IT – Business Alignment
Why We Stumble and the Path Forward
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Introduction

“IT Leaders must be more process focused; they must align more closely with the needs of the business”. It is a mantra that CIO’s have both heard and preached for more than two decades. But it has proven to be very elusive despite continuing efforts throughout the industry, and improving business and IT alignment still shows up on virtually all ‘Top CIO Priorities’ industry listings.

We believe that the largest single impediment to overcoming the misalignment of business and Information technology are rigid enterprise technology platforms which cannot be architected around the way an enterprise operates, setting up IT and business for conflict and sub optimal results rather than alignment and optimization. This report will first examine industry trends contributing to this ongoing problem and the recommended path forward.
Business Trends

Trend 1: The accelerating pace of business change on the one hand, and the exploding rate of technology innovation on the other, is making it increasingly difficult for IT Leaders to align business and IT strategies. An inability to solve this problem threatens IT’s relevance within the enterprise.

Organizational models continue to evolve and management techniques continue to change but IT-business alignment and its close relative, process-technology alignment, remain as top objectives for most CIO’s. Easier said than done, to be sure, and it’s becoming increasingly difficult to do so. According to Gartner, “How technology will support growth and results is a fundamental question for the future. It is no longer sufficient to tend the IT “garden” and declare success. Digital technologies provide a platform to achieve results, but only if CIOs adopt new roles and behaviors to hunt for digital value. CIOs require a new agenda for digital business and beyond — an agenda that secures IT’s future strategic role, funding and skills.” (Source: Gartner, Hunting and Harvesting in a Digital World: The 2013 CIO Agenda – Mark P. McDonald, Dave Aron – January 1, 2013).

<table>
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<th>Business strategies</th>
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Figure 1: 2013 top 10 global business strategies


1 http://www.gartner.com/technology/media-products/reprints/oracle/oracle_1_1E1DSV3.html
Alignment between technology and process is becoming increasingly important due to pace of change on both ends, and yet we’re no closer to the goal. To be sure, total alignment is simply not possible due to the sheer number of moving parts. In this respect, it’s a bit like the quest for the Grail. But we all would agree that it is certainly an imperative to ensure that misalignment does not occur. With the bar set this low, why do we continue to struggle? Something is fundamentally wrong.

Trend 2: Far from being consistent and aligned, business strategies and approaches vary throughout an enterprise depending on organizational perspectives, making IT/Business alignment a multi variable equation. What then, exactly, is ‘The Business’?

Taken on the surface, this seems pretty straightforward. By first understanding and sharing ownership of business strategies, IT Leadership should then align enterprise technology architectures and roadmaps to those strategies. In practice, however, there is a fundamental flaw. In reality, far from The Business being a single entity with common management processes, needs and behaviors, it’s a highly situational dynamic. A CIO actually has four distinctly different constituencies with often conflicting priorities. Yes, there may be a single set of business goals, but each of these four has views of achieving them in different ways. The CIO must accommodate all of them. Alignment? It’s more like - juggling. Figure 3 illustrates these four constituencies and their unique and, often, conflicting needs and behaviors.
Consider the C-Suite as an example: CEO’s focus upon the aggregate needs of the enterprise and its stakeholders. The Chief Financial Officer and Chief Administrative Officer require, above all else, standardization, security & compliance and positive financial performance. Heads of the Lines of Business (LOB), however, value agility, innovation and competitive differentiation for their respective business units, and the more diverse each of those business units, the more unique their business processes become.

As these particular needs and behaviors filter through the enterprise they become increasingly fragmented from one another. Effectively managing these conflicting priorities is the toughest role a CIO plays and an inability to do so is the chief cause for poor alignment of business and IT. As a result, IT strategy and roadmap become compromises between these constituencies rather than reaching optimal designs, architectures and operational mechanisms.

We are not proposing that these fundamental differences in behaviors, cultures and business needs must converge; quite the contrary. They exist for practical and strategic reasons and will not change. What needs to change are the structures surrounding them that can create optimal outcomes from this dynamic. An Enterprise Technology platform needs to be sufficiently flexible to accommodate the standardization that is required by the enterprise and the uniqueness that the business requires. ERP-centric platforms no longer can in today’s frenetic world.

**Trend 3:** First generation ERP platforms are unable to deliver the agility and flexibility required by today’s enterprises. This condition is not an operational flaw with ERP, but rather a direct result of its design.

There is no disputing that the client-server era’s impact on bringing the power of computing to workers had a profound impact on white collar efficiencies, much the same as assembly lines had with blue collar workers in prior generations. But as is the case with all innovation cycles, distributed computing had unintended circumstances. Among them was the decentralization of business processes and data within financial, human resources and supply chain functions. While individual business units welcomed this outcome, it was anathema to centralized functions such as Finance and HR. The need grew to solve this problem and packaged ERP was the perfect answer because:

- They were intended as corporate systems of record, with rigid data structures and security protocols. They were not designed to be agile; quite the contrary.
• They were built around standardized business processes and reporting, and the intent was for enterprises to adopt the process flows within the system itself. ‘Change the process, not the software’ was the accepted best practice at the time. But while this was possible and desirable for most corporate processes such as Financials or HR, it was not for processes that drove business unit needs such as customer interaction and manufacturing.

• They were developed around compliant transaction workflows which were tightly integrated across functions, and as a result there was very little opportunity for flexibility. While there was some degree of process configurability, it was severely limited. And as a result of the tight integration throughout the system, one change typically had broad implications throughout the integrated workflow.

It is important to note that these design criteria were highly valued at the time and that ERP was very successful in adopting them, and that they are still highly valued by corporate functions. The process rigor provided by will continue to be needed by most enterprises. Back office functions such as Finance, HR and Order Fulfillment are still best served by transactional workflows driving standardized processes and data flows common across the enterprise, and for them the qualities that ERP provides continue to be the perfect fit. The need for standardization and process automation is just as important as before and few enterprises will back off their progress in achieving them over the past two decades. And ERP's role in driving common processes where it makes sense for the enterprise is still needed.

However, dissatisfaction with business users began to bubble up to the surface in the mid 2000's. Initially this was the result of business volatility, which has become the norm. Business processes no longer change every few years, they change almost continually. ERP’s lifecycle management best practice assumed a major upgrade every 3-5 years, not nearly sufficient to keep pace with the business. This lack of agility has resulted in enterprises continually modifying ERP’s core functionality, making subsequent upgrades exponentially more expensive and thus even less frequent. This initiated a vicious cycle that continues to this day for many CIO’s.

The result has been for many CIO’s an extended enterprise technology platform comprised of multiple instances of enterprise applications software, business process management tools and integration technologies that are straining IT budgets and preventing any improvement in IT-business Alignment. This simply cannot be sustained.

Trend 4: Two forces have coincided with the economic recovery that threatens a CIO’s relevance to the business due to the inability of ERP-Centric enterprise architectures to react.

With recovery came a great deal of pent up demand within enterprises for new digital capabilities. However cost controls remained in place and CIO’s have been faced with the need to simultaneously invest in the business and reduce operational costs, a feat not possible with ERP-centric enterprise technology architectures. Figure 4 illustrates Gartner’s finding that CIO budgets have been flat since 2010 (Source: Gartner, Hunting and Harvesting in a Digital World: The 2013 CIO Agenda, Mark P. McDonald, Dave Aron – January 1, 2013). Gartner predicts, “CIOs and their IT organizations are expected to survive in an environment with little if any real budget increases.” So how do CIOs now make the case for new technology trends around mobile, analytics, big data, social and cloud?
Whether coincidental to the economic recovery or opportunistic, there has been a wealth of digital innovation in the last several years, led by three factors - the consumerization of IT, cloud as an operational medium and an explosion of data. And yet, as Figure 5 below illustrates, industry metrics continue to indicate that over two thirds of IT spend is consumed by operational costs, leaving precious little to be invested in bringing this innovation to the businesses that need it to compete and win in the marketplace. The only solution lies in the ability to reduce IT complexity and drive down costs while targeting the savings towards the delivery of new digital capabilities to the business.
Implications and the Path Forward

We believe that even as elusive as business - IT Alignment has proven to be, it is no longer sufficient. The pace of business change and the rate of technology innovation are both accelerating to the point where business and IT are converging. The increasing rate of IT purchases by lines of business is certainly a key indicator that this is occurring. Some may even predict the commoditization of the CIO into an operational support and management role, as if structured IT will soon become a computing utility while digitized innovation becomes a core line of business responsibility.

We don’t see it that way. Far from becoming strategically irrelevant, IT leaders will become trusted advisors to lines of business and a CIO’s role will increasingly appear to be that of a venture capitalist to the CEO, while continuing in the role of ensuring digital security and compliance while effectively managing costs. For successful enterprises, business - IT alignment will no longer be a goal because the two forces will be unified. As this occurs, enterprise technology will evolve from an ERP-centric platform to a business-centric one. Those enterprises that are successful will lead in the marketplace and those that are unable will become increasingly irrelevant to their customers.

If ERP-centric enterprise platforms represent the end of the client server era, what then represents the future? Over the past decade this future has been described alternatively as ERP II, Enterprise 2.0, next-gen ERP, enterprise ecosystem and others. Regardless of the term used to describe it, successful enterprises are already beginning the journey to the future, defined by the following attributes:

- **Fully leverages existing investments** Whether used just for back office functions such as Finance or for common customer facing processes such as Order Management, ERP systems are not going away and in fact continue to be supported and enhanced by ongoing development. ERP systems serve the critical business requirements for a system of record and a compliant transaction engine. In order to bring digital innovation to the enterprise, IT leaders need the ability to leverage and build upon ERP investments rather than ripping and replacing core functionality.
• **Delivers unique and agile business processes outside of ERP**  Such processes need to exist outside of ERP, whether as best of breed applications or services, either on premise or in the Cloud. By decoupling such business processes from ERP, enterprises can achieve the process agility that the business needs while delivering the standardization from ERP that the enterprise needs.

• **Ensures cross platform process interoperability**  All too often cross-platform processes run through batch interfaces or fixed, point to point integration, resulting in process latency or costly workarounds as applications change and integration is broken. Furthermore, such processes often run unmonitored, resulting in costly errors. Cross platform business processes need to run as efficiently as they do within a single application.

• **Provides to customers, partners and employees a unified user experience**  To be effective, any self service process requires cross platform access, whether simply consuming information or executing a business process. Users should not be expected to toggle between applications.

• **Ensures platform-wide Access Management and Security**  Enterprises need to enable customers, partners and employees with open access to my applications & data, while cost-effectively enforce compliance, security and data privacy policies. All too often, the desire for one creates a sub optimal condition for the other.

• **Provides an optimal and dynamic use of the Cloud**  All too often, enterprises are faced with all-or-nothing packaged solutions when considering Software as a Service (SaaS), Platform as a Service (PaaS) or Infrastructure as a Service (IaaS). In truth, a black box in the Cloud is still a black box. End to end processes will span applications on premise and in the Cloud, and vary over time as business needs change. Enterprises need to ensure that the applications and technologies used deliver this type of flexibility and that they can control the mix.

The exciting part of this is that customers of one or more of Oracle’s core enterprise applications (E-Business Suite, PeopleSoft, JD Edwards or Siebel) as well as Oracle’s industry solutions such as Oracle Clinical Applications can achieve such a next generation enterprise platform using Oracle Fusion Middleware, which offers Oracle Applications customers innovative, best-of-breed solutions to simplify IT infrastructure, differentiate from competition with increased business agility, and innovate for the future by embracing new technology trends.

In support of this opportunity, Oracle is launching **Oracle AppAdvantage**, an exciting new program that will guide Oracle enterprise applications customers through ways that they can use Oracle Fusion Middleware to integrate, extend, configure, and secure their investments across all applications including E-Business Suite, PeopleSoft, JD Edwards, and Siebel. These same open, standards-based, best-of-breed middleware technologies are the foundation for Oracle's next generation Fusion Applications setting a new standard for business by transforming the way enterprises innovate, work, and adopt technology.
The Solution: Oracle AppAdvantage

Oracle AppAdvantage is designed to enable Oracle’s enterprise applications customers to simultaneously deliver targeted business benefits as well as to begin their journey to the future. Figure 6 visualizes Oracle AppAdvantage from a business goals’ perspective.

Oracle AppAdvantage will enable organizations to mobilize the following:

- Begin to transition core Enterprise Applications to the state in which they can be of optimal benefit: as enterprise systems of record driving standardized transaction processes and rationalized data. Remove invasive customizations and consolidate instances as much as practical. Upgrade to the latest release and subsequently keep current through recommended technology updates and periodic functionality upgrades.

- Reducing infrastructure cost and complexity are crucial to an IT organization's ability to deliver sufficient cost savings to enable investment in business growth. Within our “Simplify Layer”, the streamlining of IT Management processes includes real-time and bulk data movement, transformation, bi-directional replication, data services, and data quality for customer and product domains. Finally, taking an engineered systems approach provides extreme performance, reliability and scalability for Oracle, Java and other applications, while delivering lower TCO, reduced risk, higher user productivity and one-stop support.

- Business processes that are unique to individual lines of business or frequently change need to be moved out of core enterprise applications into an applications layer we define as “Differentiate”, since this actually encourages the business to differentiate itself from the competition. There are 4 options from which to choose, all which leverage open, standards based integration and cross application business process management:
  - Composite applications and web services.
  - Best-of-breed industry applications
  - Legacy applications
  - Or even more exciting, individual Oracle Fusion Applications such as Asset Management, Talent Management and Distributed Order Orchestration, In this way, not only will you be enhancing your current generation enterprise applications, you’ll be starting on the journey to the next.

- The “Innovate Layer” contains all the business capabilities required for engagement, collaboration and intuitive decision-making. This layer is where innovation will occur, as people engage one another in an untethered, open and informed way. Oracle AppAdvantage encourages this open and engaging environment through secured access provisioning to ensure data security and privacy.
Getting Started: Oracle AppAdvantage Entry Points

Only Oracle offers the breadth of applications, middleware and infrastructure to make the future as described by Oracle AppAdvantage possible. As development at all layers continues to accelerate, Oracle’s applications customers will benefit from compatible technologies and reusable skills across the enterprise.

Oracle AppAdvantage is Oracle’s approach to maximizing the value of Oracle’s enterprise applications with Oracle Fusion Middleware that allows organizations to:

- Leverage existing investments while delivering innovative new capabilities for your business
- Deliver short term value while modernizing for the long term
- Offer a compatible blend of cost reduction and growth opportunities

The exciting part of Oracle AppAdvantage is that it provides enterprises a variety of ways to get started, depending upon their specific needs and strategies. It provides a roadmap framework that can be used with business leaders to map out optimal direction and is, thus, a business alignment tool in itself.

Based upon the experiences of our customers, we recommend nine different ways in which you can get started, each one supported by an array of workshops and related content. These entry points can be pursued independently or as part of a coordinated enterprise program. The entry points are aligned in a logical way, allowing for a balanced focus on cost and growth. This reflects the need that IT organizations have in today’s economy to simultaneously reduce cost and invest in the business. These entry points provide strategic levers for enterprises to pull depending upon the needs of the enterprise.

If the visual in Figure 7 has suggested a compass it is deliberate. Customers can determine their own heading, and vary it over time during their transformational journey.
Simplify Layer

Enterprise Security
As enterprises develop mobile applications, adopt social networking techniques to enhance relationships, and increasingly move processes to the Cloud, there is an increasingly compelling need to provide secure access, automated provisioning and identity governance across all enterprise applications. Secure application data where it resides and protect access to these applications to deliver a secure digital experience across Oracle Applications.

Platform Optimization
Scale applications more broadly, make efficient use of hardware resources with Engineered Systems, and ensure the highest reliability, availability and performance, whether on-premise or in the cloud, with a unified application foundation.

Performance & Availability
Today’s fast pace no longer permits outages or lack of access, whether planned or unplanned. Ensure the quickest recovery times in the event of failure and support active/active architectures for zero downtime of business operations with data integration capabilities that can transform the way the business transacts (continuous availability, zero or low downtime upgrades and migrations etc).

Differentiate Layer

Cloud and On Premise Integration
With the maturity of SaaS, the need for true cloud and on-premise integration, through which processes and data interoperate, has become an imperative. Adopt a service-oriented architecture and seamlessly manage the scale of data integration across on-premise and cloud applications using a standards-based, declarative approach.

Enterprise Applications Extensions
Remove customizations from core ERP systems by developing composite applications within the process (logic) layer, integrating data across applications and using a declarative, reusable and agile services approach to develop and integrate applications, Taking this approach can speed time-to-market, increase agility and lower TCO.

Business Process Agility
Deliver business agility by moving unique and differentiating business processes outside of ERP into best of breed applications, industry solutions or Oracle Fusion Applications, Utilize service-oriented architecture for integration with core Enterprise Applications to ensure true end to end process interoperability and manage those end to end processes for maximum performance within a process layer.

Innovate Layer

Enterprise Mobility
Combine the power of Oracle Applications and mobile with rapid and declarative development of native on-device mobile applications, enable seamless access across multiple mobile devices and operating systems and connecting back-end systems to mobile devices with end to end integration, enterprise level security and a richer experience for smart device users, all with Oracle Fusion Middleware mobile platform.
Online Engagement
Deliver a consistent, superior and targeted online experiences across web, mobile and social channels and manage large-scale global online presence by integrating social collaboration tools, content and experience management technologies with your existing sales, marketing and customer applications.

Self Service Enablement
Self Service for customers, partners and employees delivers enterprise-wide benefits ranging from cost reduction to business growth fueled by a unified customer experience. Leverage pre-built, pre-integrated foundation for applications to enable self-service portals and application dashboards, reporting and analysis, user account management and build actionable intelligence in context to application business processes.
Conclusion

As we pass through the client-server era, where enterprise technology was defined by IT and into an era defined by the business, alignment between IT and the business has become increasingly critical. Market leaders will be those for whom process and technology have unified to deliver enterprise-wide benefits. It’s an exciting time for enterprises, their customers, employees and partners; a time rich in challenges and opportunities. Oracle AppAdvantage has been designed by Oracle to guide our enterprise applications customers through this journey. And, the nine entry points are logically positioned on a continuum between lower Total Cost of Operation (TCO) and business growth:

![Figure 8: Business value entry points aligned with business goals](image)

Oracle AppAdvantage has been designed by Oracle to guide our enterprise applications customers through this journey.

Our recommendations:

- Before upgrading any enterprise application or making any other major enterprise IT investment, adopt an Oracle AppAdvantage approach.
- Review your IT Portfolio and assess it against Oracle AppAdvantage opportunities
- Contact your Fusion Middleware representative and request an Oracle AppAdvantage Assessment Guide

For more information, visit [www.oracle.com/appadvantage](http://www.oracle.com/appadvantage).