

## OVUM OPINION

# Oracle's new emphasis on sustainability changes the playing field

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## OVUM VIEW

Sustainability was much more prominent at Oracle OpenWorld this year as the vendor showed off new products and emphasized its strategy of extending existing business management applications into the sustainability realm. The moves are significant on several fronts. They demonstrate Oracle's recognition that sustainability is nonetheless becoming increasingly important to its customers, if not yet a top driver of IT investment. They signal Oracle's intention to be a top-tier player as the sustainability solutions market develops over the next several years. They reflect Oracle's view – which we share – that sustainability and business performance are inextricably linked. Finally, Oracle's renewed emphasis on sustainability represents a significant shift in the competitive landscape among ISVs offering sustainability management solutions. SAP has been much more aggressive and visible in this market over the last couple of years, but it now appears that Oracle will be a head-to-head competitor – and a potent one.

### Oracle's new offerings give existing customers a relatively easy route into sustainability management

Oracle used its annual customer and partner conference in San Francisco to showcase its new Environmental Accounting and Reporting module, announced in July, which extends the capabilities of two key solutions – Oracle JD Edwards EnterpriseOne and Oracle E-Business Suite Financials – to handle environmental metrics as well as financial ones. Oracle also announced another new module, called the Sustainability Reporting Starter Kit for Oracle Hyperion Financial Management, which helps companies consolidate social and economic metrics, as well as



environmental ones, with the accuracy and reliability required to make them auditable. Auditability is becoming a business requirement as companies disclose more sustainability-related information, voluntarily or by regulation, to a wider array of stakeholders including government agencies, investors, customers, and NGOs such as the Global Reporting Initiative and the Carbon Disclosure Project.

In both cases Oracle was able to leverage work that partners were doing in response to demand in their local markets.

The EA&R module is based on intellectual property that Oracle acquired earlier in 2011 from Australia-based Ndevr, an Oracle implementation partner of long standing. Ndevr, whose customers faced new accounting and reporting requirements under Australia's National Greenhouse and Energy Registry legislation, had built environmental accounting and reporting capabilities atop Oracle's ERP and Business Intelligence Enterprise Edition, which made integration quick and easy.

Similarly, the Sustainability Starter Reporting Kit for Oracle Hyperion Financial Management grew out of custom work that Amsterdam-based Centre Consulting had done for Norwegian telecoms provider Telenor. Unlike Ndevr's customers, Telenor faced no regulatory requirement, but it has long viewed sustainability as a competitive differentiator. Extending Hyperion Financial Management into the sustainability realm was the latest in a series of moves toward this goal, allowing the company to be more transparent and bringing a higher level of rigor and auditability to its environmental disclosures.

The Starter Kit is available as a free, downloadable add-on to Hyperion Financial Management. The Environmental Reporting & Accounting module for JDE EnterpriseOne and E-Business Suite Financials is a separately licensed product.

## **Enterprises must recognize that sustainability and business performance are closely intertwined**

When the global recession hit in 2008, speculation was widespread that enterprises would abandon or scale back sustainability initiatives in order to save money. There were no doubt some instances of this, but the greater effect has been the opposite – a wider awareness that, in many cases, sustainable practices are more efficient and less wasteful of time, energy and resources than doing "business as usual." It's true that most executives still rank "cost savings" more important than "being more sustainable," but more are realizing that the two goals actually synchronize quite well. Energy conservation provides the most obvious example. Most companies have not closely examined where and how they consume energy, and when they do, they discover simple measures that can substantially reduce consumption, which of course reduces both their energy costs and their greenhouse gas emissions. Companies are often able to achieve significant



savings by applying and enforcing new policies; energy management software adds value in tracking results over time, in calculating precisely how much energy is being saved, comparing forecasted and actual savings, and in documenting the energy savings (and GHG reductions) for regulators, shareholders, and customers. The same basic equation applies to a growing list of resources, a list that runs the gamut from clean water – seemingly plentiful, but in fact a scarce commodity in many locations – to rare minerals that are essential to a variety of products, notably IT gear and consumer electronics. In such cases, the business benefit may be less about cost savings than about ensuring a stable supply, but management software plays a similar, crucial role in tracking, documentation, and analysis.

## **Oracle's new offerings signal increasing competition in the market for sustainability management solutions, and more choices for customers**

It was customer demand that led Oracle partners to build the new capabilities and Oracle itself to turn them into products. They are not Oracle's only sustainability-related products; for example, the vendor offers a module called Sustainability Sensor Data Management as part of its Manufacturing Operations Center solution to help customers measure and control energy consumption by factory machinery, among other metrics. Its transportation management solution and its Agile product lifecycle management offering also address sustainability.

Most companies have not yet felt enough regulatory and/or market pressure to adopt sustainability solutions. But these pressures will only grow as global population growth drives increasing demand for finite resources and as greenhouse gases further disrupt climate and weather patterns, to name just two among many drivers. No company will be able to ignore the sustainability challenge. Regardless of size, industry, or geography, all companies will have to weigh their risks and obligations and look carefully for the points where more fine-grained sustainability management can drive new efficiencies and better business results.

Although the business challenges are substantial, the flip side is that many major IT solution providers – not just the major applications vendors such as Oracle, SAP, and CA but systems integrators, consultancies and a host of dedicated-solution vendors – recognize that sustainability management is quickly becoming a multi-billion-dollar market and are investing heavily to develop their offerings. Companies in every industry and geography will find a broader array of sophisticated solutions to help them meet their sustainability challenges.

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