

Business Valuation

Accelerating Performance by Calculating Results™

Supporting Rapid Business Growth through Strategic Management of Information Technology

Technology Company

A \$3.3 billion developer of storage and data management applications, with greater than 8000 employees and 100+ offices worldwide. Ten percent of its employees work in IT functional areas.

Oracle (NYSE: ORCL)

<http://www.oracle.com/> one of the largest providers of enterprise software tools, applications & solutions.

Business Challenge

Supporting increasing growth in a fast-growing segment of technology.

Strategy

Increase collaboration with lines of business, while replacing SaaS applications with enterprise-wide Web-based applications.

Value Achieved

- ✓ Consistency through an enterprise-wide architecture
- ✓ Efficiency by replacing SaaS-based systems from a single primary vendor
- ✓ Elimination of custom-built and stand-alone applications

Customer Intelligence Business Valuation

Business Challenge:

As companies collect and active more electronic data, they increasingly need technology to manage and store this data. This trend has triggered the success of companies like this technology provider, whose revenues grew 50% from \$2 billion in 2005 to \$3.3 billion in 2007. A developer of storage and data management applications, its customers include financial services firms such as First American Bank and Virginia Credit Union; manufacturing firms such as Siemens and Agilent; and biotechnology firms such as Gilead Sciences.

Previously, the office of the CIO was held by individuals whose primary skills were as a technologist—expert at optimizing **how** technology was utilized within a corporation. In today's current economic climate, companies have a choice as to whether to depend upon their CTO or outsource to a managed IT services provider for this type of expertise.

Merely keeping IT systems up and running was no longer an option if the company wanted to stay competitive. Driven by its impressive 25% Y/Y growth, the company hired an executive with significant business and technology experience so that business strategies would be tangibly translated into IT strategy and tactics. Moreover, high priority was placed on building and reorganizing the IT team into a strategic weapon that would help support rather than hinder the company's high-velocity growth.

An internal assessment uncovered close to 200 capability gaps between the organization's current capabilities and goals set by the leadership team. However, executives knew, that within its technology-driven culture, adoption of 'Balanced Scorecards' or 'Six Sigma' methodologies to assess improvements or measure performance improvements would demoralize staff and torpedo progress.

Its CIO determined that to better support manage business growth, the IT department needed to take a more proactive stance with the lines of business by:

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- ✓ Replacing its legacy system with an enterprise-wide SaaS delivery method
- ✓ Eliminate custom-built applications, especially those done without IT involvement
- ✓ Work more closely with lines of business to improve efficiency and consistency

“We had to demonstrate that unless the company took a different approach [to its enterprise architecture]; the business environment could become unstable.”

—CIO

Strategy Approach

In this environment, a broad organizational restructuring was not an option. However, the CIO did ‘matrix’¹ the reporting structure of the IT department by placing key IT decision-makers within the business units to provide a better sense of technology opportunities and to receive feedback on the business units’ needs.

Additionally, the CIO championed the formation of a “scalability steering committee” comprised of executive leaders jointly co-chaired by the CIO, office of the CFO and SVP of field operations. This group is responsible for governance of IT by analyzing and prioritizing investments in both enterprise business processes and IT. When reviewing proposals, representatives from line of business [LOB] and IT present investment initiatives jointly.

Before taking this deliberate, measured approach, whoever screamed loudest would often get priority for utilizing IT resource. Not surprisingly, this built-in ‘pain factor’ and necessity of providing a tangible ‘return on investment’, was initially criticized by junior to mid-level staffers as bureaucratic and time consuming. However, the company has found this approach provides a great deal of benefit to the leadership.

Transformation

Rather than engage a management consulting firm to guide the transformation of the entire enterprise simultaneously, the CIO determined to take a DITY approach and identified a half dozen business process areas where IT improvements could have the most impact. For instance, the CIO identified that the company’s order-to-

¹ Matrix reporting structure: Create an organizational reporting structure with multiple functional areas of responsibility. Example: IT team leader in CRM business process unit reports to a Director in the IT department and a Director in the CRM business unit and is a peer to the professional service team leader in the CRM business process unit. Thus, the IT team leader in CRM received bi-annual performance reviews from Directors in both the IT and the CRM business unit, as well as a peer review from the professional services team leader.

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Hypatia of Alexandria (c.370-415 AD), invented several scientific devices--the astrolabe, plane sphere, and hydroscope (hydrometer). These instruments were used to calculate the distance between planets, the position of visible stars at any time of the year, and the gravity of liquids respectively. Hypatia was the first woman to make substantial contributions to the development of mathematics, astronomy & philosophy.

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cash process was too slow for two reasons: orders tended to cluster at the end of the quarter, and members of the sales team had to handle too many facets of the orders manually.

Close collaboration between IT and sales reduced the number of orders that needed manual attention by 75 percent. Moreover, by focusing on 5-6 high-return IT and business process projects that could be completed within 12-18 months, such as order-management and other revenue-driven initiatives, the IT department was able to show to other business units that its strategy of improved collaboration could bring improved capabilities in a short period of time. In this key endeavor, the office of the CIO and IT executives conducted high-level interviews to identify and prioritize the greatest impediments to the organization's continued success.

Given its results-driven culture, the most effective course of action was to tackle and build improvements in 5 critical capability process gaps that would improve scalability per quarter. By delivering value in 90-day increments, the company stakeholders was able to gain buy-in for alignment in business process and IT systems as well as convert challengers into champions.

This was accomplished by moving towards a portfolio management model—each business process has an IT account manager to oversee application priorities for that part of his/her business. Each business process leader is paired with an IT team member so that we have a streamlined flow of information and priorities based on real business needs. Alternatively, line of business has a 'go-to' person on the IT team accountable for ensuring business needs are addressed.

This approach has allowed the company to continue to grow and scale its infrastructure in a challenging and dynamic environment, while revisiting and reprioritizing each quarter, and each year through a 2-3 year strategic vision.

Technology Deployment: Short-term, the company focused attention on gaining flexibility and reducing overall IT support costs. To this end, the company replaced its server-based enterprise SAP applications—utilizing internal IT department developers—and migrated to web-based, software-as-a-service (SaaS) enterprise architecture based largely upon Oracle and Microsoft products and services:

- ✓ ERP—Oracle
- ✓ Data Warehouse—Oracle
- ✓ Data Marts & DW Interface—Microsoft
- ✓ CRM—Oracle

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"You never want to show up in a quarterly report as the reason the company didn't meet its revenue targets."

—CIO

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✓ HCM—Oracle / PeopleSoft

In addition to replacing SAP with Oracle's ERP application and its CRM application from its PeopleSoft division, the company also deployed Oracle data warehousing technology (though it utilizes Microsoft technology for smaller data marts and Sharepoint collaboration tools). Its centralized IT model allowed for better governance, more consistency, and easier access across the firm through Web-based interfaces. The firm also plans to implement a service-oriented architecture (SOA) to help speed of implementation in the future.

Utilization of a standardized enterprise architecture infrastructure also addressed another problem that the company's IT department faced in terms of governance. Because its employees are highly technical, with advanced degrees in computer science and engineering disciplines, they are able to bypass the IT department and devise their own applications to solve specific problems. By listening more closely to employees of the business units and identifying their needs, the CIO plans to eventually limit or eradicate this "do-it-yourself" culture.

The New Operating State

For standard functions such as Enterprise Resource Planning, Accounting and Human Capital Management, the company uses packaged solutions from established vendors for its enterprise-wide applications, which increases efficiency through consistency, accuracy and access to information. At the same time, it has also adopted a governance system that improves communication and collaboration between the IT department and the business units, as well as keeping the CIO informed on whether IT resources are deployed efficiently throughout the company.

Additionally, the company has consolidated down to 3 discrete data centers staffed by IT services and professional services consultants—all of whom can code and write script--who charge time and fees back to the appropriate business units for **assigned** internal IT projects completed. Non-assigned, 'scud projects' are often initiated by IT team members with 'cowboy' cultural mentality. Once tangible ROI is established, the IT team member and business process peer present their proposal to the Scalability Committee for approval and enterprise-wide adoption.

"ROI? ...Balanced Scorecard?... It either works for us or we redo it....it needs to be fast, efficient and increase our productivity....if people use it, we know it works."

--Senior IT Team Member

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Lessons Learned: Future Directions

Due to the company's meteoric growth, IT resources were never truly focused on improving business processes. With 90% of our mission critical business processes have significant IT strategy and support implications—the company simply had to ensure that business process improvements and IT systems are tightly aligned.

Moving from an IT department that acts solely as an “order-taker” to one that collaborates closely with business units is difficult, as it requires changing attitudes both on the side of the business-unit leaders and the IT department. It was a major undertaking to demonstrate to business-unit leaders that IT could bring insight into how the units could be more efficient. The deployment of an enterprise-wide architecture, which simplified both access to information and improved the consistency of information across the organization, helped deliver a proof point to the line of business units regarding IT's capability to respond and deliver value. The new interaction between IT and business is also helping to eliminate the desire of employees in numerous business units to circumvent IT and create their own applications.

Moreover, the company still seeks competitive advantage by researching and piloting service-oriented architecture utilizing packaged solutions. Another IT team is investigating supply chain productivity gains and return on investment for collaboration tools that could be leveraged among and between our customers, partners and suppliers.

Performance Metrics & Results

Since deploying its enterprise-wide architecture, the company has increased its revenues by more than 50%, from \$2 billion over a 24 month period. The company has improved interaction between IT and its business units by embedding technology executives within each unit to better understand business requirements and to communicate what the IT department can deliver. Overall, it has gained:

- ✓ Increased value from closer alignment between business requirements and IT investment
- ✓ Ability to prioritize and scale the infrastructure to better manage and support 25% annual growth
- ✓ Greater accuracy and access to business information through standardization on an enterprise-wide architecture
- ✓ Gains in flexibility and cost reductions through migration from server-based applications to SaaS delivery models

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