Oracle finds the right balance between industry expertise and horizontal firepower
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Ovum view

Summary

Change in the business environment is accelerating and moving in unpredictable ways. Consequently, the industry enterprise requires more flexibility, agility, and innovation from its IT than ever before. Traditional approaches to meeting industry-specific needs have often meant hardcoding IT functionality at the expense of long-term flexibility. Solutions worked well for requirements at the time, but industry-specific “customizations” often hindered long-term innovation.

Oracle is bringing a unique vertical strategy to the market that addresses this conundrum in powerful ways. By coupling deep industry expertise with horizontal IT firepower, it is moving toward making its solutions not only more accessible to the industry enterprise, but also more future-proofed. Whether or not enterprises are able to take advantage of this approach will depend, at least in part, on their ability to distinguish commodity solution capabilities from those that have the ability to differentiate their service offering and market position.

Accelerating industry change requires a new approach

Disruption and change are not new phenomena in any industry. For example, the GI Bill radically transformed the higher education landscape by enabling students from middle class families to access bachelor’s degrees, the rise of cable television altered forever the position and status of network channels, and though it initially disrupted garage and lawn sales everywhere, eBay paved the way for online retail and the gradual decline of many bricks-and-mortar shops. Industry change is now accelerating at an unprecedented rate, however, and its path is taking unpredictable directions. Industry leaders can rise and fall in a period counted in quarters rather than decades. It is therefore not surprising that in Ovum’s recent ICT Enterprise Insights survey, more than 50% of respondents across every industry reported that delivering major organizational or structural change is a very important or important priority this year.
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The ability to thrive, or even just survive, will require new approaches to business strategy, product development, organizational processes and structure, client engagement, and, ultimately, IT investment. Historically, industry enterprises have leveraged industry-specific IT solution providers to access hardcoded functionality to support unique business processes, transactions, and circumstances. In an environment where these elements are changing rapidly and in unpredictable ways, the value and logic of this industry-specific, hardcoded approach become less clear. Instead, solution characteristics such as flexibility, agility, and innovation become increasingly important while remaining sensitive to the industry context. It is a delicate balance between horizontal firepower and deep industry expertise.

When Oracle moves, the market moves with it

The depth and breadth of Oracle’s recent Industry Connect conference – with over 2,000 attendees, 160 customer speakers, eight industry-specific general sessions, and 141 breakout sessions – symbolizes its increasing commitment to complementing its horizontal firepower with deep industry domain expertise. This is not a new phenomenon for Oracle: it currently has 22,000 employees dedicated specifically to industries, it has invested $650m in application development for industries, and it has made 30 industry-specific acquisitions over the past five years. Notable examples include its acquisition of Micros last year, which boldly launched it into a leading position in the hospitality industry, and the development of the Oracle Student Cloud, a modern student lifecycle solution that combines traditional student information services (SIS) and core customer relationship management (CRM) capabilities. Oracle Marketing Cloud for Student Engagement is one of the key capabilities of the Student Cloud and is available today.

What is new, however, is Oracle’s attention to bringing industry-specific language, business requirements, and domain expertise to the forefront. At the event, Ovum participated as the sole technology representative on a panel with three university presidents (from Bellevue University,
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Georgia Institute of Technology, and Tulane University.) The panel discussion gave little attention, if any, to topics typically associated with Oracle, such as data processing speeds, cloud deployment models, and multichannel communications. Instead, the panel discussed industry transformation issues such as key performance indicators for institutional performance, changing enrollment models, and transforming the student experience.

Oracle simply building industry expertise would not be significant, as the IT landscape is crowded with horizontal firms that have created industry-specific business units. However, Oracle is supporting its vertical strategy with a continued or even growing commitment to configuring its horizontal solutions, wherever possible, to deliver features and functionality capable of meeting industry-specific needs. Ovum believes that these solutions, often delivered through the cloud with pre-built extensions to industry-specific applications, offer enterprises the best of both worlds: the flexibility, agility, and innovation of horizontal solutions, and the specific functionality required by unique industry processes, transactions, and contexts of vertical ones. This type of balanced approach offers enterprises powerful tools with which to navigate increasingly volatile and unpredictable market conditions. When Oracle decides to move in a specific direction, the market moves with it – given its considerable client footprint, resources, and execution track record – and this model is likely to be increasingly adopted by enterprises across multiple industries.

Demand industry expertise and horizontal firepower

The industry enterprise, regardless of its vertical market, must consider the long-term time horizon when making ICT investments. In periods of widespread industry transformation, few enterprises have the wherewithal to withstand the disruption of switching out mission-critical solutions too. Ovum recommends that in an effort to avoid this type of scenario and determine the long-term fit of potential IT investments, decision-makers and stakeholders should seek out honest answers to questions such as: Will this solution meet our needs, whatever they might be, three, five, or even 10 years from now? Are we confident that this solution will evolve as quickly as market conditions and customer requirements, if not more quickly? Will this functionality contribute, in important ways, to our ability to differentiate in the market? The right balance between industry expertise and horizontal firepower will go a long way toward future-proofing IT investments and ensuring that these solutions drive business innovation rather than inhibit it.

Appendix

Further reading

Getting Started on a Digital Strategy, IT0007-000811 (April 2015)
“Cloud is the key to legacy modernization,” IT0022-000342 (April 2015)

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