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RESEARCH NOTE ANATOMY OF A DECISION: SAP VERSUS ORACLE JD EDWARDS ENTERPRISEONE

THE BOTTOM LINE

When Oracle JD Edwards EnterpriseOne and SAP compete in the midmarket, there are many factors that influence customer decisions. Nucleus took a closer look at EnterpriseOne customers that also considered SAP to understand what, besides price, played a role in their decision. Analysts found that ease of implementation, flexibility, and functionality match were key factors driving a decision to invest in EnterpriseOne. The ability to understand and predict the overall initial and ongoing cost was also critical.

Oracle JD Edwards EnterpriseOne is an integrated suite of business management applications to support financial management, customer relationship management, human capital management, order management, supply chain planning, supply chain logistics, and procurement. EnterpriseOne also provides capabilities in specific verticals including asset lifecycle management, food and beverage, manufacturing and engineering, project management, real estate, home construction management, and apparel management. Other characteristics of EnterpriseOne include:

- Platform-independent design, integration, change management, and administration and monitoring tools to manage the cost and time devoted to supporting EnterpriseOne.
- Tools to develop and support custom workflows and processes, manage updates, and monitor application performance and security.
- Support for open standards, which enables companies to choose technologies that align with their existing IT investments. For example, the EnterpriseOne HTML server can run on Oracle, IBM, or Microsoft technology, enabling users to access EnterpriseOne applications via most Web browsers.
- Oracle User Productivity Kits (UPKs), designed to help administrators and trainers rapidly develop training content to accelerate application adoption and improve user productivity. UPKs consist of pre-built content that documents best practices and can be customized to match a company's specific configuration and processes.
- Oracle Business Accelerators for EnterpriseOne customer relationship management, distribution, financials, human capital management, and manufacturing provide business flows based on industry best practices to support more rapid and reliable implementations. The accelerators include preconfigured software, wizards that capture specific process requirements and automate configuration of EnterpriseOne, engineered hardware configurations,

TOPICS

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and optimized infrastructure software. Accelerators exist for 11 countries across North America, Asia Pacific, and Europe.

As SAP and Oracle step up their efforts to attract midmarket customers, more and more of those customers are including top-tier vendors in their enterprise application evaluation process. As part of Nucleus Research's ongoing investigation of the ERP strategies of growing midmarket organizations, Nucleus analysts conducted in-depth interviews with a number of companies that recently went through the ERP decision process and selected EnterpriseOne instead of SAP. This research note focuses on the decision process and factors of those companies. EnterpriseOne users noted that key factors impacting their decision included cost and cost predictability, flexibility, functionality, and complexity.

COST

Not surprisingly, many EnterpriseOne customers cited cost as a factor that drove their enterprise application purchase decision; however, it wasn't the sole deciding factor. Customers consistently said SAP would be more expensive to implement and support:

- *"We had looked at SAP but cost of ownership, cost of implementation, and ease of implementation led us to JD Edwards. A lot of our customers are on SAP so we considered if that was an advantage and ultimately, the answer was not really."*
- *"SAP's implementation will cost you far more than EnterpriseOne. I know how costly they can be if you don't manage it properly, and we knew JD Edwards would cost far less."*
- *"Both SAP and EnterpriseOne were considered and it came down to cost. JD Edwards was significantly cheaper."*

Customers also said that, while lower cost was important, so was the ability to confidently plan and budget for initial and ongoing costs and implementation timelines. Nucleus has found that EnterpriseOne Business Accelerators take a lot of the variables out of planning and budgeting for an enterprise application implementation – but in general, most customers believe that EnterpriseOne has more predictable time to value than SAP. In a number of cases, customers felt SAP hadn't given them the complete cost picture so it was difficult to fully evaluate their proposals for planning and budgeting purposes:

- *"We asked for cost per hour for training, implementations, and all the hourly rates so we could determine costs. SAP was a more expensive program, but they never really got to the full proposal stage – Oracle and the consultants gave us all the details we needed."*
- *"You have to take into consideration all facets of the cost. SAP comes in and says, 'this is our base package and what we can do,' but all the add-ons add up. They say, 'yes, we showed you, but that's an additional package.' They show you the world and then give you a quote only on Asia. Then if you want the rest of the world, it's xyz. JD Edwards is more structured. If you're looking at distribution, for instance, they show you exactly what they can do."*

Being able to confidently predict the cost and timeline of enterprise application projects is rising in importance in the decision making process for all customers, because that ability reduces risk and disruption to the business. This is particularly

important in the midmarket, and not just because of limited access to capital. With limited internal resources, project teams that spend more time on a deployment must spend less time on other work. In a midmarket firm, this can have a significant impact on business operations.

FLEXIBILITY

Nucleus found that many decision makers had previous experience with SAP and other enterprise applications and, based on that experience, believed that EnterpriseOne would give them the flexibility they needed to support their business processes without costly customization. The ability to modify product source code and use their own internal development team – rather than external consultants or vendor services – enabled greater flexibility as well. Customers said:

- *“SAP is very rigid – you have to do it the SAP way. Sometimes that’s good, but often it’s bad.”*
- *“The [ability to modify the] source code in EnterpriseOne has its merits because we have in-house development when we need to make changes. With SAP you have to go back to the vendor and that would be a lot more expensive.”*

Overall, customers felt that EnterpriseOne would give them the flexibility to grow and evolve as their business grew.

FUNCTIONALITY AND COMPLEXITY

Many midmarket companies move to “Tier One” enterprise applications because they want a solution that can support their growth over the long term, and because smaller enterprise packages don’t support the complexities of their business. However, maximizing ROI from enterprise applications is about balancing functionality and usability: companies should buy the application that provides the right amount of functionality to support their business needs, but not too much. Too much functionality drives down usability, makes implementations more complex and risky, and drives higher ongoing support costs.

Nucleus found many EnterpriseOne customers chose EnterpriseOne because they felt it was the right match for their business: enough functionality to meet their needs, but not as complex to implement and support as SAP.

Customers said:

- *“We went through a tremendous template to determine things that we wanted and whether they could be in the application or third party, and prioritized the critical components. Oracle had pretty much filled all the gaps.”*
- *“It was the simplest package to purchase that was able to handle our formulations.”*
- *“Our decision was based on system-related stuff. We looked at specific needs that we had and which system could do it best.”*
- *“In the case of SAP, it was a lot more costly for the amount of functionality that we would ultimately use in the product. In some cases, SAP had a little more functionality than EnterpriseOne, but a lot of it we wouldn’t have used.”*

Most customers approached their decision with a structured view of what functionality they needed versus what would require customization or third-party add-ons – and chose EnterpriseOne as a result.

CONCLUSION

Maximizing value from enterprise applications is all about balancing functionality with usability. Picking a solution that doesn't have enough complexity or functionality to support the business limits growth and drives higher ongoing total cost of ownership (TCO). However, a solution that has more functional complexity than needed limits usability and also drives higher ongoing TCO (because both ongoing support and any application changes will require more expert resources). In their decision and implementation process, the most successful EnterpriseOne customers:

- Carefully evaluated the functionality that was provided in the core application, as well as any add-ons that were needed, so they didn't overspend on unneeded complexity or ultimately find that the application didn't meet their needs.
- Ensured they had a complete and clear picture of the initial and ongoing costs of the project (including internal resources) based on vendor guidance and input from references and external sources.
- Limited customization as much as possible and selected a partner that could provide industry-specific guidance on customization.

Ultimately, these steps led customers to select EnterpriseOne and effectively implement it to support their business growth.