Oracle Value Realization

ERP Cloud Benchmark Report

Evidence from customer business outcomes

JULY, 2018

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DISCLAIMER

The following report is intended to outline Oracle customer benefit data, select third party data, and research and/or reference materials. All value benefits and process improvements listed here are intended for information purposes only, and may not be incorporated into any contract. It is not a commitment to deliver any service, material, code, or functionality, and should not be relied upon in making purchasing decisions. The development, release, and timing of any features or functionality described for Oracle's products remains at the sole discretion of Oracle.

RESEARCH METHODOLOGY

Research involved collecting first-year business value and benefit data directly from Oracle customers who have been live on Oracle's ERP Cloud solution for at least a period of 6 months. Data was collected through interviews with key business and IT leaders who experienced both pre and post cloud environments. The customers interviewed represent diverse industries including Financial Services, Public Sector, Media & Entertainment, and Engineering & Construction and diverse company sizes ranging from large global enterprises, to small/medium businesses globally. For purposes of this benchmarking report, all customer data from the initial/pilot Oracle ERP Cloud customers was blinded and aggregated.

We thank all customers participating in this research, and in particular, the Quest Oracle Community for accelerating the research by connecting us with their members.

REPORT ROADMAP

The Value Realization program is an on-going effort, and Oracle will continue to update this report on a regular basis (at least two+ times yearly) with additional insights from on-going customer interviews. As more customers participate in the Oracle Value Realization program and additional customer feedback is collected, Oracle will also continue to produce additional industry, demographic and company-size versions of the benchmark report, adding in metrics for years two and three, post go-live.

This report will provide customers with a glimpse into the benefits organizations could expect to achieve from the implementation and adoption of Oracle ERP Cloud. In this report, customers will discover:

- Benefit data collected through customer value assessment interviews

- Areas where their organization is performing strongly and other areas where they may be able to make improvements

- Key insights and critical success factors for a successful Oracle ERP Cloud transformation

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> **"Customer Success is the result of relentlessly driving measurable business outcomes and value for customers. Oracle's job is to focus every aspect of what we do on helping our customers achieve their objectives."**
>
> *Jeb Dasteel*
> *SVP & Chief Customer Officer*
> *Oracle*

INTRODUCTION

At Oracle, our goal is to make customers and their business processes the center of our business. As business models and requirements continue to evolve, Oracle understands that there is a need to rethink the way customers are served in today's environment. Our job has changed from IT enablement to supporting the core business processes of our customers, and we recognize that this means an altogether new way of looking at our responsibilities. We are responsible for Customer Success. Key to facilitating this is helping customers achieve measurable business outcomes.

The goal of the Oracle Value Realization program is to engage with Oracle's Cloud customers and help them target, track and measure business outcomes throughout their cloud transformation journey. This includes providing insights and best practices to help achieve the full potential of cloud investments, as well as quantifying and communicating the value customers experience from cloud investments.

OVERVIEW

Cloud is the catalyst for a host of disruptive new business technologies, from chatbots and artificial intelligence to blockchain. Cloud technologies help companies redefine modernization, innovation, and competition in today's digital world. With the industry-wide push to the cloud, Oracle sees more customers driving additional value to their businesses. With the cloud investment model, it is more important than ever for organizations to demonstrate that their investments deliver tangible business benefits, both now and in future. Based on customer evidence we've collected, first-year returns on investment from Oracle ERP Cloud fall into two main benefit categories:

- **Operational Excellence**

- **Finance Modernization, Integrated Business Insight and Agility**

Operational Excellence – With Oracle ERP Cloud, customers transformed their businesses by increasing efficiency through streamlined and automated processes. By improved & faster processes, reducing personnel, enabling faster deployments, smoother upgrades, lower maintenance, and fewer customizations, customers were able to reduce cost and improve the quality of service. Below is a summary of the benefits achieved by Oracle ERP Cloud customers that have helped drive operational excellence.

– **Improved Closing Process –** Customers were able to improve the speed and accuracy of all aspects of the extended financial close and improve closing process by 50% on average.

– **Reduced Financial Decision Support Cost –** Customer evidence shows that by adapting quickly to changing business requirements and with delivering faster and more accurate insights to stakeholders, financial support costs were reduced by 23%.

– **Reduced Planning and Performance Costs –** Customers interviewed were able to leverage existing IT assets and optimize new investments by integrating Oracle ERP Cloud with other systems and reduce planning and performance costs by 17% on average.

– **Reduced Account Receivables Cycle Time –** Customers were able to radically streamline their invoice to receipt process with Oracle ERP Cloud, reducing account receivables cycle time by 30% and ensuring a healthy cash flow.

– **Reduced Outstanding Payables –** By monitoring and interacting with the entire organization, customers were able to receive invoices, pay suppliers quicker, thereby reducing days payables outstanding, and improve account payables by 55%.

– **Reduced Maintenance Cost of Legacy ERP Systems –** With the move to Oracle ERP Cloud, customers were able to reduce customizations, save on application support, and upgrade costs, IT maintenance staff and infrastructure costs by an average of 40%.

Customer Perspective

"The two KPIs that are most important to us and easiest to track and measure are days to close and issue statements. We have decreased our close and statement issuance by an average of 5 days, or 25% faster"
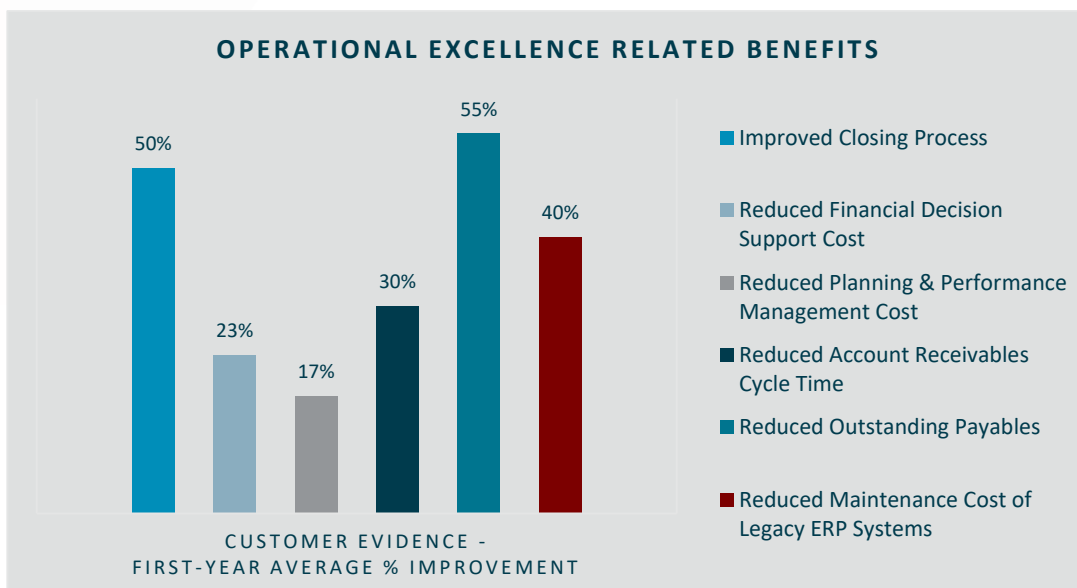

OPERATIONAL EXCELLENCE RELATED BENEFITS

Legend:
- Improved Closing Process
- Reduced Financial Decision Support Cost
- Reduced Planning & Performance Management Cost
- Reduced Account Receivables Cycle Time
- Reduced Outstanding Payables
- Reduced Maintenance Cost of Legacy ERP Systems

Values: 50%, 23%, 17%, 30%, 55%, 40%

CUSTOMER EVIDENCE - FIRST-YEAR AVERAGE % IMPROVEMENT

Figure 1 depicts % improvements in Operational Excellence achieved over the first 12 months

Finance Modernization, Integrated Business Insight and Agility – Customer evidence shows that finance plays an increasingly critical role in driving transformational strategies—as well as supporting the more traditional aspects of supporting the business. With Oracle ERP Cloud, customers gained access to more information across the enterprise, greater analytical acuity, and real-time reporting that resulted in improved end-to-end financial management processes. Customers were able to use data from across the organization to create an agile, scalable and insight-driven modern finance function.

– **Increased Staff Productivity –** Customers were able to reduce labor hours spent on routine finance activities; thereby enabling staff to have greater focus on strategic activities like spend analysis, supplier development, sourcing, contract negotiation, and supply optimization. Staff productivity increased by 26% on average.

– **Improved Reporting Productivity** – With Oracle ERP Cloud, customers were able to provide a consistent reporting environment with innovative self-service reporting tools, focused on reducing process inefficiencies, leveraging analytics, and reporting with context. Analyzing data and performing what-if scenarios helped customers not only cut costs, but also provided new business insights and uncovered new possibilities. Customers were able to increase reporting productivity by 51% on average with Oracle ERP Cloud.

– **Enabled Scale -** Customers interviewed were able to scale by 26% from a single unified financial platform that facilitated topline growth and enabled corporate transactions (mergers, acquisitions, and divestitures) without increasing headcount.
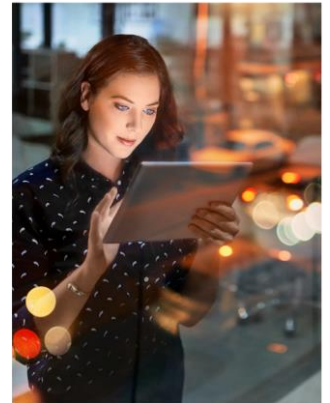
Customer Perspective

"We have seen a 30% reduction in effort. 30% of the IT workforce has now been reallocated to focus on new value creation and innovation activities, rather than maintenance and support"
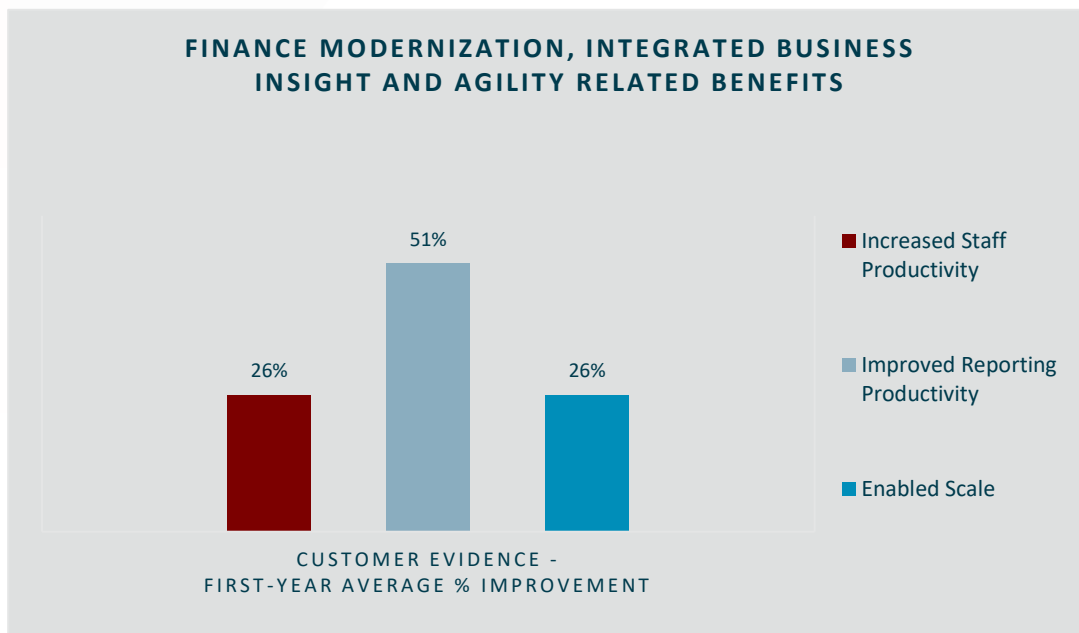

FINANCE MODERNIZATION, INTEGRATED BUSINESS INSIGHT AND AGILITY RELATED BENEFITS

51%

26%   26%

■ Increased Staff Productivity

■ Improved Reporting Productivity

■ Enabled Scale

CUSTOMER EVIDENCE - FIRST-YEAR AVERAGE % IMPROVEMENT

Figure 2 depicts % improvements in Finance Modernization, Integrated Business Insight and Agility achieved over the first 12 months

BENCHMARK RESULTS

Listed below is a recap of the benchmark results indicating the business benefits resulting from the move to Oracle ERP Cloud, based on feedback from customers participating in the Oracle Value Realization Program. This benchmarking data is intended to help customers identify areas where their organization is performing strongly and other areas where they may be able to make additional improvements.

Category	Business Benefit	[1]Customer Evidence – % Improvement (First-year average)	Key Performance Indicators (KPIs)
Operational Efficiency	Improved Closing Process	50%	Number of days required for financial close
	Reduced Financial Decision Support Cost	23%	Number of IT FTE supporting financials
	Reduced Planning & Performance Management Cost	17%	Current annual costs for company's demand planning/forecasting systems
	Reduced Account Receivables Cycle Time	30%	AR improvements (DSO - Days Sales Outstanding)
	Reduced Outstanding Payables	55%	AP improvements (DPO - Days Payables Outstanding)
	Reduced Maintenance Cost of Legacy ERP Systems	40%	Annual cost of application support, application upgrades, IT staff and infrastructure
Modernization of Finance, Integrated Business Insight and Agility	Increased Staff Productivity	26%	% of time spent on routine finance activities vs % time spent on strategic activities
	Improved Reporting Productivity	51%	Number of staff needed for reporting and/or number of finance reports generated manually
	Enabled Scale	26%	Enable growth/corporate transactions / performance improvement with FTE growth

[1] Customer Evidence is based on KPIs collected during the Oracle interview process achieved between the first 6-12 months of go-live and are indicated as average for cross-industry & company size. Actuals may vary based on each customer, participating in the interview process.

Based on ongoing conversations and discussions with customer executives participating in the Oracle Value Realization Program, here are the key insights derived:

- The top three drivers for choosing Oracle ERP Cloud are:
    - ✓ **Modernize finance operations**
    - ✓ **Influence business outcomes**
    - ✓ **Enhance productivity**
- 100% of the customers interviewed were able to **realize benefits due to improved closing processes**
- With Oracle ERP Cloud implementation, customers saw an average of **25% improvement in staff productivity**[2] *(realized over 6-12 months)*
- Customers experienced **50% improvement in reporting productivity** *(realized over 6-12 months)* by setting up automated reporting processes
- All customers want to continue achieving business value with **Data Driven Decision Making and Optimizing Financial Close and Reporting**
- In the future, customers plan to **gain insight from data with planning, forecasting, and predictive analytics**; **simplify and improve purchasing decisions with Oracle Procurement Cloud;** and **integrate Oracle ERP Cloud with other areas to derive cross-functional insights**
- The key capability that derived the **greatest value** for customers with an Oracle ERP Cloud implementation was '**Improved Financial Reporting Productivity'.**
- The business benefits **achieved the soonest** with Oracle ERP Cloud were '**Improvements in Financial Close', 'Improved Reporting Productivity'** and **'Account Payables Related to Vendor Management'.**
- Greenfield businesses that adopt cloud first see maximum improvements in '**Improved Closing Process', 'Better Decision Making'** and **'Reduced Planning Costs',** as compared to organizations that transition from an existing legacy or on-premise technology to cloud.

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[2] *These productivity improvement percentages are for Oracle customers, realized over the first 6 to 12-month period. Productivity improvements tend flatten out over time, and numbers show marginal improvement Year-on-Year*

CRITICAL SUCCESS FACTORS

Based on feedback from Oracle ERP customers participating in our Value Realization Program, we have identified 7 best practices that were instrumental in helping these companies drive their finance transformations.

Best Practices for Oracle ERP Cloud Transformation:

1. **Simplify and standardize environment** as much as possible before embarking on digital transformation. All customers interviewed eliminated customizations.

2. Build expertise in **creating a culture of change management**, including the creation and distribution of "super users" driving adoption.

3. Use **innovative communication methods** such as collaboration platforms, e-learning systems, gamification, challenges and pop-up stands to disseminate key information and engage employees.

4. Secure an **executive mandate for cloud transformation**. Customers interviewed had a clear champion, typically the line-of-business executive and/or the CEO.

5. **Localize adoption goals and targets** for the business. Customers who experienced the most success ensured that different business leaders across different geographies were responsible and accountable for setting and achieving adoption targets.

6. Choose a **phased implementation approach** aimed at minimizing disruptions. Customers had a clear understanding of product capabilities and deployment timescales.

7. **Automate data integration** for better productivity improvement. Customers interviewed used automation to gather and normalize data from disparate sources.

CONCLUSION

Effective benchmarking enables customers to quantify performance, compare the organization to others, identify performance gaps, and define the actions necessary to close those gaps. Use the listed KPIs holistically to not only measure performance, but also to:

» Set baselines for process improvements
» Track and trend performance over time
» Benchmark performance vs. others
» Identify strengths and weaknesses

Oracle hopes this study provides some insight on the kind of value customers could expect from Oracle ERP Cloud and the kind of metrics customers may want to use to gauge success. Below are listed industry-standard KPIs that Oracle encourages its customers to target, track, and measure, to help quantify organizations' performance along the Oracle ERP Cloud transformation journey:

Operational Excellence			Finance Modernization, Integrated Business Insight & Agility
Improved Closing Process Number of days required for financial close	**Reduced Financial Decision Support Cost** Number of IT FTE supporting financials	**Reduced Planning & Performance Management Cost** Current annual costs for company's demand planning systems	**Increased Staff Productivity** % of time spent on routine finance vs. strategic activities
Reduced Account Receivables Cycle Time AR improvements (DSO - Days Sales Outstanding)	**Reduced Outstanding Payables** AP improvements (DPO - Days Payables Outstanding)	**Reduced Maintenance Cost of Legacy ERP Systems** Cost of application support, upgrades, IT staff and infrastructure	**Improved Reporting Productivity** Number of FTE needed for reporting and/or number of reports generated manually
Improved Collection/ Cash Management Number of Invoices 30+/60+ Days Past Due	**Reduced Audit, Risk & Compliance Costs** Time taken for financial audit & compliance	**Improved Expense Reporting** Number of expense reports processed and/or average expense report processing time	**Enabled Scale** Enable growth/corporate transactions / performance improvement with FTE growth

Participation in Oracle's Value Realization program will help customers realize cloud success and help them achieve the full potential value from their Oracle Cloud investment. For further assistance, questions or comments, please do get in touch with us at:
customer_value_realization_ww_grp@oracle.com

Wherever you may be in your cloud journey, Oracle can help.

ORACLE CORPORATION

Worldwide Headquarters
500 Oracle Parkway, Redwood Shores, CA 94065 USA

Worldwide Inquiries
TELE   + 1.650.506.7000   + 1.800.ORACLE1
FAX   + 1.650.506.7200
oracle.com

CONNECT WITH US

Call +1.800.ORACLE1 or visit oracle.com. Outside North America, find your local office at oracle.com/contact.

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Integrated Cloud Applications & Platform Services

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Author: Amir Hartman & Swananda Bhat
Global Customer Programs

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