ERP Systems and Oracle

Larisa Ahumada
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Dr. Yan Wang
Abstract:

ERP Systems better known as Enterprise Resource Planning Systems have been implemented throughout 70% of one thousand Fortune companies [1]. This was utilized to reduce asset costs, provide more timely and accurate information, reduce financial cycles, increase customer satisfaction, and globally integrate information across the enterprise supply chain. However, the conversions bring both a positive impact and a negative impact to many companies throughout the process. These negative impacts include the process being burdensome in time and money as well as delays and failures in the vendor models from the ERP Systems. These are not to be overlooked but corrected throughout the process.

Oracle is one such company that has felt the negative impacts of its conversions through the ERP System. Oracle converged with PeopleSoft and the company has seen some dramatic results in its profits as well as performance standards through customer satisfaction [6]. To help maintain control of profits as well as higher standards, Oracle has added a practice to help mandate this problem. This addition was known as Sarbanes-Oxley and will help them gain insight on financial reporting practices [7]. This was the first step towards the improvement of the Oracle ERP Systems being implemented throughout their infrastructure.
**Background/Introduction:**

Enterprise Resource Planning Systems (ERP Systems) were implemented in order to utilized to reduce asset costs, provide more timely and accurate information, reduce financial cycles, increase customer satisfaction, and globally integrate information across the enterprise supply chain [8]. They were recognized in many of today’s Fortune 500 companies in order to provide for a more efficient business cycle. While ERP System implementation has produced many positive effects there are some negative effects associated with the implementation as well. The process was burdensome in time and money as well as delays and failures in the vendor models from the ERP Systems. Thus causing the company to justify the cost of the implementation to ERP.

Oracle’s constant database technology has led them into competition with IBM [1]. This creates a necessity for updating their systems as well as improving the old techniques such as the improvement of their internal ERP systems. Oracle has felt the burden of the negative impacts of ERP systems in more than one area and has taken some new steps to improve the quality of business as well as assure the stability of the ERP System.

**Literature Review:**

While Oracle tries to counter the negative effects from the implementation of the ERP Systems they have taken such steps as to merge with other companies and provide a large support network to help vendor file maintenance. They have merged with PeopleSoft as well as JD Edwards to provide a large network of experienced employees [6]. This helps to bring up the positive effects from ERP implementation as stated in a 1998 survey of benefits by Deloitte consulting where cost reduction was fourteen percent
[8](appendix A). This could be a big improvement for Oracle when faced against large competitors such as IBM. This merger also prompted Oracle to implement Sarbanes-Oxley in order to help them gain insight on financial reporting practices [9][7]. The merger will not be easy for Oracle to keep up with the larger ERP servers so the implementations of Sarbanes-Oxley will help keep them in the running for better business practices. Because ERP Systems are very flexible and customizable, tailoring it for Oracle will be a challenge to create the optimal business solution. However, tailoring is required to get the system up and running to par. The amount of tailoring is dependent on the features and functions of the package and the business practices of the organization [2]. Tailoring can bring about a larger variety of benefits including inventory reduction, personnel reduction, productivity improvement, financial close cycle reduction, order management improvement and many others [1]. Tailoring can also prove, to a certain degree, be very costly if major modifications are necessary [5]. If the ERP System can be worked with and linked to all departments in the company, there is not need to justify the cost but rather plan for a different style of system. Many negative effects of the implementations of Enterprise Resource Planning Systems can be attributed to inadequate planning prior to implementation and failure to analyze critical planning issues such as needs assessment, choosing the right ERP system, matching the business process with the ERP system, understanding organizational requirements, or economic and strategic justification [5]. To be more specific, Oracle could improve the scale efficiencies of firm operations, process business transactions correctly, collecting and distributing timely information for decision making, monitoring and recording employee performance effectively, maintaining records of business functions within the organization or
maintaining communication channels at a lower cost [1]. This could drastically improve
their quality of business both for themselves as well as their new merging partners.
However, this would have cost the company time and resources. The time and resources
would have outweighed the cost of less cost reduction and greater stability in their
business practices. For example, PeopleSoft lost $10 million due to the implementation
of the ERP software hurting the company's bottom line, disrupted customer relations and
will delay it from achieving its long-term financial goals. PeopleSoft also had financial
results that were "negatively impacted" by lower bookings and shipments that were the
result of "internal distractions and other difficulties" caused by the software
implementation [11]. The implementation of Sarbanes-Oxley allowed Oracle to follow
mandated financial reporting practices. This also allowed to keep the files up to date and
accurate on the ERP System improving the system little by little. Because the new
economy is focused by 50% on the use of the internet to conduct business, it is important
to keep all financial records accurate and up to date on any ERP System. The leading
ERP Systems are known to be SAP, JD Edwards, Oracle, and PeopleSoft [4]. Since
Oracle’s merger, it is vitally important that they keep high standards on their business
practices in order to keep a hold on the e-market. In light of this, Oracle has been in
competition with SAP for the market but has been trying to keep in the lead by
implementing new software that is user friendly and appeals to a greater variety of
consumers. Their newest endeavor is release of its E-Business suite and will have
improved support for manufacturing, healthcare, aerospace and utilities [10]. This is an
example of tailoring for the business or market.
Summary:

While Oracle has implemented their ERP System, they have encountered both positive and negative effects. However, because the ERP system is known to be unforgiving when you tailor it to your company, they must make extra strides in overcoming those adverse effects. Oracle has taken those steps in acquiring a large portion of the e-market of today’s internet business online. They have merged with PeopleSoft and JD Edwards. They have also implemented Sarbanes-Oxley to help with their financial practices and records. These steps can only help to achieve higher standards and more positive effects for their ERP system. They can work to spread their work on other companies who may be using their database systems and rely on the stability of their ERP system. They can also look into other ways to tailor their ERP systems so as not to cause millions of dollars in losses for their merger companies and have to justify that cost.
Appendix A:

Table 1: 1998 Survey: Survey Results of Returns to ERP

*1998 Survey of 62 Fortune 500 Companies by Benchmarking Partners Inc. for Deloitte Consulting

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<tr>
<td>Return</td>
<td>% Survey Respondents</td>
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<tr>
<td>---------------------------------------------------------------</td>
<td>---------------------------------------</td>
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<tr>
<td>Inventory Reduction</td>
<td>32</td>
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<tr>
<td>Personnel Reduction</td>
<td>27</td>
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<tr>
<td>Productivity Improvement</td>
<td>26</td>
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<td>Order Management Improvement</td>
<td>20</td>
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<tr>
<td>Financial Close Cycle Reduction</td>
<td>19</td>
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<tr>
<td>Technology Cost Reduction</td>
<td>14</td>
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<td>Procurement Cost Reduction</td>
<td>12</td>
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<tr>
<td>Cash Management Improvement</td>
<td>11</td>
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<tr>
<td>Revenue/Profit Increase</td>
<td>11</td>
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<tr>
<td>Transportation/Logistics Cost Reduction</td>
<td>9</td>
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<td>Maintenance Reduction</td>
<td>7</td>
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<tr>
<td>On-Time Delivery Improvement</td>
<td>6</td>
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References:


6. D'Amelio, Vicky. “SAP Countering Oracle In ERP Services Arena; TomorrowNow subsidiary hires senior support engineer from Oracle as it expands its PeopleSoft application-maintenance services.” InformationWeek, August 8, 2005.


