
Oracle Fusion Applications

A temperature check of customer opinion

Dale Vile, November 2006

Following the acquisition of PeopleSoft and Siebel Systems, software giant Oracle became the proud owner of four ERP and three CRM product lines, all originally developed on different platforms and having different tooling to manage configuration and implementation. Against this background, customers have understandably been asking what happens next, and specifically what Oracle will be doing to ensure that past investments are protected and incremental value continues to be delivered. Oracle's answer is its Fusion Applications strategy, but are customers convinced?

KEY FINDINGS

Customers have a range of concerns about the way forward

Anecdotal comments from an online research exercise conducted in November 2006 and involving 321 Oracle application users highlight the following concerns:

- **Lack of clarity and consistency from Oracle**
Some customers feel that Oracle has not been very clear on its approach to dealing with the future management and evolution of its multiple enterprise application product lines. Part of this has to do with the evolving nature of the story and the messaging, which is perceived to have changed too many times. Others say the overall strategy is now clear, but they are uncertain how it will translate into practical detail.
- **Scepticism over Oracle's ability to deliver**
The replatforming and functional integration task Oracle has defined for itself as part of the Fusion Applications strategy is huge in terms of both complexity and scale. Some are concerned that Oracle may not be able to pull this off in a reasonable timescale, and will be tempted to make a premature release of an inelegantly integrated solution that will be more akin to Frankenstein's monster than the seamless vision painted by Oracle marketing.
- **Fears about costs, disruption and protection of investments**
Regardless of assurances from Oracle about extended support for acquired product lines, many assume a migration to Oracle Fusion Applications will be forced on them at some point in the future. As a result, there are significant concerns about the level of cost and disruption, and the degree to which past investments in implementation time and effort, as well as technology, will be protected.

Yet there is a very positive underlying story emerging

While the above concerns mean that only 15% of customers overall are completely convinced that the Oracle Fusion Application strategy will lead to their investment being protected, there is a clear correlation between the level of confidence and the depth of Fusion knowledge. 78% of those telling us that the Fusion story is understood very well within their organisation, for example, say they are confident in their investment being protected. There is also a general belief within Fusion savvy customers that Oracle's strategy will deliver future benefits in terms of application flexibility.

The immediate challenge is closing the knowledge and awareness gap

The problem right now is that only a quarter have a reasonable or better understanding of the Oracle Fusion Applications strategy within their organisation. There is a call to action here for Oracle to drive user education harder, preferably without too much marketing spin along the way. Customers, meanwhile, are advised to familiarise themselves with Oracle's plans sooner rather than later. Fusion is almost certain to become part of their lives in the future and preparation is important.

Introduction

In the second half of the 1990's, there were five big players slugging it out in the ERP marketplace – JD Edwards, Baan, Oracle, PeopleSoft and SAP – collectively referred to by analysts at the time by the acronym JBOPS. Times were good and with the exception of Baan, that fell into an uncontrollable downward spiral due to a series of software and implementation issues, money was being made and businesses were growing.

In parallel with this, another significant player, Siebel Systems, had been gathering momentum as the driving force behind a market frenzy that was building in the CRM space. As attention among analysts and the media then shifted from “back office” ERP systems to the more glamorous and high impact sounding “front office” CRM activity, ERP vendors began introducing CRM capability into their product portfolios, either through in house development, acquisition or a combination of the two.

An aggressive positioning battle then ensued and continued through the turn of the century, with the traditional ERP camp advocating the “integrated suite” approach in which CRM and ERP were just different components of an overall enterprise application offering, while Siebel propagated its “best of breed” message on the basis that companies lived or died by how well they did the CRM piece so should work with a specialist on this. As it turned out, the integrated suite approach ultimately won out, and after the worst of the economic downturn of the early 2000's was over, Siebel, and indeed the CRM market in general, had been severely weakened.

But the requirement for enterprise applications in general continued, and now it was a fight for market share and dominance. SAP was the unquestionable leader, with Oracle, PeopleSoft and JD Edwards following, in that order. PeopleSoft then acquired JD Edwards, which in most respects brought together complementary technology and customer bases, and was generally perceived to be positive for both the market and existing customers. Unfortunately, though, this meant that the combined company now had a greater market share than Oracle, whose positioning and commitment to its application business didn't sit well with a third place market position.

In order to fix this, Oracle executed an aggressive takeover of PeopleSoft, which was a far less harmonious acquisition than the PeopleSoft and JD Edwards deal, given that the two organisations were direct competitors operating in the same market space with essentially equivalent products. To complete the set, Oracle then bought up the by then struggling and vulnerable Siebel Systems, and while that deal was more welcome to the target shareholders, the fit was no more natural at product level given the direct equivalency of CRM offerings between the two organisations.

At the end of all this, Oracle was the proud owner of four ERP product lines (JD Edwards already had two) and three CRM product lines, all of which had been developed separately on different underlying architectures with different tooling to enable configuration and customisation. It also had four sets of customers, looking to it for an explanation of what was going to happen next.

It's against this background that the concept of “Oracle Fusion Applications” was born, which is introduced on Oracle's website (www.oracle.com/applications/fusion.html) as follows:

Oracle Fusion Applications are being designed to unify best-of-business capabilities from all Oracle Applications in a complete suite delivered on Oracle's open technology. Many of the capabilities you will see in Oracle Fusion Applications are either available today through Oracle Fusion Middleware, or will appear in future releases of PeopleSoft Enterprise, Oracle E-Business Suite, Siebel CRM, JD Edwards EnterpriseOne, and JD Edwards World. Only Oracle can offer you the scale of resources needed to extend the solutions you own today, while simultaneously evolving to the next generation of Oracle Fusion Applications.

In more detailed briefings provided to customers, media and the analyst community, Oracle has described how the Fusion strategy will simultaneously protect the investments of its various application customer bases and further deliver incremental value in the form of enhanced solution flexibility enabled by the adoption of an open Service Oriented Architecture (SOA) approach.

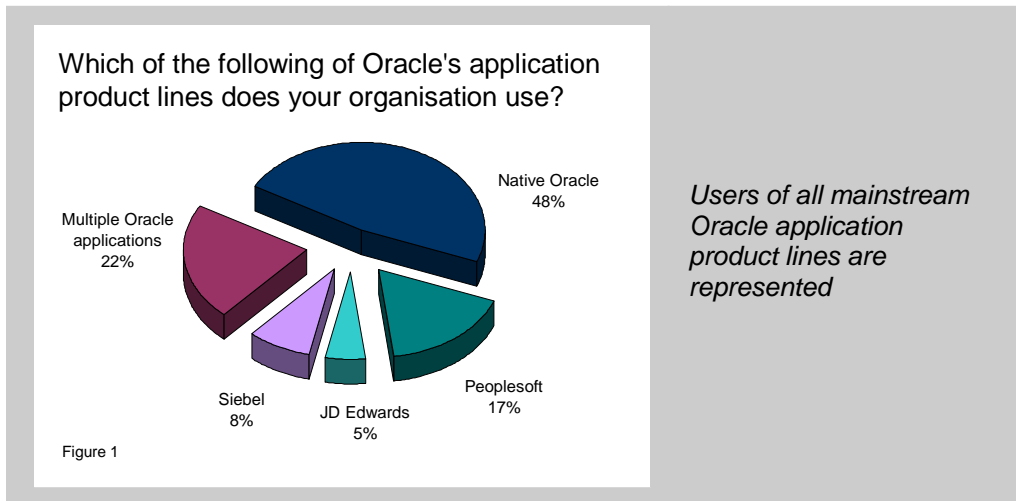
So are customers convinced?

This is the question we explore in this paper based on feedback from the customers themselves.

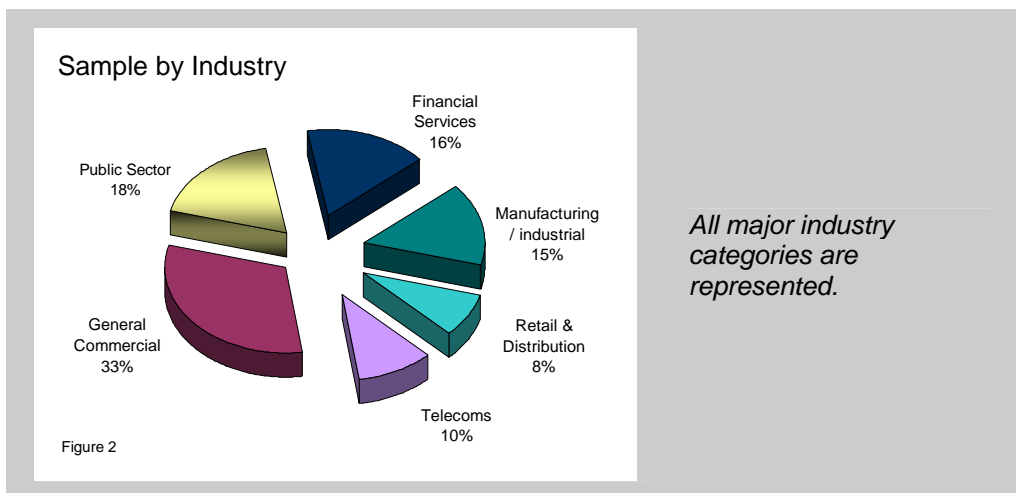
Sources of Input

The analysis in this document is based on feedback gathered from 321 users of PeopleSoft, JD Edwards, Siebel and native Oracle applications during an online research exercise conducted in November 2006. The research was designed not as the definitive study in this space, but more as a temperature check of the way customers are feeling about Oracle's Fusion Applications strategy and plans.

Users of all mainstream Oracle application product lines are represented in the research with around one in five respondents using more than one solution (Figure 1)



From an industry perspective, there is a good spread of representation across all major categories of organisation (Figure 2).



General freeform feedback was invited during the exercise, but we also asked the following questions in a simple multiple choice manner to allow statistical analysis of opinions:

How well is Oracle's Fusion strategy/story understood in your organisation?

How confident are you that the Fusion strategy will protect your investment in the Oracle application product line(s) you are using?

Will the work Oracle is doing with Fusion in relation to its application product lines deliver significant benefits in terms of application flexibility?

Customer concerns and considerations

Not surprisingly, many customers see challenges ahead of them as they try to figure out the best way forward. We'll therefore start out by looking at some of these as they are seen through the eyes of customers.

Uncertainty about the strategy and its outcome

Some of the more cynical in the media and analyst community have from time to time accused Oracle of putting market share first and customers second, having made its acquisitions before properly determining how it was going to deal with the practicalities.

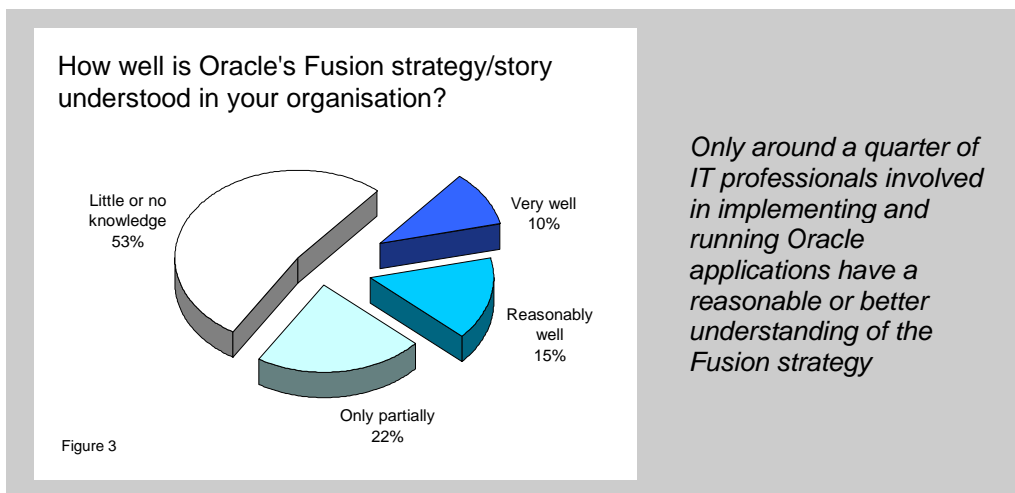
To a degree, this is always a problem associated with acquiring other companies, especially competitors, so a certain amount of working out as you go along is par for the course. As the acquirer, you also don't have the luxury of taking time out to consider the options and come up with a comprehensive bullet proof plan – there is a need to at least make some high level statements to prevent loss of confidence from investors and customers, not to mention prospective customers.

As a result, Oracle's strategy and story around how it will deal with various application product lines moving forwards has been "evolving". A natural consequence of this, however, is that many customers have become confused, as these quotes from the research illustrate:

PeopleSoft User: *The Fusion story keeps changing so it's difficult to REALLY know what's going on. First they said they'd take the best of all the products and build Fusion, then we heard Fusion was a new release of the Oracle apps and everything from PeopleSoft would be scrapped. Now, with Apps Unlimited, it's hard to say what they're really up to. I know that since Oracle took over, they've become extremely difficult to work with. Nothing at all like the old PeopleSoft!!*

E-Business Suite User: *Oracle themselves appear to have changed the meaning of Fusion a number of times over the course of the last 6 months (contrast the migration of Oracle EBS to a web-based, SOA enabled middleware platform, with the integration of the purchased products), which hasn't exactly made understanding the strategy any easier.*

As we can see, this lack of clarity and understanding can lead to frustration and discontent. In order to counter this, Oracle has been working hard to reach as many of its customers as possible in a variety of ways, from direct briefings of key personnel to dissemination of marketing materials, technical overview documents and so on. At this moment in time, however, only about a quarter of IT professionals involved in implementing and running Oracle applications (the primary source of input for our research) have a reasonable or better understanding of the strategy (Figure 3).



But understanding the strategy is obviously just the starting point, and for many, especially users of the "acquired" products, there is a perception that the much needed next level of detail is not there:

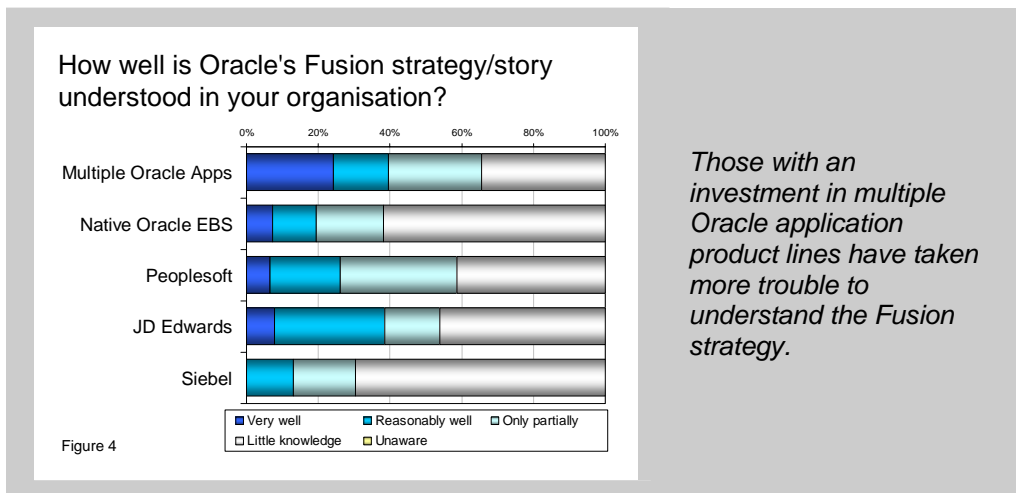
PeopleSoft User: *While Oracle is doing a good job laying out its strategy for Fusion's middleware and development tools, there's nothing to see yet of its Financial or HR/Pay systems. This is understandable since they won't be available until 2008. I wouldn't want to share too much of my strategy with the competition. But as an application owner, I've definitely got concerns about what will be the final product.*

JD Edwards User: *I am very dubious whenever any vendor states "integrate the best of each platform" ... However, I do keep getting a warm fuzzy feeling that I will be able to upgrade from our current JD Edwards platform (about four years old now) to a now-current release (possibly next year), then to some Fusion version in another five years. However warm fuzzy feelings are dangerous when it comes to purchasing software.*

Interestingly, the way the strategy has been defined, more of a merging or combining of product lines rather than a managed migration to Oracle's own native E-Business Suite, has also created uncertainties for Oracle's original user base:

E-Business Suite User: *There is huge overlap across Oracle's ERP product range and if Fusion creates a single 'best of breed' product, who decides what's best? A small number of very vocal large customers or the wider user community? Oracle's history in this respect is poor.*

This highlights the need for Oracle to ensure that the Fusion strategy and impact is well understood within the E-Business Suite customer base as well as among its acquired customers, which brings us onto how well Oracle is communicating its strategy within the various constituencies (Figure 4).



It probably comes as little surprise that those with multiple Oracle applications in place have the most understanding of the Fusion story. The impact of Fusion on this constituency, either positive or negative, will arguably be the greatest. Furthermore, it is likely that these customers have looked more closely at Oracle's Fusion middleware platform for integration purposes.

The fact that the most recently acquired customer base, the Siebel one, is the least informed, also makes sense, particular as Oracle has suggested that the CRM part of the Fusion Applications suite will be based largely on the Siebel product it inherited.

Nevertheless, this picture does underline the work Oracle still needs to do in generating a better understanding of what Fusion means across its entire customer base.

Scepticism about Oracle's ability to deliver

Understanding is one thing, believing is another. Some of the feedback from our research suggests that Oracle is sometimes regarded as guilty until proven innocent in terms of technical delivery:

User of Multiple Apps: *I don't believe it will be a new completely integrated single application unifying all of the various pieces. It's probably going to be a mess of various pieces that will be hell to maintain*

User of Multiple Apps: *Products will come to market far too late and the application suite won't even be close to being fully covered.*

User of Multiple Apps: *The Fusion story would sound better if the Oracle definition of "combine" didn't tend toward Dr. Frankenstein's: hack, slash, sew, give the resulting monstrosity a jolt, and send it off to terrorize the villagers...*

E-Business Suite User: *Remember that 11.5.x was supposed to be delivered with a quantum leap in terms of code quality. That has been a joke. Let's hope Fusion has more substance and less marketing.*

The reference to marketing here is related to another perception that we often hear that Oracle is sometimes more concerned about messaging to senior management than it is about actually delivering the goods:

User of Multiple Apps: *Fusion is a poorly defined integration strategy aimed squarely at improving the sales pitch to corporate executives.*

E-Business Suite User: *Oracle have been pushing the Fusion upgrade path with some passion, even throwing in all-expenses-paid trips to San Francisco, only the techies weren't invited, just the VPs. They came back with the following illuminating comments: "We had a wonderful time, we watched a video presentation of Larry demoing Fusion - it's so fast compared to what we have. We can see real benefits in moving up to Fusion." Er, yes, but our E-Business Suite apps would go that fast if we had better servers*

A few users are also suspicious about the commercial side of Fusion:

User of Multiple Apps: *Based on past experience, we expect to be locked into an increasing amount of Oracle products. We also expect to be forced to change our license terms and pay upgrade taxes as they redistribute functionality across modules.*

This implicit mention of costs, brings us onto one of the most common concerns we hear expressed, among Oracle users.

Cost, disruption and the undermining of past investments

Implementing or migrating an ERP or CRM system is not a trivial exercise. It generally requires extensive investment in time, resources, skills and professional services. Not surprisingly, the thought of a major migration being potentially forced at some point in the future and/or existing investments being undermined is a concern for many customers:

E-Business Suite User: *The upgrade path and support for existing customisations is currently looking atrocious and could cost millions whilst providing little tangible benefit*

Siebel User: *It just means more expensive on-site consultants to guide us through the process of migrating to the Fusion vision*

JD Edwards User: *The move to Fusion will mean a full migration to Oracle architecture at some point - nightmare!*

E-Business Suite User: *Fusion - it's going to be great for contractors.*

Some have a very negative reaction to the perception that they will have no choice but to migrate, suggesting that this may trigger a review of enterprise application strategy and allegiances in general, and a potential switch to another vendor.

PeopleSoft User: *If Oracle does not give us enough room to use and expand PeopleSoft application utilization, we will turn off from Oracle. Buying another application from a vendor who tried to kill our present investment, is absolutely against our business policies.*

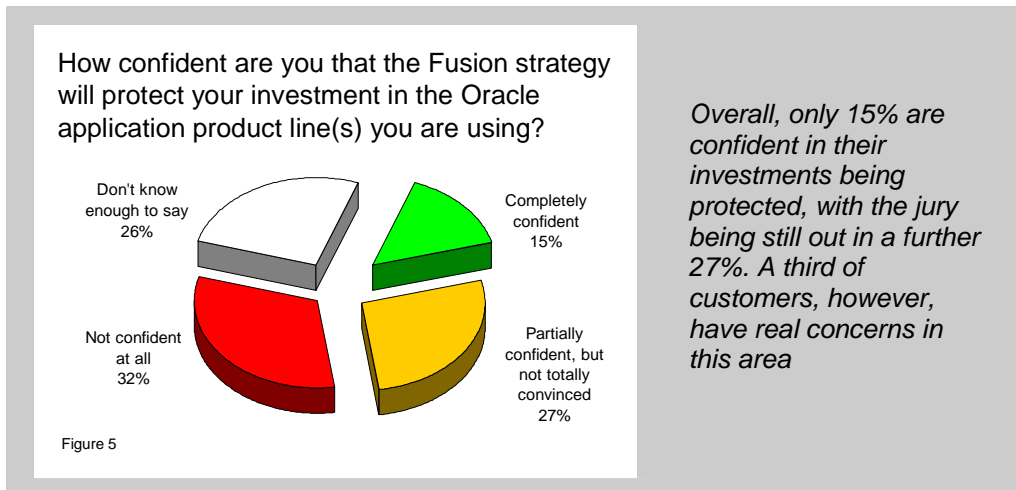
PeopleSoft User: *The statement / question we put to Oracle must have been very similar to those of many other customers, e.g. If moving to Fusion means that we have to dump our investment, as well as basically going through a full reimplementation of our ERP system, why would we choose to stay with Oracle???*

Oracle clearly has to be very careful here to provide clear and convincing evidence that the move to Fusion Applications will be less costly and disruptive than a switch to SAP, for example. From scanning through all of the feedback, it would appear to be PeopleSoft customers who are more likely to be thinking this way than other constituencies.

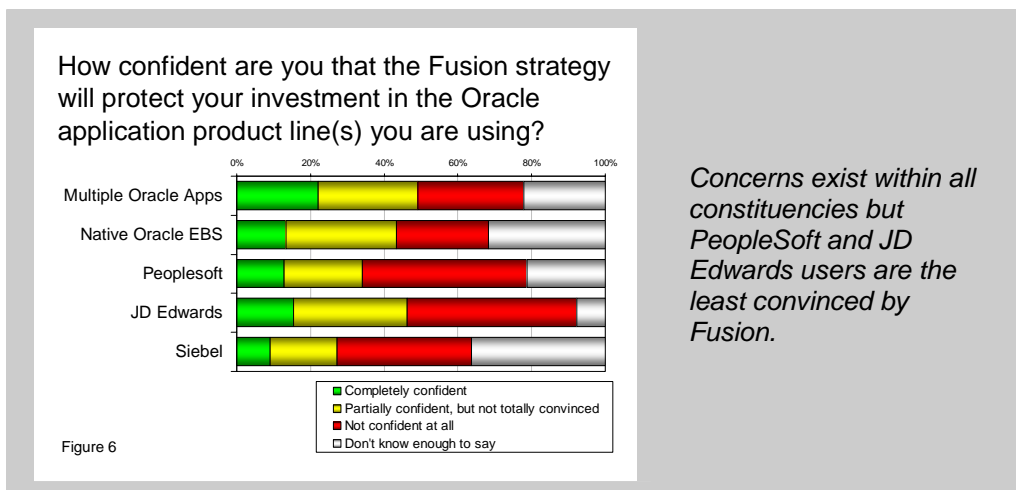
On a specific point, several respondents highlight the question of dependency on the underlying Oracle stack. Microsoft's push to get the Windows operating system and SQL Server database accepted as the preferred platform for enterprise application deployment from a cost and manageability perspective was having particular success in the PeopleSoft and JD Edwards customer bases. Many of these customers made an active decision to reject the traditional Oracle database option in favour of the Microsoft stack. While the word "open" figures quite prominently in much of the Fusion messaging, there is still a general assumption that the underlying platform will need to be Oracle based. This is what's behind comments such as the following:

PeopleSoft User: *We run PeopleSoft on MS SQL. We are not fans of Oracle and will stay with the PeopleSoft product as long as we can. Once Fusion is a reality and PeopleSoft is no longer supported/enhanced, we'll find another solution.*

When we look at the Oracle application user base overall, only 15% of customers appear to have fully bought into Oracle's claims of the Fusion strategy as a route to providing customers with investment protection. The jury is out in 27% of cases and around a third are not buying the story at all at this moment in time, with the remainder not knowing enough to say (Figure 5).



Those that are least convinced are the PeopleSoft and JD Edwards users, which is consistent with the anecdotal feedback we mentioned previously (Figure 6).



But there is a very positive underlying story

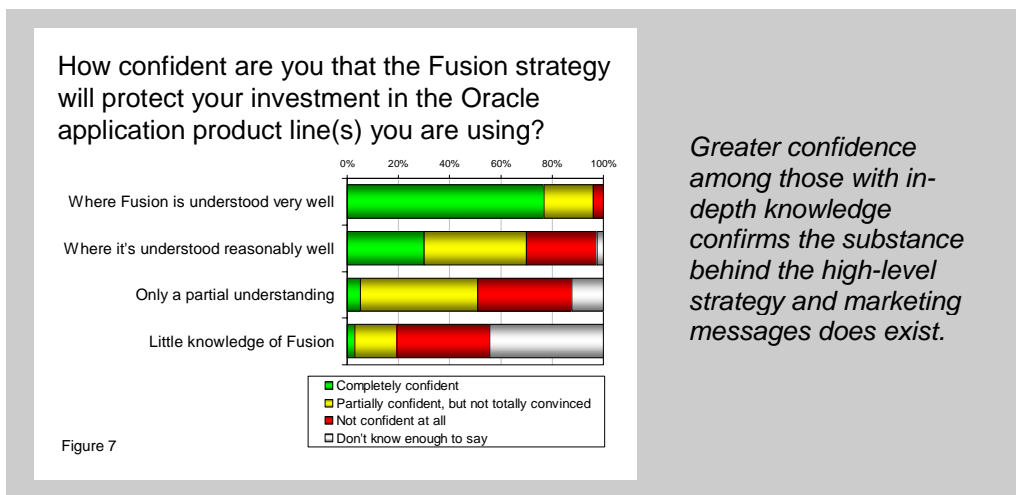
While many of the concerns and potential challenges we have been discussing are clearly understandable, with a need for Oracle to take them on board very seriously, there is evidence that some are beginning to see a strong and convincing story emerge.

Some of the comments from the research reflect this, albeit often in a guarded or conditional manner:

PeopleSoft User: *Like the story around the existing Fusion Middleware bits, and how they're working it into the future of the applications.*

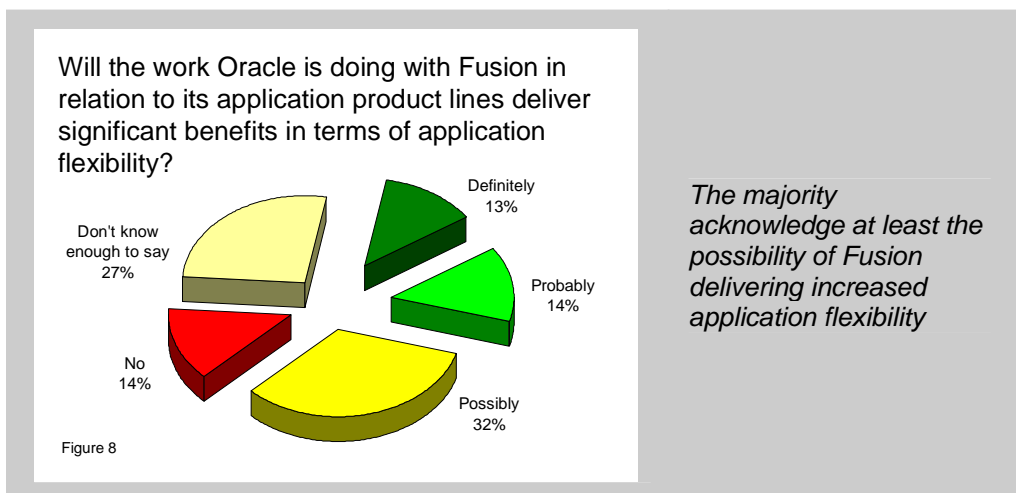
User of Multiple Apps: *Oracle really has started making a better and more open architecture with the recent acquisitions. However, it is early days. If they can maintain the momentum, the future looks bright.*

The strongest evidence, however, that Oracle is moving in the right direction with its current Fusion Applications strategy comes from the very clear correlation we see between the level of understanding of what Oracle is trying to achieve, and perceptions of how well existing customer investments will be protected (Figure 7).



One way of interpreting this is that the substance behind the story is really there, but unless people understand it, they assume the worst.

If we move beyond investment protection to the potential for Fusion to deliver incremental benefit in terms of increased application flexibility, we see exactly the same picture (Figures 8 and 9).



Will the work Oracle is doing with Fusion in relation to its application product lines deliver significant benefits in terms of application flexibility?

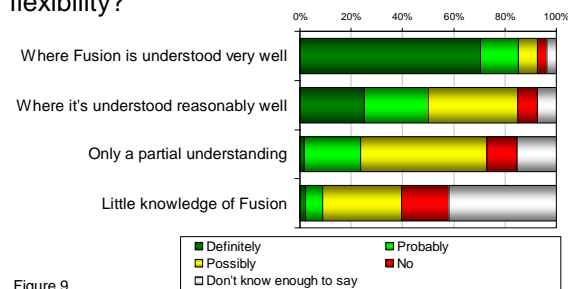


Figure 9

The belief in future flexibility being delivered is very prominent among those with in-depth knowledge, again confirming that there is convincing substance behind the strategy and marketing.

Discussion and Conclusion

The merit of Oracle's acquisition of PeopleSoft and Siebel Systems has been the subject of much debate. For better or for worse, however, what's done is done, so it is now a case of looking forward in a positive manner.

Customers are not surprisingly concerned, though, and feedback from all constituencies, including users of the Oracle E-Business Suite, illustrates very clearly the kind of issues and risks organisations are worried about. These include a degree of scepticism over whether Oracle can pull off one of the most complex and challenging product integration exercises in the history of the software industry, and also what Fusion will mean in terms of cost and disruption for customers down the line.

On the flipside, one of the most important findings from this research, is that those with a more in-depth knowledge of what Oracle is trying to achieve with the Fusion strategy in relation to its applications business are actually quite positive and hopeful about the outcome, both in terms of investment protection and the added flexibility that will come from implementation of SOA. Those with this insight, however, are in the minority.

In this respect, Oracle is its own worst enemy. It has a culture of market aggression coupled with heavily spun marketing messages that so often appear to be disconnected from the world in which the rest of us live. The result is frequently encountered cynicism and/or scepticism in the minds of those on the receiving end of the constant propaganda and buzzword laden press releases. In short, there is a tendency to assume that what Oracle says needs to be taken with a pinch of salt until there is clear evidence of something substantial being delivered. This sentiment comes across very strongly from many of the people who participated in our research.

Protecting customers' significant investments in enterprise applications and providing them with a strong and compelling roadmap for the future is far too important a topic to be handled through the traditional Oracle marketing approach. Customers need and want to understand the full impact of the Oracle Fusion Applications strategy on their businesses in the future, based on practical reality as well as visionary demonstrations of how great the world will be. It's not so much the destination that bothers people, they are frightened by the journey.

From a customer perspective, we urge all of those who are not already up to speed with the Fusion strategy to start looking into it in more detail. Those who have done this have generally concluded that the road ahead is not as rocky as they may have thought, and the destination is actually quite attractive. It is also important not to fall into the trap of assuming that the grass will be greener with another vendor. With the industry as a whole moving towards SOA, the chances are that whatever application suite you are running, an architectural migration will be necessary at some future point.

Against this background, Oracle is at least getting clearer on the way forward. The job it has to do now is educate and deliver results in a manner that is empathetic to its customer's needs.

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