Core Renaissance
Breathing new life into legacy Oracle assets
Today, many of Oracle’s 90,000 enterprise application software customers1 find themselves at a crossroads. Over the years, they’ve made significant investments in one or more of Oracle’s application business lines, including JD Edwards EnterpriseOne, PeopleSoft, Siebel, E-Business Suite, and Hyperion. These core solutions form the backbone of back-, middle-, and front-office operations and have been critical to business success. Long-standing investments in these assets represent years of buying packages, building custom enhancements, and integrating an increasingly hybrid environment, a process that continues apace: On average, 80 percent of time, energy, and budgets are consumed by the care and feeding of the existing IT stack.2

Increasingly, however, Oracle customers hear the drumbeat of digital and cloud disruption growing stronger. Conventional wisdom holds that eventually most, if not all, IT services will likely be provisioned from the cloud. They also see innovation in areas like mobile and analytics taking place around the edges—innovation that is fueling new opportunities, transforming operations, and impacting the core itself.

Faced with rapidly evolving technology and business landscapes—and Oracle’s own strategic transformation from software vendor to cloud platform provider3—customers may be wondering how well legacy finance, CRM, human capital, and supply chain systems are meeting their needs today and, more importantly, if these core assets can support critical innovation, experimentation, and growth going forward.

Their concerns are also driven by:

- **Oracle’s product roadmap**: Through internal development and external acquisitions, Oracle has transformed its product catalog. Existing customers are looking to the company to address concerns about support windows, upgrade paths, competitive positioning, and compatibility, among others.

- **Cloud**: As a platform for deployment, cloud can be a sea change for managing infrastructure and system landscapes. Oracle now offers a host of cloud-based products for deployment up, down, and across the stack. Increasingly, organizations are asking how cloud might change their core solution footprints and landscapes, over what timeframe, and in what order. Moreover, they want to know how standardization—a requirement of cloud-based solutions—could impact processes currently supported across the core by intricate webs of extensions to their ERP systems, custom stand-alone solutions, work-arounds, and manual processes. The simplicity of standardization appeals to many, as do the upgrades Oracle pushes out at regular intervals to cloud customers. But can standardized processes really meet unique business and operational needs?

- **Information and analytics**: With more emphasis than ever placed on data analysis and having real-time visibility into critical business processes, many companies are searching for solutions that can help them leverage core investments while they shift their strategic focus from automating processes to answering questions and gaining insights. Does meeting these twin goals require performing open-heart surgery on the existing stack, or is there a way analytics can be deployed purposefully, and with a bounded scope, to revitalize core investments?

- **IT talent**: Over the years, companies have invested not only in core software, hardware, and infrastructure, but also in the talent required to maintain it. Any systems transformation initiative that calls for a replacement of on-premises systems will likely be met with resistance from IT talent and some quarters of IT leadership. Is declining morale in IT and the potential loss of critical skill sets too high a price to pay to address growing core-related challenges?
• **Agility**: IT’s ability to deploy new innovations quickly to respond to rapidly evolving market shifts has become a business imperative. Yet in many companies, agile delivery of new services stands at odds with waterfall methods used to implement massive core systems. What’s more, undertaking costly application upgrade projects often leaves few budgetary resources for other customer-focused initiatives. Can IT become more nimble and cost-effective in its care and feeding of the core?

• **Antiquated business processes**: Early investments in core technologies focused largely on automating manual tasks and driving standardized, efficient business processes. Companies made these investments in technologies available at the time, long before ubiquitous mobile connectivity, advanced data and analytics capabilities, and the current focus on usability and engagement came to dominate business and IT strategies. Is it now possible to revisit functions and processes, and rewire them according to how work *should* and *could* get done?

Questioning the shelf life of the core is not only reasonable, it is strategically necessary. Years of customization, best-of-breed implementations, bug fixes, and, in many cases, deferred maintenance have resulted in unwanted technical debt and often labyrinthine complexity, leaving core systems in varying stages of health, maturity, and architectural sophistication.

Against this backdrop, many Oracle customers are asking several fundamental questions: Is it possible to revitalize our core so that we can continue to extract value from legacy assets? Moreover, as we develop IT transformation roadmaps and redesign architectures and process in the coming years, is it possible for on-premises core assets to do more than merely coexist with cloud and other disruptive technologies within IT portfolios? Indeed, can they become actual drivers for *reimagining* business processes?

The answer to these questions is yes. Increasingly, organizations are modernizing core systems and replatforming solutions to remove barriers to scale and performance, and extending their legacy infrastructures to fuel innovative new services and offerings. Similarly, they are rethinking established business processes to better align them with modernized solutions stacks. For these organizations, it’s not about just doing the same things differently, but doing fundamentally different things.
Oracle’s investment in its own product portfolios is helping fuel these renewal efforts. By rolling out new versions of core business solutions and investing heavily in cloud-based products such as the Oracle ERP Cloud suite, Customer Experience for digital commerce and marketing, PaaS for integrating existing IT assets with next-generation cloud solutions, and Business Analytics for big data management and analysis, the company is providing a toolkit that can help existing customers boost their capabilities and modernize their cores.

The challenge, then, becomes determining how these and other new solutions can create measurable, attributable value by addressing existing problems, unlocking new possibilities, and driving efficiencies.

Legacy core systems are not relics from the technological dark ages. They are, and can continue to be, the backbone of the enterprise—critical to current and future success. Core Renaissance is about revitalizing the systems at the core to become drivers of differentiation and growth.
Core renaissance opportunities come to life in four critical functions: finance, customer, human capital, and supply chain. For each, we’ll review a few common pain points Oracle customers may be experiencing with their legacy core systems and then examine opportunities for growth, improvement, and innovation. We’ll also discuss actionable considerations to help frame solutions and next steps.

Traditionally, finance organizations have leveraged ERP heavily to meet their central responsibility—aggregating, processing, and disseminating information. Today, roughly 78 percent of companies in the United States use an ERP system as their primary financial system.

Though many Oracle legacy ERP systems are functionally mature and broadly meet the operational needs of users, they may lack real-time reporting, multi-dimensional analytics, and other leading-edge capabilities that enable finance teams to rationalize and analyze large volumes of data assets and records in seconds.

Years of best-of-breed add-ons, upgrades, redesigns, and quick fixes have often resulted in excessive architectural complexity. This, in turn, can lead to a host of IT and operational challenges. For example, as business models evolve and markets shift, companies often realize they need to approach financial reporting, analysis, and data management differently, which sounds simple enough. Yet in reality, making such changes in highly customized legacy environments that often feature extensive controls designed to protect the integrity of financial processes might take weeks or even months and cost millions of dollars.

Likewise, at a time when innovation and agility are requisite to business success, effectively connecting the innovative edges to the stationary core can prove both expensive and daunting.

What’s more, ERP’s fundamental mission is to automate processes, which drives efficiency, consistency, and accuracy. Though it has undoubtedly delivered on some of that promise, finance teams still spend too much time manually aggregating data, reconciling, and closing the books. In a recent survey of US executives, 59 percent report having manual reconciliation processes. Respondents suggest that the amount of time spent on reconciliation efforts places a burden on finance departments and takes away from their ability to engage in more value-adding efforts and analysis.

Oracle is helping customers address these and similar challenges by continually innovating numerous enhancements and new capabilities for its ERP Cloud offering. This enterprise business suite harnesses cloud, embedded data cubes, and analytics to simplify operating environments, enhance controls, and provide real-time access to data and analysis. Built with open standards technology and featuring both net new features and others adopted from the company’s enterprise offerings (JD Edwards, PeopleSoft, and E-Business Suite), ERP Cloud consolidates instances in one representation of essential master data, enabling a single enterprise-wide view while simplifying maintenance. Its out-of-the-box functionality replaces large chunks of legacy customization, which can help create parity among system features without complicating upgrade paths.

The suite’s Financials Cloud component features embedded functions designed to enhance the user experience and boost efficiency, including role-based dashboards that push issues and work to users; transactional intelligence that guides decision making; and spreadsheet integration across finance functions.
It also offers other opportunities for systems and process transformation, including:

- **Accelerated close and reconciliation processes**: Manual close and reconciliation processes take days—sometimes weeks—to complete. Oracle’s Hyperion Financial Close Management product, which features embedded analytics and an Essbase Cube built into the general ledger, can help boost trackability and reduce time spent on manual tasks in finance transaction and close processes. Simplified reporting and processing can shorten this process dramatically, leaving the finance organization more time to perform analytical validation. And, a faster close means companies will be able to start their next forecasts that much earlier and make decisions proactively about their use of working capital.

- **Self-service reporting**: When reporting processes are simplified and accelerated, financial planning and analysis teams (FP&A) can transfer many reporting duties to the individual lines of business. When FP&A teams spend less time on aggregating data and producing reports, they can spend more time analyzing information and advising the businesses on ways to improve performance.

- **Reduced total cost of data ownership**: Organizations may be able to lower data storage costs through dramatic simplification of IT architecture, higher data compression rates, and lower data redundancy. Data can occupy a much smaller footprint, and the solution architecture can be simplified, with the data warehouse tranche of the typical finance stack being absorbed into the larger solution. Because the corresponding software, storage, and servers can be redeployed, fewer interfaces will be needed to keep everything in sync.
In the years since early Oracle core systems were implemented, customer engagement technology has changed considerably. First generation channel-specific tools gave way to multi-channel CRM suites which, in turn, evolved into omnichannel engagement platforms that support contextual marketing and service, commerce and sales, physical and digital customer experiences, and customer intelligence.

Oracle’s Siebel CRM solutions remain vital components of customer engagement. Yet in some organizations, these tools may be but one element in a patchwork of CRM components by numerous vendors—a patchwork riddled with redundancy and complexity. Even in Siebel-exclusive environments, some older versions with limited functionality may have been surpassed by a portfolio of Oracle cloud-based offerings that support work as it is done today. For example, digitally empowered customers, omnichannel retail, social media, and other disruptive forces are rapidly transforming the way organizations engage customers. A new marketing paradigm known as dimensional marketing® is supported by a digital platform that includes the integration of existing back- and front-office systems with new technologies to create contextual outreach tailored to specific individuals based on their preferences, behaviors, and purchase histories.

Faced with such disruption, CIOs, CMOs, and other decision makers at companies with legacy front-office systems are eyeing opportunities to enhance and revitalize their current customer engagement capabilities.

Oracle offers an integrated suite of cloud-based CRM products that is designed to deliver an effective customer experience and break down data siloes throughout the front-, back-, and middle- offices. Its modular components—marketing, sales, commerce, service, social, and configure, price, and quote (CPQ)—can be implemented individually to address specific functional pain points while laying the groundwork for more far-reaching transformation initiatives and business model pivots in the future.
Human Capital Management: Developing tomorrow’s talent

In the age of mobile access and sophisticated social networking platforms, employee expectations of the engagement experience are high. Beyond being a source of irritation for users, complicated, unintuitive interfaces in legacy HR systems can undermine an organization’s efforts to recruit new talent. These experiences, which offer potential recruits their first glimpse at a prospective employer’s systems, can leave savvy candidates feeling that an organization’s approach to technology is primitive and uninspiring. In the competitive world of recruiting top talent, this can be a significant problem.

What’s more, though legacy human capital management systems may be sufficient to carry out complex payroll and benefits processes, often they do not adequately support a comprehensive talent management lifecycle in which the focus shifts to developing solutions that help attract, develop, and retain talent.

In response, HR organizations across industry sectors and global geographies are embracing new tools and strategies for recruiting, developing, and retaining the top talent companies need to thrive. For some, this means participating in external talent ecosystems and developing crowdsourcing strategies that allow them to “consume” talent on an as-needed basis. For others, it means deploying analytics to better understand and predict employee behavior—not based on a survey, but on actual employee performance and on empirical data that can be used as a benchmark. With such insights, companies can offer more focused development opportunities, recognize early warning indicators to address problems before they escalate, and make project assignments more strategically.

These and other techniques represent a major shift from the “hire ´em, pay ´em, and fire ´em” administrative tasks for which HR is often known. Increasingly, highly skilled talent is seen as an essential competitive differentiator. In turn, talented individuals want opportunities to develop their skills and to grow both professionally and personally. For many companies these and other expectations present a multi-dimensional challenge. HR organizations are looking for ways to develop technology, people engagement, and progressive processes to fill immediate gaps and provide a foundation for meeting evolving needs going forward. Likewise, IT groups are looking for ways to address common technical challenges that early adopters of PeopleSoft and other Oracle HR components may experience, including system fragmentation and outdated payroll, benefits, and performance management tools.

Oracle’s Human Capital Management offering is designed to give HR organizations the tools they need to transcend the limitations of legacy HR systems and create consistent processes that support cohesive talent management on a global scale. The offering comprises six modules, of which Global HR is the flagship. This module provides a unified HR platform that supports collaboration services, mobile, predictive analytics, and country localizations.

Cloud’s multi-tenant architecture is predicated on shared underlying data and business rules. As such, Oracle’s HCM cloud solutions can help replace many of the information siloes that bedevil legacy HR environments with single-source, real-time workforce data that can be used throughout all HR and talent management solutions.
Other HCM opportunities include:

- **Transformed user experiences**: Oracle’s HCM cloud platform can help legacy customers enhance user experiences and make system interfaces more intuitive and welcoming than before. Employees are demanding simple mobile solutions for common HR self-service scenarios—entering time and expenses, requesting vacation time, looking up benefits information, and viewing payroll information. Unlike other processes where company-specific complexities limit the usefulness of out-of-the-box mobile solutions, there is potential for “product-like” mobile experiences in the talent world.

- **Predictive modeling**: HR organizations can apply predictive modeling techniques, analytics, and visualization solutions to troves of employee and industry benchmarking data to identify workforce opportunities, trends, and future challenges. For example, at a leading financial services firm, top sales performers typically leave after three years on the job. Predictive modeling can help HR better understand the root causes and extenuating circumstances that fuel this costly trend, and develop an appropriate response.
Supply Chain Management: Replacing complexity with simplicity

Oracle’s supply chain management (SCM) technology stacks, like EBS R12, typically feature an integrated end-to-end solution across four key dimensions:

1. A base ERP platform that includes core functionalities such as purchasing, logistics, inventory management, manufacturing, and materials management;

2. Planning and collaboration functionalities that help drive forecasting, planning, scheduling, and collaboration among business partners;

3. Advanced execution capabilities such as extended warehouse management, advanced transportation management, event management, and global trade enhancing capabilities; and

4. A reporting and analytical layer sitting on top of the stack for monitoring overall supply chain status.

These layers support intricate webs of third-party suppliers, contract manufacturers, and evolving delivery methods. As such, though SCM solutions are integrated, they are anything but simple. In fact, they reflect the innate complexity of supply chains themselves. And until very recently, complexity was unavoidable: Supply chains are, by definition, highly mutable and vulnerable to disruption.

In the years since many organizations implemented their existing Oracle SCM components, globalization, innovation, and relentless cycles of acquisitions and divestitures have added additional layers of complexity which have, in turn, put more pressure on supply chain organizations and on the SCM technologies they use. As a result, many supply chain leaders are forced to spend too much time reacting, and not enough time planning, forecasting, and optimizing operations and processes.

Oracle is working to address this challenge by developing a suite of cloud-based SCM products that will replace much of the technical complexity found in legacy SCM systems with streamlined functionality and simplified user interfaces. The Oracle SCM Cloud components currently available include: inventory and cost management, procurement, product master data management, logistics, order management, and product lifecycle management. The company is developing cloud-based supply chain planning and manufacturing components, and is expected to announce their release dates in the near future.

Even though Oracle’s cloud SCM suite is currently a work in progress, legacy customers—particularly smaller and mid-market organizations with less complex supply chains—can still consider implementing individual SCM components such as logistics or procurement to address specific pain points. Likewise, there may also be advanced features and enhancement within existing Oracle ERP platforms that organizations have not yet deployed. Doing so now could help create efficiencies across their supply chains—from planning and inventory management to manufacturing, warehouse management, and transportation execution.

This approach may also help support near-term core renaissance objectives while laying the groundwork for more far-reaching transformation efforts involving new Oracle product releases as they become available.

There are numerous cloud-based SCM products on the market that can likely fill current functionality gaps in Oracle’s cloud SCM portfolio. That said, there is an argument to be made for embracing the cloud incrementally with products from a single vendor. Taking this approach can help establish vendor accountability and control. As enterprise technologies and business strategies evolved over the last decade, many companies deployed point solutions to leverage the latest trends. A best-of-breed IT strategy presupposes a collaborative ecosystem in which all vendor solutions play nicely with each other for the life of the company’s systems. In many situations, this supposition proves ill-founded—some vendors are bought and sold, while others fail to gain traction in the market. Particularly in today’s disruptive environment, point solutions considered groundbreaking upon release can quickly become yesterday’s news. A few years in, many of those outdated solutions can contribute to overall system complexity. By working with a single vendor, organizations may be able to get more value from their technology investments, better manage implementation risks, and limit unnecessary complexity going forward.
Getting started on your core renaissance journey

Challenges abound for businesses today. Financial and regulatory pressures, technology disruption, increased competition for talent, unmet needs—all of these factors conspire to slow momentum and undermine careful planning.

Technical maturity offers another common pain point, one often directly linked to business problems. Heavy customization, security vulnerabilities, scalability, and performance challenges in core systems can—and often do—impact the bottom line.

For Oracle customers operating legacy systems, core renaissance initiatives can begin by taking a combined view of business imperatives and technical realities—balancing business priorities and opportunities with implementation complexity. This can provide an approach tailored to meet your specific needs and goals. It should be a roadmap informed by your most pressing pain points, not by Oracle’s product catalog.

Approaches will vary from wholesale transformational efforts to incremental improvements tacked on to traditional budgets and projects. But regardless of how systemic or tactical they are, core renaissance responses often include a combination of the following five approaches:

Replatform: Replatforming efforts typically center on upgrading the core application or implementing new solutions on the underlying platform upon which the application runs. For Oracle enterprise applications, replatforming could involve technical upgrades, migration to the latest software releases, or instance consolidation. For any software solution, it might also involve moving to modern operating environments (server, storage, or network) or migrating pieces of the landscape to the cloud (private, public, or hybrid). Or specific architecture decisions like adding Oracle PaaS in-memory capabilities. While it may appear less invasive than other approaches, replatforming is rarely a simple “lift and shift” exercise. It typically requires a workload-by-workload analysis and surgical intervention to understand the opportunities and develop a roadmap for migration. Strategy may differ based on the environment—specifically optimizing non-production versus production landscapes (experimenting with sandbox, development, test, or stage environments at the beginning).

Remediate: Remediation shifts attention to the internal workings of systems, which could require rewriting chunks of code to reverse technical debt. In legacy Oracle systems, that might involve:

- Unwinding customizations for capabilities now handled by out-of-the-box software.
- Addressing master data issues by adding a means to harmonize customer, product, supplier, and other data, and creating validations and controls to better govern important data domains.
- Rewriting or wrapping interfaces, and refactoring legacy point-to-point and batch jobs to extend and reuse critical data and services. Likewise, redundant or architecturally strained web services or underutilized middleware platforms, batch jobs, and enterprise services can be rewritten using modern techniques.

These logical and architectural changes can help boost mobile, analytics, and social capabilities and improve usability. Moreover, approaching them incrementally may help companies extract near-term value from legacy assets, even those targeted for longer-term transformation or retirement.
Revitalize: In some cases, the internal business logic and transactional capabilities in legacy Oracle systems are rock solid, but usability causes pain points—poor user experience design, long response times, or a lack of mobile solutions to support business when and where it actually occurs. Both analytical and transactional solutions can benefit from revitalization. Approaches start with a user-centric, persona-based focus—understanding customer, employee, and partner needs by observing them in the field. Existing processes, reports, or screens shouldn’t constrain new solutions. The goal is not simply to replicate existing operations behind a new digital veneer. Rather, approaches should be built around how individuals actually should and could do their jobs, empowered by technologies, such as smart phones, tablets, wearables, and virtualization tools. Well-designed front-end solutions allow existing back-end services to be hooked into them without much effort, making it possible to extract near-term value from legacy systems, even in the midst of longer-term system transformation projects. In some cases, a degree of remediation is required to support revitalization goals. Yet, tiny investments can potentially unlock efficiency gains. They can also help IT and business leaders better meet increasingly high employee expectations around workplace technology.

Analytics solutions offer another significant revitalization opportunity. By grounding analytics initiatives in standardized data and processes, organizations can begin working to find answers to function-, geography-, and business unit-specific questions—answers that could potentially unlock real insights and deliver measurable, attributable value. For example, data-driven insights might make it possible for the leaders of an underperforming business unit to determine the degree to which the group’s culture can digest needed transformative change. If its capacity for change is high, then leaders can make an informed decision to tackle iterative, high value initiatives. If not, they can take a more measured approach. Either way, the company won’t have to rip and replace its core systems to bring about change. Moreover, with the speed of in-memory computing and real-time analysis, companies no longer have to pre-engineer questions they want answered into data warehouse plans. Indeed, individual users can analyze up-to-the-moment data to form and refine hypotheses, run experiments, and make observations. The net result is a more forward-looking enterprise that is agile and event-driven.

Replace: In some situations, the answer is to recast the solution landscape by replacing parts of the portfolio with new solutions. In industries like insurance and public sector, large-scale custom solutions were often necessary decades ago because of a lack of commercially viable packaged solutions. Today, Oracle’s offerings have closed many of these gaps, giving institutions a chance to revisit “build” versus “buy” decisions. Similarly, Oracle’s portfolio of cloud solutions might be attractive to companies looking for improved agility and the potential to reallocate capital expenditure to operating costs. Importantly, IT needs to be a part of these discussions; otherwise, lines of business may make their own isolated investments.

Retrench: Retrenchment, simply put, means doing nothing. This is likely a part of any Oracle core renaissance journey, especially for non-differentiating parts of the business and IT footprint. Being passive can be strategic, especially if not taking action is a deliberate decision made after careful analysis. This is not the same as ignoring an issue; it is weighing the risks, communicating the recommendation (and potential repercussions) to key stakeholders, and then deciding to focus on other priorities.
Eyes on the future

Breathing new life into legacy Oracle assets improves upon the ways of old, and broadens the possibilities of tomorrow. As many organizations on the core renaissance journey are realizing, a revitalized core can become a strategic differentiator, and provide a foundation for experimentation, innovation, and growth. It can also offer a roadmap for leveraging advances in in-memory, cloud, hardware, and other leading technologies, removing paralyzing complexity, and getting back to basics.

Of course, such steps can lead to greater efficiency. But the real opportunities are more strategic. For example, what would you do differently if you could close your books in seven seconds instead of seven days? How would aligning demand with supply transform your relationships with suppliers and retailers? How would the ability to recruit and retain top talent impact your innovation agenda—and your bottom line? Core renaissance gives you the tools to answer these questions and more.
Authors and Contributors

Authors
Bill Briggs
Director, US Chief Technology Officer
Deloitte Consulting LLP
wbriggs@deloitte.com

Mike Brown
Principal
Deloitte Consulting LLP
mikbrown@deloitte.com

Keith Burr
Principal
Deloitte Consulting LLP
kburr@deloitte.com

Pavel Krumkachev
Principal
Deloitte Consulting LLP
pkrumkachev@deloitte.com

Rubin Mohan
Principal
Deloitte Consulting LLP
rmohan@deloitte.com

Donald Schmidt Jr.
Director
Deloitte Consulting LLP
doschmidt@deloitte.com

Contributors
Jeffrey Croxen
Senior Manager
Deloitte Consulting LLP

Varun Dhir
Senior Manager
Deloitte Consulting LLP

Bala Gopalakrishnan
Specialist Leader
Deloitte Consulting LLP

Manoj Menon
Specialist Leader
Deloitte Consulting LLP

Madhav Mullapudi
Senior Manager
Deloitte Consulting LLP

Monis Muzaffar
Senior Manager
Deloitte Consulting LLP

End Notes
5 Ibid.