



Oracle To Acquire Interlace Systems, Expanding EPM Footprint to Operational Planning

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For years, we've had ongoing dialog with the former **Hyperion** management team about the need to expand business planning boundaries beyond finance. Well, those discussions have finally borne fruit. **Oracle** disclosed recently that they plan to acquire **Interlace Systems**, a provider of integrated business planning software for supply chain and operational planners. Terms of the deal were not disclosed. The acquisition is expected to be completed in November 2007. Interestingly, this product addition is positioned as an extension of Oracle's enterprise performance management (EPM) family and not specifically aligned to Oracle's supply chain product line.

A hot topic with buyers

Many firms talk about the notion of integrated planning—meshing operational and related financial targets—but have largely executed on each separately. AMR Research's research portfolio is chock-full of sales and operations planning (S&OP) studies, reflecting keen interest from value chain professionals looking to effectively plan and coordinate a host of business activities across a broad spectrum of user communities including sales, marketing, manufacturing, supply chain, and finance. Just looking at two of our key Reports demonstrates the depth of thinking on this topic:

- "Sales and Operations Planning: A Cornerstone of DDSN Leadership"
- "Next-Generation S&OP: The Path to Bottom-Line"

In fact, a spring 2007 survey we conducted of 101 manufacturers, along with recent discussions with leading S&OP practitioners, affirms that S&OP is more than a tool to balance local supply and demand. Increasingly, S&OP is the engine that moves global manufacturing businesses forward.

S&OP or strategic operational planning?

Oracle was very specific that they wanted to categorize this acquisition not as S&OP, which they view to be exclusively manufacturing industry-centric, but rather as strategic operational planning, which could be used across a broad set of industrial and service-based industries. While the idea has merit—all firms plan operationally as well as financially—we do not think it reflects the realities of today's buying agenda for S&OP.

Value chain management has taken the S&OP mantra to heart and is looking for better, more dynamic ways to align operational and financial performance. Introducing a more generic category into this mix may do more harm than good.

Does this mean Oracle thinks there's room for two distinct software categories? Frankly, we're not sure. One tactic might be to use the Oracle EPM approach to surround existing operational planning assets from other providers and incorporate their content into an independent and integrated planning environment. Another could be to construct a product suite around Oracle-specific assets from supply chain, customer management, and EPM.

In our opinion, Oracle should have a product strategy that coordinates both perspectives and not build competing applications from different product families.

Bottom line: a good acquisition for long-term expansion

What for decades has been a financial budget exercise to manage expenses has morphed to a continuous, integrated business planning process that aligns the entire business toward operational and financial excellence. Regardless of present positioning and product questions, we think Oracle made a good move with this acquisition. They are recognizing the need to tightly align operational and financial plans in a potentially heterogeneous application and data environment and have acquired product to support that vision.