

Oracle's Accelerate Initiative

An Assessment of Oracle's Applications for Midsize Organizations

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Introduction

After years of limping along on applications that never fully supported their business processes, midsize organizations around the world are looking for complete solutions. All they need are applications that address all of their industry's business requirements, can quickly adapt to meet their needs, are almost effortless to install and use, come with comprehensive support from the vendor, and cost a fraction of what large enterprises pay for similar functions and service. That's not too much to ask, is it?

As this short list of requirements aptly illustrates, one of the hardest things an application vendor can do is to meet the needs of such organizations. As such, Andrews Consulting Group takes notice whenever a vendor has the courage to try and deliver complete, industry-focused software suites to growing companies. That is what Oracle recently did when it announced its Accelerate initiative.

This paper examines Oracle Accelerate to determine whether it has what it takes to deliver genuine value to midsize organizations. As the paper makes clear, we find Accelerate to be a solid effort on Oracle's part that is both elegant and practical in its design. This makes it a promising strategy that deserves a closer look.



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Executive Summary

Over the next decade, demand among midsize organizations for robust business applications will skyrocket to unprecedented levels. That demand is being fueled by the twin forces of a rapidly expanding global economy and new technologies for delivering applications at lower price points. These forces are putting hundreds of thousands of growing companies in a position to deploy solutions that were once the sole province of large enterprises.

While midsize organizations are ready to deploy sophisticated systems, their requirements for such systems are considerable. Because of their limited resources, these companies cannot afford applications that require substantial work on their part to customize, install, and operate. They need solutions that support the unique business processes of their industry out of the box, can be deployed rapidly, and are easy to maintain and use. The solutions must also adapt quickly to changing demands and scale to support growing businesses. In addition, midsize organizations need low, predictable costs to acquire and use their applications as well as comprehensive support from the application vendor.

Oracle Accelerate is Oracle's initiative to meet the requirements of midsize organizations through hundreds of local solution providers who work with the software vendor. Oracle's goal is to deliver applications that are tailored to the needs of growing companies in more than 70 industries worldwide. Each Accelerate offering utilizes one of Oracle's four

primary enterprise applications: E-Business Suite, JD Edwards EnterpriseOne, PeopleSoft Enterprise, or Siebel. Oracle provides these products to local solution providers with a wealth of tools, templates, and documentation that they can use to configure the applications to the requirements of vertical industries. These same tools help reduce the time and effort required to deploy the applications to a considerable degree. Once an Accelerate offering is installed, Oracle gives customers a single phone number to call for comprehensive support from both Oracle and the solution provider. Accelerate also addresses cost concerns by providing competitive per user prices and, in many cases, financial offerings that allow customers to pay for their applications over time.

As this brief review indicates, Oracle Accelerate does a remarkably thorough job of addressing the issues that midsize organizations wrestle with on a daily basis. Moreover, Accelerate offerings may meet the requirements of these businesses in ways that could often be superior to those of other vendors. In too many cases, application vendors that enter this market either offer solutions that lack enterprise-class functionality or provide that functionality at unacceptable levels of cost, complexity, and risk. By contrast, Accelerate has the potential to deliver solutions that combine "big company" functionality with "midsize company" simplicity and pricing. This makes Oracle Accelerate a program that midsize organizations should carefully consider.

Midsize Organizations: The Opportunity and the Challenge

Over the last several years, the world's largest software vendors have woken up to the enormous potential of selling their solutions to midsize organizations. IBM has stated that it wants its share among midsize businesses to equal its share among large enterprises. SAP intends to grow its customer base from 39,000 to 100,000 organizations by 2010, and expects most of the growth to come from outside the large enterprise

market. Microsoft plans to sell its Dynamics line of business applications to hundreds of thousands of new small and midsize accounts.

These and other vendors have good reasons for wanting to become mid-market leaders. Virtually every study of this market indicates that over the next decade, IT spending among these organizations will

increase by at least seven percent per year. Better yet, spending on solutions — packaged offerings that meet specific requirements — will experience double-digit growth. Much of this growth will come from emerging markets such as Brazil, Russia, India, and China, where thousands of growing businesses are automating their business operations for the first time. In addition, thousands of organizations in developed economies will migrate off outdated systems to take advantage of open, web-based applications.

By contrast, IT spending growth among large enterprises is expected to remain in the low single digits. Given this significant difference in spending levels, it will be necessary for application vendors to win over midsize firms if they want to become or remain overall market leaders in the coming decade.

While the rewards for becoming a mid-market leader may be enormous, the challenges to doing so are just as big. To reach growing businesses in an efficient manner, application vendors need to deliver their products through hundreds of local solution providers working in dozens of vertical industries and regions. To win the loyalty of these providers, vendors must have products that meet a daunting number of customer requirements. Ask any midsize organization what it needs from its applications and it is likely to offer the following list.

- ***Comprehensive support for the unique business processes of their industry.*** Few of these organizations have the skills to adapt software to their business processes or the money to pay others to adapt them. They need robust support for those processes out of the box.
- ***Easy to deploy, use, and manage.*** Because of their limited technology skills, growing companies need solutions that do not require the large IT staffs found in enterprises. They want to run their businesses, not their IT systems.

- ***Robust support from the application vendor and solution provider.*** On a similar note, these organizations have limited resources for troubleshooting problems, applying patches, or training their users. They expect their application vendors and solution providers to work together in a seamless manner to deliver that support to them.
- ***High levels of flexibility and scalability.*** Most midsize companies grow and change much faster than large enterprises. They want applications that can change with them, scale quickly to meet exploding demand, and integrate easily with any other systems they may deploy.
- ***Low, predictable costs to install and use the solution.*** Most of these organizations cannot make large investments to deploy robust solutions, nor can they sign off on open-ended agreements that could boost a solution's cost in unexpected ways. They require pricing and packaging that fits their finances.
- ***Rapid time to ROI.*** Unlike large enterprises, midsize businesses must measure their payback periods in months rather than years. They look for solutions that have quickly cut costs and boosted sales for similar companies in their industries.

In short, growing companies need solutions that consistently deliver high returns with low risks. To meet this need, application vendors must make substantial investments in their products and shoulder greater risks than they do with their large enterprise customers. This daunting reality has led many vendors to launch overly cautious mid-market strategies that have failed or realized only partial success. Today, however, growing demands by midsize organizations for genuine solutions are leading application vendors to try their hands in this market once again. For those vendors who are willing to make the investments that this market requires, the rewards could be considerable.

Oracle's New Role Among Midsize Businesses

In recent months, Oracle has garnered growing attention from midsize organizations worldwide as a provider of business applications. By contrast, many of these companies did not think of Oracle as an application vendor a few years ago. The story behind this change is worth telling, for it helps to explain how Oracle is approaching this market very differently than it did in the past.

Five to six years ago, the vast majority of growing companies considered Oracle to be a database vendor. While the company did sell its E-Business Suite applications to these organizations, most of its sales were to larger mid-market firms. To reach smaller organizations, Oracle introduced specially priced versions of E-Business Suite that solution providers could sell. Unfortunately, the company's own account teams often competed with providers for sales to these organizations. Many providers complained that Oracle treated them as necessary evils rather than strategic partners. The strained relationships limited Oracle's ability to make headway among growing companies, particularly in North America where much of the channel conflict took place.

Over the last five years, however, Oracle has been steadily changing into a dramatically different company with which to do business. In the early years of this decade, the vendor underwent a fundamental shift in its thinking about its place in the market that led to many of these changes. The company realized that organizations were increasingly basing decisions about the database and middleware products they would buy upon the business applications they would run on these products. In addition, the vendor noted that many midsize businesses were looking for vendors who could act as "one stop shops" for their database, middleware, and application needs.

In response to these trends, Oracle concluded that it had to become an application leader to ensure that it remained a database and middleware leader. The company also decided that to lead in applications, it would have to offer robust, "best of breed" support for the unique business processes of both

enterprises and midsize organizations. This meant that it would have to develop or acquire vertical industry applications and create a partner program that could attract strong local solution providers with industry expertise.

Over the last several years, Oracle's actions have been guided by these fundamental decisions. For instance, the company has acquired more than a dozen vendors with robust vertical industry solutions. Several of these vendors gained widespread followings among growing companies before they were acquired, including JD Edwards, Agile Software, and Siebel. In addition, Oracle has established dialogues with its new midsize customers to understand their requirements. In response to those requirements, the company has done much to make its major product lines easier to install, configure, and manage. For example, the company introduced Oracle Business Accelerators, a collection of tools and preconfigured business process flows that let midsize organizations rapidly deploy Oracle's applications and more easily adapt them to their industry requirements.

Oracle has also done much to improve its relations with local solution providers. Most importantly, the company has implemented clear, predictable rules of engagement with its partners that respect their trusted relationships with their clients. The vendor has also made it easier for solution providers to create customized packages of its products that can meet vertical industry requirements at attractive price points. In addition, Oracle has established a Global Accelerate Program Office that is dedicated to identifying and meeting the requirements of midsize organizations.

As a result of these actions, Oracle now serves more than 19,000 midsize organizations that run on its applications. In addition, the company has more than 160,000 firms in this market segment that use its infrastructure products and could become candidates for its applications. This nicely positions Oracle to experience significant growth over the coming years.

While Oracle has dramatically improved its standing among midsize businesses, it still has work to do to make itself a leading application vendor to these organizations. Since many of the company's initiatives are quite new, some of its regional teams have not yet fully implemented them. However, adoption

levels should grow considerably in the coming months, as the initiatives have heavy backing from Oracle's senior executives. That support is particularly strong for Accelerate, as it has become Oracle's flagship strategy for meeting the needs of growing companies.

Oracle's Accelerate Initiative: A New Way to Meet the Midsize Challenge

Though Oracle has launched many initiatives to reach midsize businesses, there is something different about Oracle Accelerate. For the first time in its history, the company has distilled everything it has learned about these organizations into a comprehensive, well-funded approach to meeting their needs. This makes Accelerate an ambitious plan that deserves close attention.

Oracle Accelerate aims to deliver complete solutions to growing companies in more than 70 vertical industries worldwide. Each solution is based on an Oracle application suite that a qualified partner configures to the unique requirements of an industry or region. Any organization with less than \$500 million in annual revenues can purchase an Accelerate solution. The initiative includes the following technologies and program offerings.

- **Enterprise-class applications with small-company pricing.** Every Accelerate offering is based on one of Oracle's four primary enterprise applications: E-Business Suite, JD Edwards EnterpriseOne, PeopleSoft Enterprise, or Siebel. Each offering contains the complete code base of its application rather than a stripped down "mid-market version." This gives users access to the same functions that are available to large enterprises. At the same time, these functions are preconfigured to address the specific requirements of growing organizations. Moreover, Accelerate customers pay considerably less for their applications than their large enterprise counterparts do.
- **Oracle Business Accelerators.** Several years ago, Oracle began offering versions of E-Business Suite that it preconfigured to support the business processes of selected industries. It also developed tools

that could modify these configurations to meet company-specific needs. The tools make modifications easy via simple "question and answer" interfaces.

With Accelerate, Oracle is making these same tools available to its other applications. The tools, which are now known as Oracle Business Accelerators (OBAs) are being bundled with each Accelerate offering. By using OBAs, solution providers can rapidly configure Accelerate solutions to support industry-specific business processes and regional requirements. Accelerate partners can either customize one of Oracle's existing OBAs or build their own OBA using an Oracle-supplied development kit.

- **Aids to rapid deployment and user enablement.** To make the deployment process smoother, Oracle provides additional tools including installation guides, business flow models, test scripts, reports and templates, and user training materials. This reduces the Accelerate partner's cost to deliver the solution as well as the deployment risk for the customer.
- **Comprehensive product support.** To ensure that users do not have to call multiple vendors for help with their Accelerate applications, Oracle Support has agreed to be the first phone number that customers need to call. If Oracle determines that a problem involves an Accelerate partner's modifications or actions, it will help the customer obtain support from the partner for those parts of the implementation. To assure a seamless support experience, Oracle will contact the partner's support desk for a "hot handoff" that connects the customer with a real person rather than a recorded message.

As the previous paragraphs indicate, Oracle is giving its Accelerate partners considerable latitude to modify its applications to meet the needs of specific industries and regions. At the same time, the vendor has implemented a rigorous process to validate any modifications to ensure that they are easy to implement and do not impair its ability to support and upgrade its own code. This should make it easier for customers to take advantage of any new functionality that Oracle delivers in future releases.

To make Accelerate solutions more affordable, Oracle is helping its partners to develop complete offerings that provide clear, predictable pricing for both software and services. To support these pricing efforts, Oracle is providing financing so that customers can pay for their applications over time. In addition, the vendor is encouraging its partners to give customers the option of having their applications hosted at an Oracle On Demand hosting center instead of running them at their premises. For many midsize organizations, Oracle On Demand could reduce overhead costs while improving the reliability, security, and scalability of their Accelerate applications.

How Oracle Accelerate Compares to Competitive Offerings

While Accelerate could convert thousands of growing companies into Oracle customers, it faces stiff competition from established competitors such as SAP and Microsoft. Several years ago, SAP began recruiting solution providers to sell its large enterprise applications under the "All-in-One" brand for midsize companies. More recently, it has assembled a partner channel to sell its Business One products to smaller businesses. Microsoft, for its part, became a leading vendor to small businesses several years ago when it purchased Great Plains and Navision. Since then, it has recruited thousands of solution providers to sell these and other business solutions under its Dynamics brand.

Though Oracle Accelerate may be a late entrant to the competition, that does not make it a lightweight compared to its rivals. Indeed, we expect that Accelerate

A Promising Beginning

While Oracle Accelerate is only several months old, it has already shown significant potential to meet the needs of growing companies. The clearest evidence of this potential is the positive response of local solution providers to the initiative. As this paper is going to press, more than 200 solution providers have agreed to bring Accelerate offerings to market. In August of this year, Oracle announced that 25 of its partners are now shipping Accelerate solutions. By this November, the vendor expects that between 50 and 60 offerings will be available.

As these numbers indicate, Accelerate is creating a steady pipeline of solutions that should make Oracle an increasingly visible vendor among midsize businesses. As its offerings to these organizations grow in number, we expect that Oracle will increase the marketing and sales resources that it dedicates to Accelerate. That, in turn, could attract further visibility and additional solution providers to the initiative. This could make Accelerate a breakout strategy for Oracle in the coming year.

offerings will compare favorably to those from SAP and Microsoft. The following paragraphs offer our thoughts on how the three vendors' applications stack up against each other.

- **Oracle versus SAP All-in-One.** From a feature/function standpoint, All-in-One and Accelerate offerings are quite comparable to each other. In addition, both products provide out of the box support for vertical industry business processes. However, most All-in-One offerings are significantly harder to modify and upgrade than comparable Accelerate solutions.

All-in-One has this brittle quality because a number of SAP partners meet industry requirements by making extensive changes to the vendor's application code. By contrast, most Accelerate partners customize their applications by changing

Oracle-provided application settings. As any programmer will attest, it is much easier to modify software by changing a setting than changing code. All-in-One's "hard coded" architecture often adds complexity and cost to the installation process, makes it harder to install new releases of the applications, and may create support problems that SAP cannot resolve. These problems not only reduce the flexibility of SAP offerings, but also increase costs and pose greater risks for customers. By contrast, Accelerate offerings can adapt more rapidly to changing requirements with less cost and risk, providing greater flexibility at less cost.

- **Oracle versus SAP Business One.** While Business One is a viable option for some small companies, it lacks the functionality and scalability of Accelerate. At this point, only a handful of Business One offerings support vertical industry requirements to any significant degree. In addition, Business One users cannot upgrade to SAP's more robust All-in-One and SAP ERP products. By contrast, Accelerate offers robust support for industry business processes via applications that can scale to thousands of users.
- **Oracle versus Microsoft Dynamics.** While the Dynamics applications meet clear needs among entry-level customers, they lack many of the enterprise-class functions found in the Accelerate portfolio. With the exception of Dynamics NAV,

Microsoft's applications also lack preconfigured industry implementations that can reduce deployment times. As a result, organizations that deploy Dynamics suites often must buy and integrate additional applications from multiple solution providers to meet their requirements. This can create complex IT systems that are more difficult to support and upgrade than a comprehensive solution from a single vendor.

In addition, Dynamics offerings only run on Microsoft Windows software and servers; by contrast, Accelerate solutions run on multiple platforms. Even then, Dynamics applications remain wedded to the Windows environment, a factor that limits software choices and may lead to scalability problems. Given these differences, Accelerate offerings usually make more sense for growing organizations and companies in rapidly changing industries.

In short, Accelerate has strengths that make it a worthy alternative to the offerings that Oracle's rivals have fielded over the last several years. Because of these strengths, midsize organizations that are in regions or industries where Oracle has an Accelerate solution should consider it carefully before giving their business to a competitor.

What Oracle Accelerate Has to Offer Midsize Organizations

Now that Oracle's partners are delivering Accelerate offerings, we are seeing evidence that the solutions will deliver significant value to their users. To understand how Oracle Accelerate can help growing companies, let us revisit the list of requirements these organizations have for their applications that appeared earlier in this paper. As the following paragraphs make clear, Accelerate applications are well positioned to meet those requirements.

- **Comprehensive support for vertical industry business processes.** By design, every Accelerate solution comes preconfigured to meet the needs of a specific industry or region. These preconfigured

business flows can be easily altered via Oracle Business Accelerators to meet an organization's unique needs. Moreover, since each offering comes with the full code base of the Oracle application upon which it is built, users can take advantage of enterprise-class functionality as their organizations grow.

- **Easy to deploy, use, and manage.** With Accelerate, Oracle has done much to build ease of installation and use into its offerings. This reflects a companywide mandate on the vendor's part to reduce the overall cost of ownership of its applications. By combining preconfigured applications

with rapid installation tools, test scripts, templates, and user training, Accelerate can significantly reduce the time, complexity, and cost of deploying business solutions.

- **Robust support from the application vendor and solution provider.** Unlike some competitive solutions, every Accelerate offering receives comprehensive support from a single source. Customers only need to call Oracle Support to request assistance from both the vendor and their solution provider. Just as importantly, Oracle and its Accelerate partners are working together to deliver a seamless support experience to their joint customers.
- **High levels of flexibility and scalability.** With their robust functionality, Accelerate solutions can grow with their customers more easily than offerings that are scaled down versions of enterprise-class applications. In addition, their ability to run on multiple hardware and software environments gives users the freedom to switch platforms as their needs evolve. Their compliance with open industry standards also makes them easier to integrate with other applications than many competitive alternatives.

- **Low, predictable costs to install and use the solution.** Oracle's pricing model makes it possible for organizations to acquire Accelerate offerings at highly competitive rates. In addition, customers will frequently find that many of the cost elements of an Accelerate deployment are fixed rather than variable.
- **Rapid time to ROI.** With their out of the box support for vertical industry requirements, ease of installation and use, and aggressive pricing, Accelerate solutions should enable midsize organizations to achieve significantly shorter times to value than conventional offerings.

While Accelerate is still a relatively young initiative, we are impressed by the degree to which Oracle has responded to the needs of growing companies in a thorough and programmatic fashion. The vendor's approach should make Accelerate offerings compelling solutions for many midsize organizations.

Conclusions and Recommendations

As the opening words of this paper make clear, meeting the application requirements of midsize businesses is no small feat. As such, it is heartening to see that Oracle Accelerate lacks many of the flaws that have limited the success of similar initiatives. Indeed, Accelerate addresses the needs of growing companies in a manner that is both comprehensive and elegant.

While Accelerate has the markings of a winning program, it will require sustained investments on Oracle's part in brand building, partner recruitment, and demand generation if it is to live up to its full potential. Fortunately, Oracle has given adequate evidence in recent months that it understands what

it must do to become a leading solution provider to midsize organizations. By forming a dedicated midsize business unit, giving that unit increased funding, and improving how it works with local solution providers, Oracle has put itself on the right track.

With so much working in its favor, Accelerate is an initiative that growing companies should definitely put on their short lists for consideration. It is a rare occasion when an application vendor crafts an initiative that meets the requirements of midsize organizations in a systematic manner. This looks like one of those occasions.

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