venture for midsize companies. Nucleus examined those companies' deployments of packaged applications such as Oracle Accelerate Solutions and found firms could deploy once with limited risk and then have enterprise-class functionality in place to support future business needs. Companies with similar growth plans should seriously consider packaged applications when evaluating their ERP strategy.

OVERVIEW

In the past 15 years, much has changed in technology and decision making since the first adoption wave of enterprise resource planning (ERP) applications. Problems with many initial deployments included:

- The immaturity of enterprise application suites
- The lack of experience of those implementing them
- Poor management of expectations by both the vendor and customer

Early suites with limited functionality were often highly customized based on existing business processes. This resulted in projects that were costly, often had a 2 to 1 or higher consulting to software ratio, and were unpredictable: many went over initial timelines and budgets. This made ERP projects challenging for many large companies and simply unrealistic for smaller firms. Luckily, as enterprise applications have evolved so have the experience and expectations of vendors and decision makers:

- Executives have experience implementing solutions and understand the limitations and disadvantages of code-based customization. They see the benefits of implementing an enterprise class solution properly the first time and then upgrading or expanding as their business grows instead of facing a more costly migration to a Tier-1 solution.
- Companies with limited deployment and support resources can take advantage of multiple cloud options, including both public and private clouds, to focus their internal resources on business innovation instead of application support.

- Vendors and partners have invested in repeatable packages, solutions, and templates that reflect their industry experience and drive rapid predictable implementations.

One such vendor is Oracle. Oracle and its partners have invested in Oracle Accelerate Solutions which are based on Oracle Business Accelerators, Oracle's advanced implementation tools. Nucleus has followed the evolution of the Oracle Accelerate program for some time; in fact, in early 2011 Nucleus found that customers that had used Accelerators reduced the time to deploy Oracle E-Business Suite by at least 50 percent (Nucleus Research *118 - Oracle Business Accelerators*, February 2011).

Since that initial analysis, the program has expanded: today, there are more than 620 Oracle Business Accelerators for different Oracle applications in use by customers in 47 countries.

This research note explores the evolving business case for implementing Tier-1 ERP applications in midsize firms and is informed by Nucleus Research's analysis of hundreds of enterprise application deployments as well as analysts' in-depth conversations with numerous companies who have deployed Oracle ERP solutions using Oracle Business Accelerators.

THE SITUATION

Tier-1 enterprise applications are more attractive to midsize companies now than ever before. Midsize companies are considering Tier-1 applications for two main reasons:

- They want to invest once in systems that position them for growth so they can avoid the risk of outgrowing their initial investment and having to face the risk and disruption of a new implementation in a few years.
- They believe Tier-1 capabilities will give them competitive differentiation against their smaller peers and increase their ability to compete or partner with larger players.

Customers that chose Tier-1 applications from Oracle said:

- *"Do we plan to stay status quo, acquire, or be acquired? Our direction was the latter, and if you are in the acquiring or being acquired stage, having top-tier systems is a huge difference."*
- *"We needed to grow to support global revenue recognition needs and get prepared to pass Sarbanes-Oxley compliance. We may not have as high a volume as a large enterprise, but we are just as complex."*

THE BENEFITS FROM ACCELERATED IMPLEMENTATION

The obvious benefit from an accelerated implementation is faster and more predictable time to value because the decision maker, partner, and vendor have a clear and mutually agreed upon project scope. For planning purposes, customers can have a high-level view of the business process flows within the application at the beginning of the project, and

the team can identify where existing business processes may need to be adjusted before they start the implementation.

In analyzing the experiences of mid-sized firms deploying Oracle Accelerate solutions for Oracle Applications, Nucleus found companies gained other benefits, including lower initial and ongoing costs, less risk of future disruption, easier upgrades, and the ability to leverage industry best practices already configured in the software.

PERCEIVED DISADVANTAGES OF PACKAGED SOLUTIONS

Although the uninitiated may assume that packaged solutions would limit their flexibility and drive greater change management requirements because they cannot be customized to meet the unique needs of the business, Nucleus found the opposite to be true. Because Oracle Business Accelerators use a hosted configuration tool, with defined rather than preconfigured templates, implementers can modify or add data to match their customer-specific requirements. In fact, Nucleus found companies were able to take advantage of the best practices prescribed in the Oracle Business Accelerators rather than try to map and then evaluate their own processes – and could rely on partner’s industry and product expertise to then extend the application as needed. Customers said:

- *“We stayed pretty plain vanilla, because we knew we wanted to do a clean implementation first and then if we needed to make changes we could extend or add as we needed.”*
- *“With Accelerators, you personalize, you don’t customize.”*

Implementing as much out-of-the-box functionality as possible is a growing trend in ERP projects, largely because of the experience decision makers have gained when trying to upgrade applications with extensive custom code. Nucleus found Oracle Business Accelerators provided businesses with much of the industry-specific functionality they needed without the ongoing cost, risk, and disruption created by traditional customization.

KEY SUCCESS FACTORS

Even with packaged solutions such as Oracle Accelerate solutions, companies embarking on an enterprise application deployment will benefit from the guidance of partners on which solution is right for them and when they should deviate from the best practice outlined in the Accelerators. Not surprisingly, Nucleus found midsized companies were most successful when they established high-level partnerships between partners, Oracle account managers, and executives and line-of-business managers so there were clear expectations of what resources would be needed to support the deployment and why. Other key success factors for enterprise application deployments in the midmarket Nucleus identified included:

- Limiting customization. Most customers found limited customization enabled them to keep their project on time and on budget with limited change management efforts.

In fact, Nucleus recommends customers explore configurations to the software instead of customization to the actual software code.

- Having a communication plan that includes clear timelines, user training expectations, and a marketing plan around key benefits of the new application environment.
- Planning on a 6-month or less go-live timeline. Nucleus has found that many enterprise application deployments in the midmarket are driven by a change event such as an acquisition, spinoff, or planned IPO. If such a hard deadline doesn't exist, planning an artificial one can help to keep decision making and training agendas on track. Six months is not unrealistic; in fact, one customer Nucleus analyzed completed its initial deployment in 12 weeks; others have deployed in as few as 3 weeks.
- Communicating throughout the organization the value of an accelerated implementation and the value of resource savings that can be devoted to innovation in other areas of the business.
- Considering different delivery options. Nucleus found that customers that took advantage of Oracle Cloud Services or hosting services from the Oracle Partner Network (OPN) were able to accelerate deployment while ensuring appropriate allocation of server and staff resources.

CONCLUSION

Historically, midsize customers have been wary of the cost, disruption, and unpredictability of Tier-1 enterprise applications. However, vendors such as Oracle have made investments in tools and technologies to reduce the cost and complexity of enterprise applications in key areas including:

- Planning and discovery. Oracle Business Accelerators and business process-flow based content built using the Oracle User Productivity Kit (UPK) accelerate business discovery and scoping and guide customers through a rapid deployment plan based on industry best practices.
- Implementation. Automated configuration tools reduce errors and streamline configuration while allowing customers to incorporate their own specific requirements.
- Delivery and support. Oracle and its partners provide customers with a number of Oracle Accelerate solutions that are available via different deployment options, including Oracle Cloud Services, which both reduce the initial cost and time of a project and streamline support and upgrades on an ongoing basis (Nucleus Research *I123 - Guidebook - Oracle Cloud Services*, January 2012). Oracle's engineered systems approach and the Oracle Database Appliance provide other options for customers to streamline delivery and support (Nucleus Research *I103 - Oracle Database Appliance - high availability for the midmarket*, September 2011).

These changes have given midsize companies access to the robust functionality and competitive differentiation of Tier-1 enterprise-class applications at lower cost and risk than ever before. Companies poised for growth, or those seeking to compete against

larger rivals, should seriously consider Tier-1 applications and Oracle Business Accelerators as a way to leverage industry best practices and position themselves as enterprise class while mitigating cost and risk.