

Perspective on Oracle OpenWorld Asia/Pacific 2007: For Integrated Digital Manufacturing, the Battle Is Outside the Four Walls

EVENT PROFILE

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This Manufacturing Insights Perspective highlights key messages and takeaways from the recent Oracle OpenWorld Asia/Pacific event in Shanghai, China. The three-day conference was targeted to convey some key messages regarding Oracle's new initiatives, future directions, and applications strategies, to the customers, partners, and industry observers present at the event.

While the event itself spanned multiple industry verticals from manufacturing, finance, logistics, to name a few, our focus for this perspective will be on the manufacturing value chain, particularly supply chain and product life-cycle management.

After a slew of acquisitions over the past few years, Oracle's manufacturing applications strategy has finally started showing up as a concerted approach towards addressing the challenges of today's dynamic industry landscape. We have been hearing about Oracle's *Fusion Middleware and Application* visions for some time now. However, the key difference in positioning this time is not only in its ability to streamline processes within the four walls of the demanding organizations, but to strengthen and enhance capabilities outside of it. In other words, Oracle has taken an outside-in approach to manufacturing value chain management applications as compared with the more traditional inside-out organic growth, which, in our opinion, is the main differentiator from its competition, and our key takeaway from the Oracle OpenWorld Asia/Pacific event.

We looked at the offerings from Oracle in three key perspectives: Demand Chain, Supply Chain and the Design Chain. Oracle presented its capability to address the dynamic enterprise needs in all of the above three process areas.

Demand Chain Management. In today's ever-changing business environment, it is not sufficient to forecast demand alone to cover inventory risk. Although the forecast accuracy has increased with the use of sophisticated modeling approaches, still the actual demand remains quite unpredictable given increased socio-political, economic, and natural disruptions. It is also not sufficient to build processes to react to demand changes quickly, because it is primarily a reactive approach. Efficient demand management requires "demand shaping" — or the ability to influence consumer needs, so that it translates to a predictable demand. Oracle's acquisition of **Demantra** has given it the ability to sense and shape demand, which promises to support such strategies through the use of technology. However, effective demand sensing and shaping requires a certain degree of maturity and discipline in terms of internal and external business processes, and hence, should be considered only when an organization has established a high level of control of the supply and demand chain.

Secondly, business intelligence, and in particular, customer-centric intelligence play a big role in demand management. An integrated customer relationship management (CRM) strategy coupled with business intelligence should be considered to provide better customer service, resulting in more predictable demand management. Oracle's CRM strategy around *Siebel* applications paves the path for such tighter collaboration, and should be in the shortlist of forward-looking organizations.

Design Chain Management. For the first time after the acquisition of **Agile**, customers got a clearer picture of how Oracle plans to integrate Agile into its product portfolio. While in the near future the Agile application will retain its identity as a best-of-breed product life-cycle management (PLM) solution, Oracle promises to integrate the PLM data and processes through a service-oriented architecture (SOA), that should allow other Oracle applications to seamlessly leverage Agile's rich functionalities. However, the challenge is to maintain this seamless integration even when the other application is heavily customized, a scenario that is quite common. For customers who recently bought Oracle's native PLM module, the good news is that Oracle promised to support customers, both in terms of upgrade path and pricing, should they decide to implement Agile applications.

The Digital manufacturing era demands a fair share of new processes, the implementation of which is key to Oracle's success in this application area. On one hand, product design collaboration should address the needs of geographically distributed research and development teams, while managing issues on IP and brand protection on the other. Another important consideration is collecting customer feedback and incorporating improvements in design based on those inputs. Leading organization will increasingly demand integration of CRM with PLM solutions, a premise that Oracle needs to seriously consider through the SOA architecture.

Supply Chain Management. Today's supply chain management has grown beyond the traditional "source–make–deliver" model, in the context of increasing customer expectations and uncertainties in business environment. Organizations need to prepare alternate plans should there be a disruption that affects the normal course of supply chain function. In most cases, companies deal with the situation as it happens. However, the risk of losing a contract or failing to deliver a commitment runs high with such an approach. The strategic network optimization (SNO) tool available from Oracle is one step towards planning for the unforeseen, as it helps optimizing the supply networks while building various what-if scenarios including disruptions and changes — building the resilient supply chain. However, the challenge is to accurately model the current and alternative supply networks, with all the variability and lack of detailed information. In our opinion, only the mature supply networks can possibly take advantage of such functionality, but nevertheless, SNO provides a systematic way to hedge risk, for those who can take advantage of it.

Advice to Manufacturers

With the release of *Oracle Fusion* applications planned within the next few years, manufacturers can look forward to an integrated strategy towards managing their dynamic businesses. In the short term, the outside-in approach with a combination of core ERP and best-of-breed add-ons, should give the manufacturers ample opportunity to streamline business process management, across the manufacturing value chain. Our advice to Oracle manufacturing customers:

- Evaluate Oracle's traditional versus best-of-breed solutions and set priorities and roadmaps necessary for growth and innovation. Opportunities may be lost if considerations are made merely from a cost perspective, since the explosion of information and processes outside the four walls of the factory needs to be efficiently managed.
- Focus on process integration rather than data integration. Pay special attention to workflows that cut across different applications.

- Consider the need for supporting emerging technologies, newer data types, IP protection, and integrated workflows in the evolving business environment.
- Explore multiple delivery models like in-house, software-as-a-service (SaaS), in order to optimize investment while maintaining acceptable service levels.

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