
Oracle Applications

It all sounds very sensible

By Dale Vile, May 2007

Whenever a company buys another one that has a similar (perhaps previously competing) product line, there is always a fear that there will be tears within at least one of the customer bases when users are forced to migrate as the inevitable rationalisation takes place.

Worse than this is when the acquiring vendor says it will actually merge the two product lines, taking the best from each to provide a superior hybrid, which customers take as meaning that there is not even a chance of avoiding future cost and disruption, as everyone will need to migrate regardless of their starting point. In such situations, there is also the added risk that the hybrid will end up looking less like the offspring of two thoroughbreds and more like the software equivalent of Frankenstein's monster.

If you take such fears and multiply them a number of times, you get to the situation Oracle ended up with as a result of bringing together the PeopleSoft, JD Edwards and Siebel solutions with its existing Oracle E-Business Suite (EBS), then declaring that everything would be pulled together into a single Fusion Applications product line. Groans from the respective customer bases were almost audible at an industry level when this was originally announced, and many of the concerns and emotions still linger in many peoples' minds.

After several iterations of often confused and sometimes conflicting messaging, Oracle eventually came up with a story, however, about how it would protect customers' investments. This was known as known as Applications Unlimited, within which, it pledged not only long term support for each existing product line, but continued commitment to enhance and keep them up-to-date. The idea was to ensure that individual customer bases did not suffer from neglect of heritage applications as Oracle ploughed more resources into the super hybrid. Each product was endowed with a development roadmap to back this up and customers gave Oracle the benefit of the doubt. So far, the vendor appears to be keeping its word, with a pretty convincing set of upgrades recently launched for each product line.

Despite this, however, sceptics still ask whether it is economically viable for Oracle to maintain four major application product lines while developing a fifth one, which is a very legitimate question. Oracle's reply is that the existing maintenance revenues coupled with the usual incremental spend that naturally occurs within any application customer base is exactly as it was before the acquisitions took place, which amounts to a lot money to fund ongoing enhancements. It goes on to argue that all application vendors are in the process of re-architecting their software in line with trends towards ideas such as service oriented architecture (SOA), and that by redirecting the funds allocated to this investment from individual product lines to a central "pot", it can finance platform related R&D that can be applied across both existing and new offerings. In this way, it can balance the books effectively.

Oracle's reference to a major shift in architectures and platforms also brings one of the most common concerns expressed by the various user bases into focus that as a result of the acquisition activity customers will be forced into major migrations they don't really want. We have to keep this in perspective, however. PeopleSoft customers, for example, would at some point have had to go through this shift anyway if they were at all serious about keeping their infrastructures reasonably well up to date and taking advantage of modern emerging architectures. Customers have been complaining about the rigidity of enterprise applications for years, not just SAP, but this can't be

fixed by vendors re-architecting alone – at some point the customer needs to take that transformation on board. So is Oracle really forcing customer's hands?

The reality is that it is not, and in fact it is probably the complete opposite in that Oracle is likely to work especially hard to avoid "I told you so" come-back from sceptics by taking its eye off the ball with regard to heritage maintenance and enhancement. This would damage customer trust, which would have a knock on effect to its business general.

Meanwhile, the strategy of introducing increasingly more commonality across the individual product lines with each subsequent release under the Applications Unlimited programme is very sound. It means that when customers are ready to take the plunge on the big transformation, the disruption will be minimised. Even then, conversations we have had with some of the senior execs within Oracle's applications business suggests they fully understand the need for customers to take things steadily. One of the threads running through Applications Unlimited is a drive to get everything working together as much as possible across product lines through out-of-the-box integration. Included in this is the new Fusion Applications line, so if a customer just wanted to migrate financials or HR, for example, and leave manufacturing planning where it is while they gain experience and confidence with the new architecture, Oracle will support them in doing that.

OK, so this is a bit of a simplification and in practice, with customisations and so on, there will always be development and integration work to be done, but again, this shouldn't be any different to migrations that would have taken place anyway.

The bottom line is that when you consider Oracle's Fusion Applications and Applications Unlimited strategies together, it all looks eminently sensible, and actually very empathetic to customer concerns and needs. Provided Oracle continues to work through plans with customers on a case by case basis, as it has been doing, it can hopefully keep everyone moving forward positively and gain or retain hearts and minds. The only question then remaining is whether it can deliver on the promise of the ambitious Fusion Applications programme, but that's a whole separate discussion.

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