



# MOVING TO NEW ERP ENVIRONMENTS: 2011 OAUG GOVERNANCE, RISK, AND COMPLIANCE BEST PRACTICES SURVEY

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By Joseph McKendrick, Analyst  
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Data collection and analysis performed with SurveyMethods.

## EXECUTIVE SUMMARY

Upgrading core business applications raises many questions and challenges. It's not uncommon to hear: "The upgrade to the next release of our ERP system fell behind schedule ..." "The project was delayed due to unforeseen and unwanted changes ..." "We found previously undetected errors ..." "Our processes were out of sort."

New features in an ERP system, improvements to key processes, and implementation of new controls require early planning and continuous monitoring to avoid implementation deficiencies and delays, business disruptions, cost overruns and rework post-upgrade.

A new survey of more than 400 enterprise application managers confirms the prevalence of such challenges during application upgrades. Eight out of 10 who recently completed upgrades in enterprise resource planning systems report encountering major issues, led by unexpected changes to applications setups, disruptions to transaction flows, and associated applications breaking or no longer being interoperable. More than six out of 10 report at least some business downtime occurrences, many of which lasted over the course of a week.

But more companies are recognizing that it doesn't have to be this way, and, in fact, may be untenable in today's hyper-competitive environment. The survey, conducted among members of the Oracle Applications Users Group (OAUG), finds there is increasing interest in applying best practices gleaned from three inextricably linked initiatives—governance, risk, and compliance (GRC) management—to provide better management, control and accountability to crucial upgrade processes. GRC is being seen as a way to mitigate the risks associated with substantive enterprise application upgrades.

The survey of 428 OAUG members was conducted by Unisphere Research, a division of Information Today, Inc., and fielded in partnership with Oracle Corporation in January 2011.

Respondents to the survey have a variety of job roles both within IT and business, and represent a wide range of company types and sizes. The largest segment of respondents is comprised of directors or managers of development and integration, followed by enterprise architects and business analysts. Close to one-quarter come from very large organizations with more than 10,000 employees. But there is also a sizable contingent of small-to-medium-size businesses in the survey as well. In terms of industry groups, the largest segments seen in this survey are manufacturing, government agencies, high-tech organizations, and utilities, telecommunications or transportation providers. (See Figures 29-32 at the end of this report.)

### The survey uncovered the following findings:

- Upgrade activity is strong within the Oracle applications sector. More than one-third of companies in this survey have already upgraded to the latest version of their enterprise suites, or plan to do so within the next 12 months. Among those companies that have already upgraded, or currently have an upgrade underway, issues encountered include unexpected changes to applications setups, business transaction disruptions, broken applications, and some business downtime. A majority, however, say they employed formal methodologies during the upgrade process to implement controls and manage the risks associated with non-compliance, fraud, errors, potential downtime, disruption and other losses.
- Close to half of the Oracle enterprises are preparing for their next major upgrade within the next three years. Companies planning migrations are concerned about the impact of change on their infrastructure. A majority are preparing for the challenge with formal risk management methodology.
- Half of all survey respondents indicate that their companies incorporate GRC-based internal controls to ensure compliance, risk management, accuracy, transparency, and reliability in key IT initiatives, including enterprise application upgrades. Nine out of 10 of them report that their financial systems are the primary enterprise applications subject to GRC-based internal controls. About seven out of 10 report that their human resources and payroll systems fall under the GRC purview, and a majority also cite identity and access management systems.
- Respondents employ all kinds of software to manage risk and compliance, from business intelligence tools to desktop software such as spreadsheets. More than one out of five still approach controls with manual processes. Four out of 10 report too much staff time is consumed to manage compliance and risk issues, but only 14 percent have automated a substantial portion of their GRC processes.

While many of the activities related to GRC have traditionally been assigned to finance and audit departments, more companies are encouraging greater interaction between their IT and finance/audit departments to better automate and streamline the compliance and risk management process while major upgrades are underway or being contemplated.

However, there are a number of companies that have not grasped the potential of GRC best practices to guide the success of enterprise application management.

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## ERP UPGRADES CHALLENGED BY CONTROL AND CHANGE MANAGEMENT ISSUES

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The survey looked at the results of upgrades that have already taken place, as well as the attitudes and preparedness of companies that are still contemplating or planning a major application upgrade.

Clearly, the move to the next release of Oracle E-Business Suite, Release 12, is still on the immediate horizon of most companies. Seven out of 10 respondents report they currently have Oracle E-Business Suite R11 deployed. (See Figure 1.) Among Oracle EBS users who are not yet running on Oracle R12, more than a third, 36 percent, are either currently implementing R12, or will be upgrading to the next version of the application within the year. Of the segment of respondents currently running on PeopleSoft, 28 percent are moving or intend to move to Release 9.1 within the coming year. (See Figure 2.)

The purpose of this survey was to track the progress and management issues with migrating to Oracle R12, or to PeopleSoft 9.1. Undergoing a migration to a new release of an enterprise application is not a trivial thing, of course. Almost one out of four of the respondents that are already on Release 12 are aware they significantly increased their risk exposure during the upgrade process. (See Figure 4.)

Application upgrades involve a lot of moving parts from across the organization. Organizations need to monitor expenses associated with staff time or consulting assistance. In addition, developers and administrators charged with overseeing other applications in other areas of the business may be affected by changes in the enterprise application environment being upgraded. Any disruptions to the business as a result of hiccups in the upgrade process may end up costing far more than the upgrade project itself.

For the most part, while aware of the overall risks, respondents could not put their fingers on the types of risks that were intensified during the Oracle R12 migration process—close to half indicated they were not sure what they were. The most

prevalent form of risk cited was risk of inadvertent errors and waste, cited by close to one-third. (See Figure 5.)

While many of the broad-range risks were unknown, organizations migrating to the latest version of Oracle E-Business Suite or PeopleSoft clearly faced a number of issues. Overall 80 percent report encountering major issues during their migration, led by unexpected changes to applications setups (48 percent). Another 28 percent say they encountered disruptions to the flow of their business transactions or workflows. Twenty-six percent say other applications broke or were unable to interoperate with the new environment, and a similar number said they encountered a rise in end-user training costs. (See Figure 6.)

Sixty-two percent of respondents that have upgraded to the latest versions of Oracle E-Business Suite or PeopleSoft say there was some downtime incurred by their organizations as a result of the process. More than a third, 35 percent, say this downtime lasted over the course of a week. (See Figure 7.)

After the upgrade process, at least seven out of 10 companies conducted some types of follow-up work to ensure the security and viability of their new implementations. Close to four out of 10 developed a “before” and “after” listing of the configurations that were changed in the upgrade process. About a third reworked their IT processes, and one out of four conducted audit assessments. (See Figure 8.)

A majority, 56 percent, say managing operational risk and business process controls was either a “critical key factor” or “very important” in their decision to upgrade their ERP systems. (See Figure 9.) A majority also report they employed a formal methodology during the upgrade process to implement controls and manage the risks associated with non-compliance, fraud, errors, potential downtime, disruption and other losses. (See Figure 10.)

One respondent indicates that configuration management is a key risk that needs to be addressed. “The process of making sure that the configuration meets both the business requirements as well as the audit controls is one area that I see needs attention,” the respondent, business analyst with a high-tech manufacturer, says. “It may be that communication needs to be more direct between the audit/accounting managers and the implementation team, but in my role as a test manager, it seems that the audit control issue doesn’t come up until after the project is completed, then changes are required to meet compliance.”

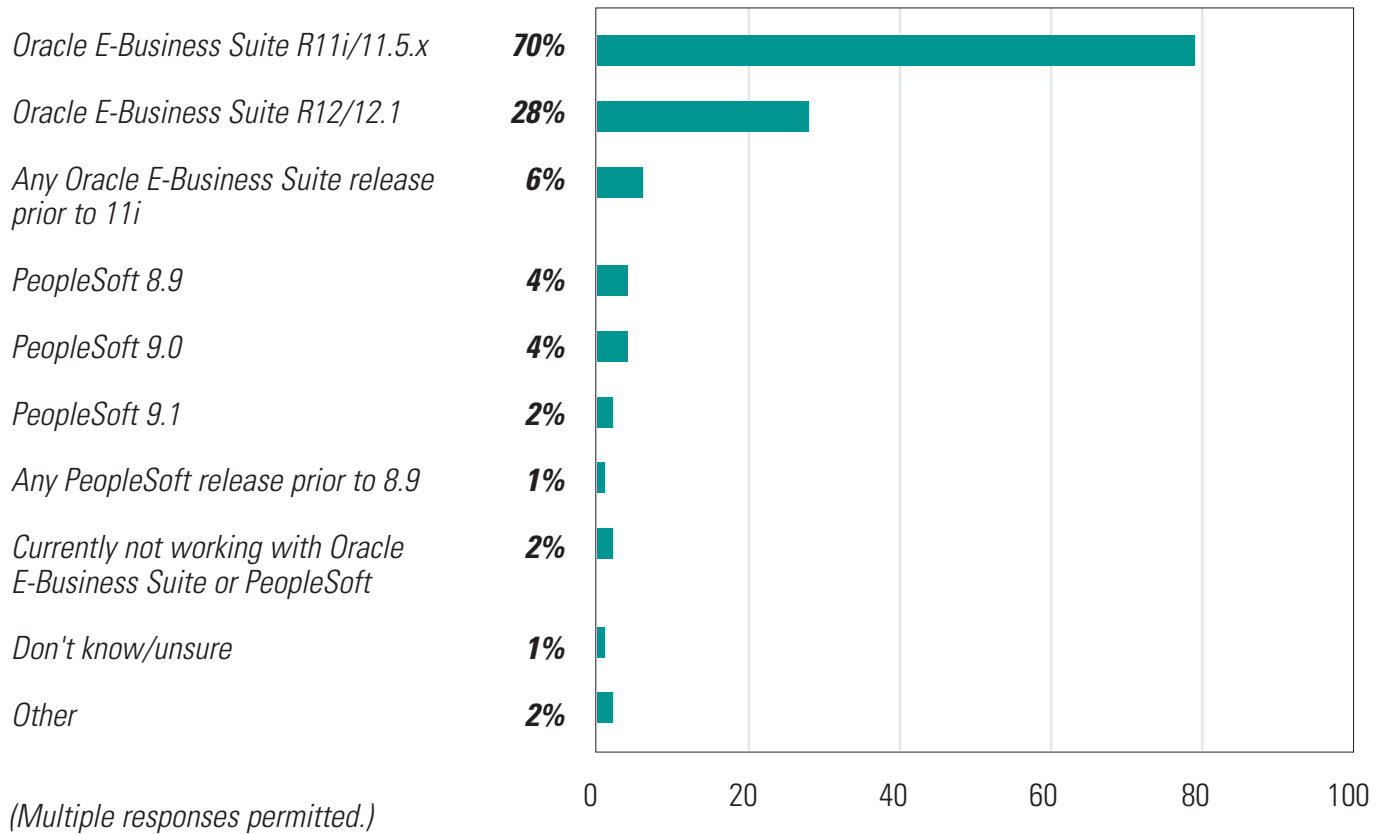
To get to information on project success for their ERP application upgrades, seven out of ten respondents turn to the Oracle Website or publications. Close to half also report reliance on third-party consultants. (See Figure 11.)

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## Figure 1: Current Versions of Oracle E-Business Suite or PeopleSoft



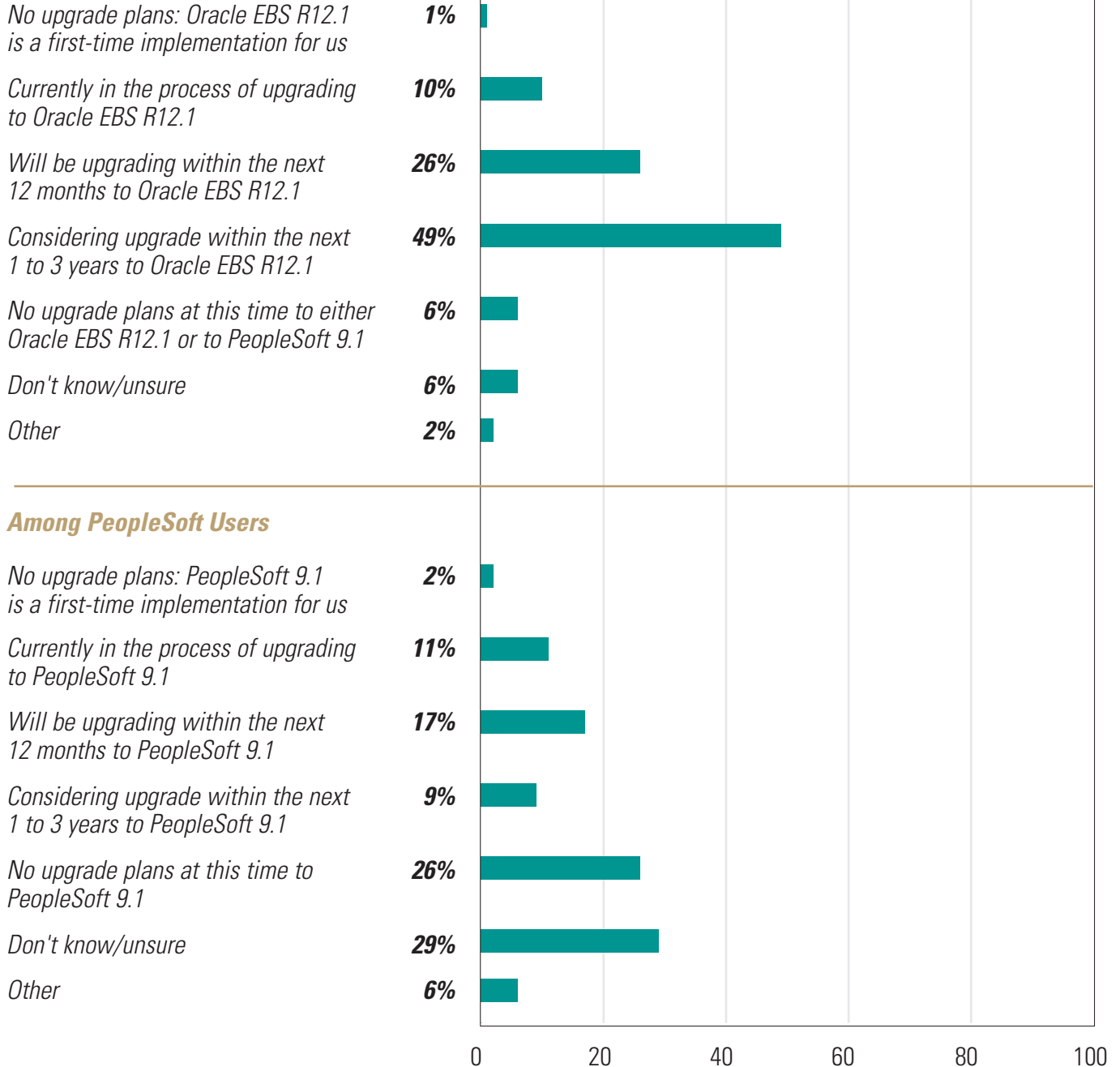
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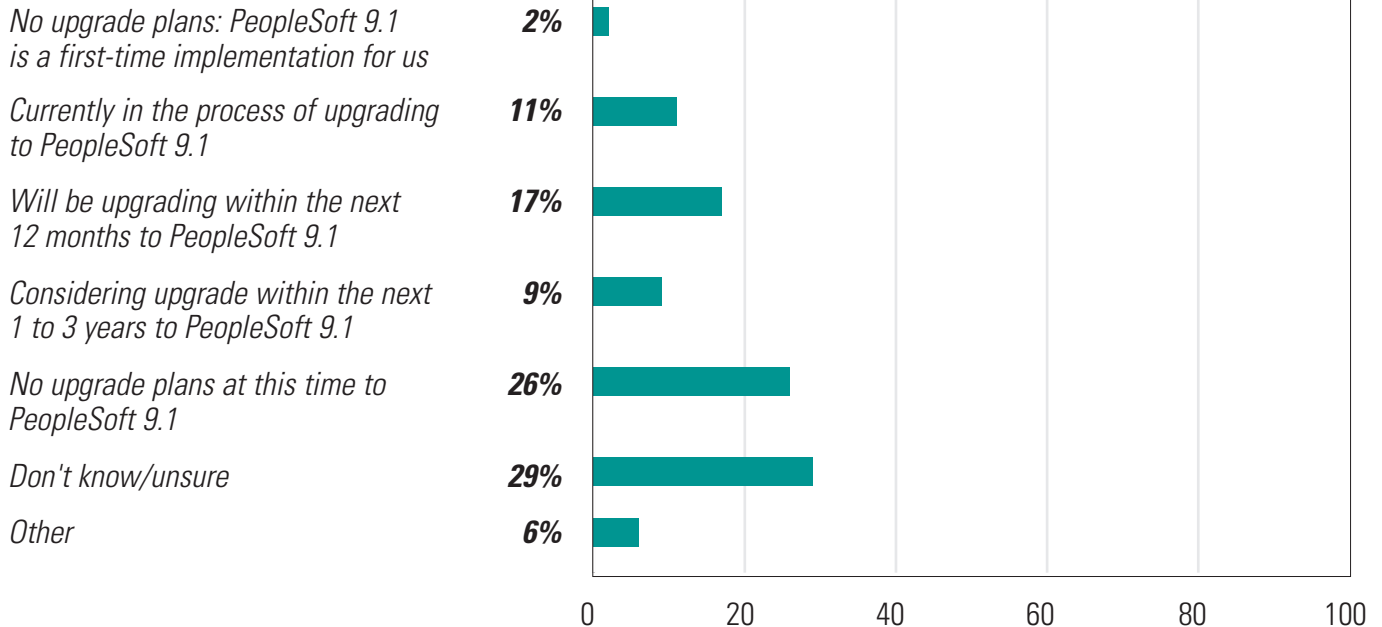
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## Figure 2: Upgraded to Oracle EBS R12.1 or PeopleSoft 9.1?

### Among Oracle EBS Users



### Among PeopleSoft Users

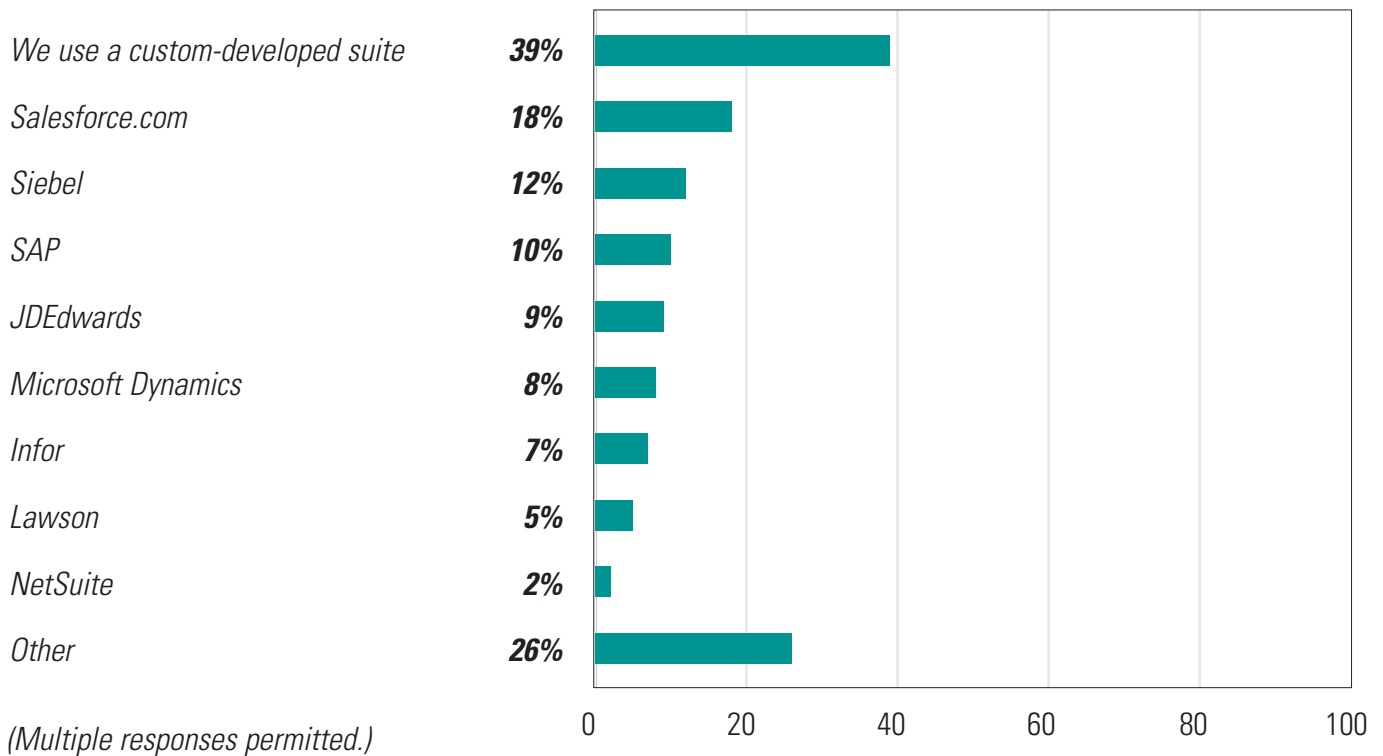


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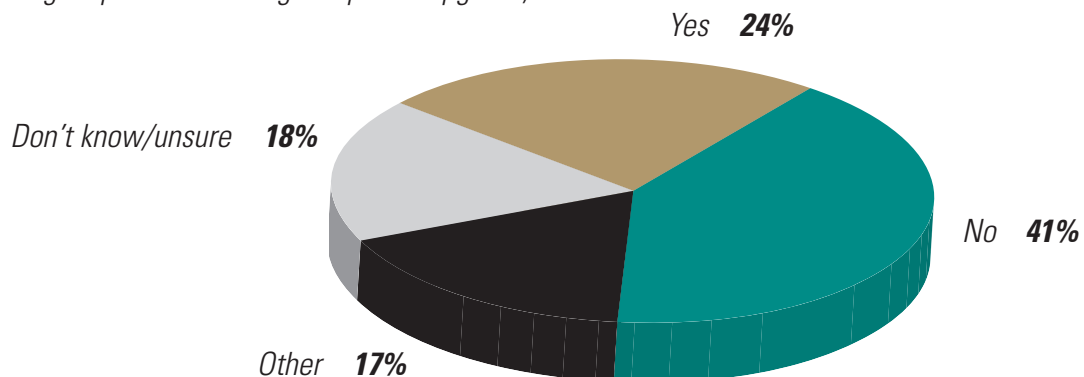
Data collection and analysis performed with SurveyMethods.

### Figure 3: Other Enterprise Application Systems at Respondents' Sites



### Figure 4: Risk Exposure Increase for Oracle EBS R12.1 or PeopleSoft 9.1 Upgrades

(Among respondents having completed upgrade)



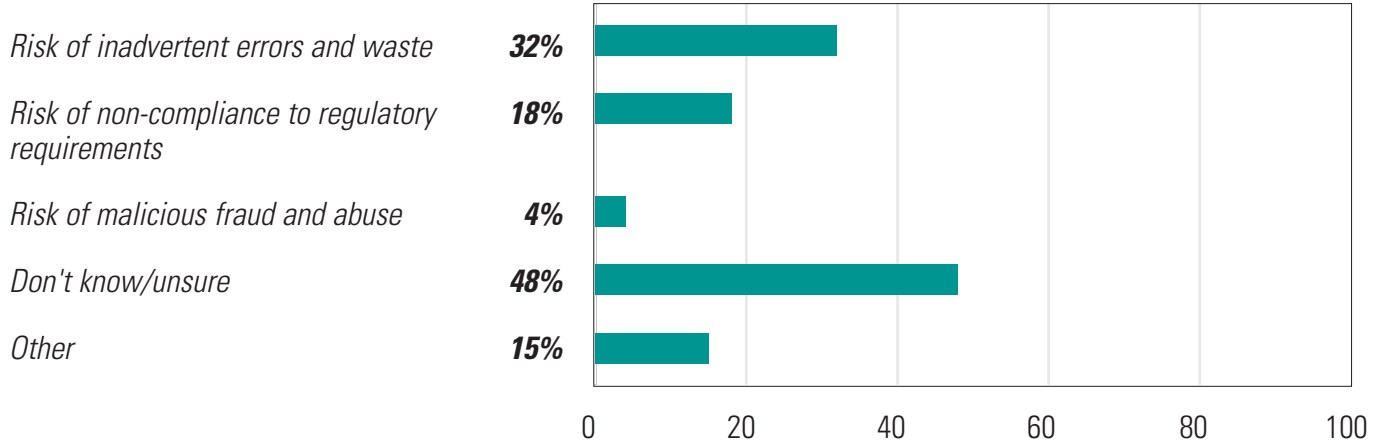
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## Figure 5: Risks Intensified During Oracle EBS or PeopleSoft Upgrade

(Among respondents having completed upgrade)



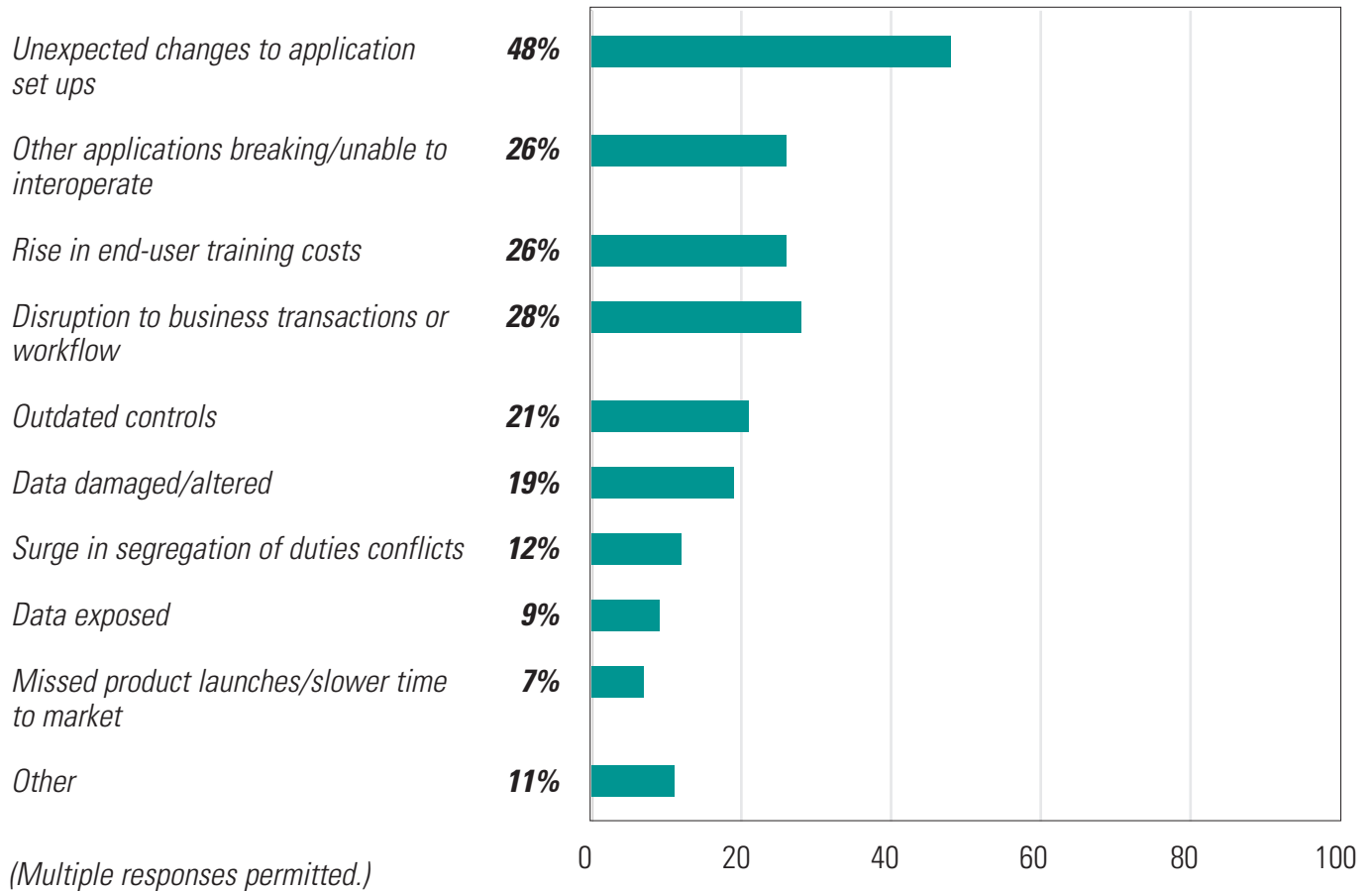
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## Figure 6: Issues Encountered During Oracle EBS or PeopleSoft Upgrade

(Among respondents having completed upgrade)



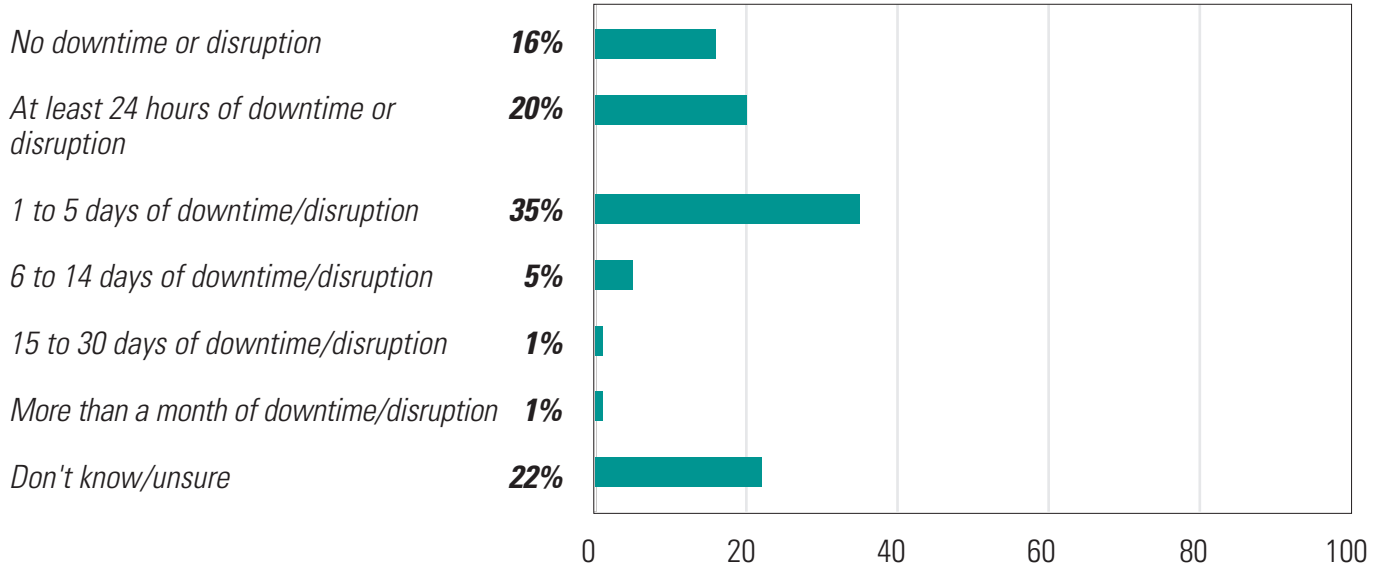
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## Figure 7: Length of Disruptions During Oracle EBS or PeopleSoft Upgrade

(Among respondents having completed upgrade)



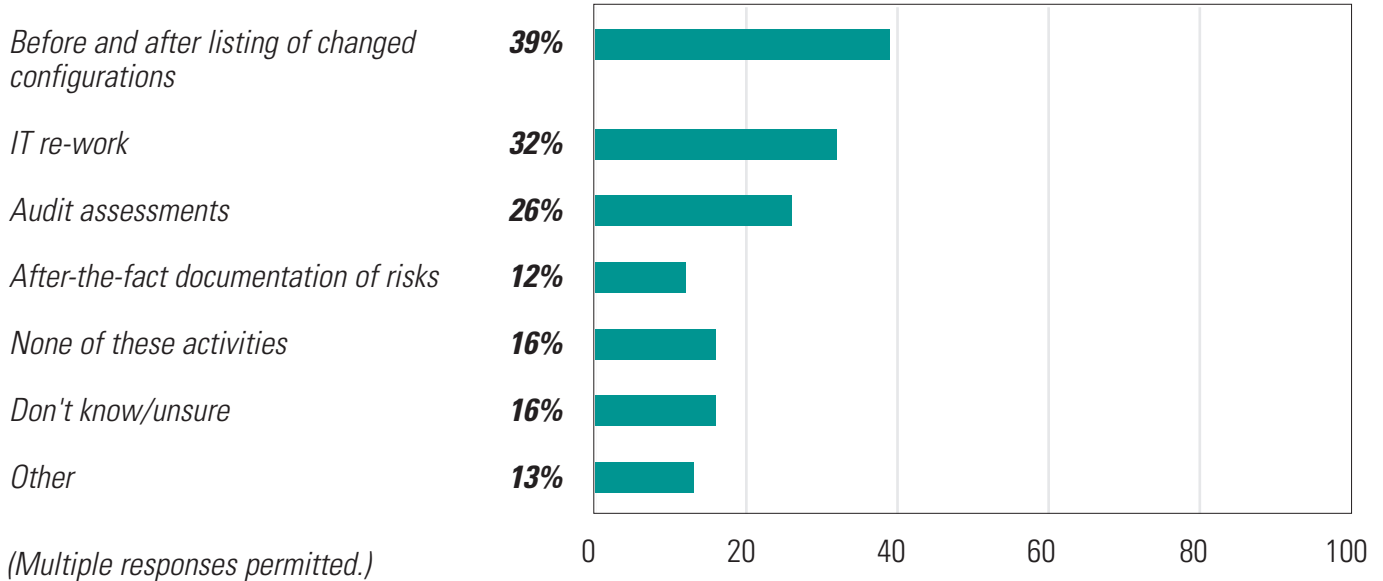
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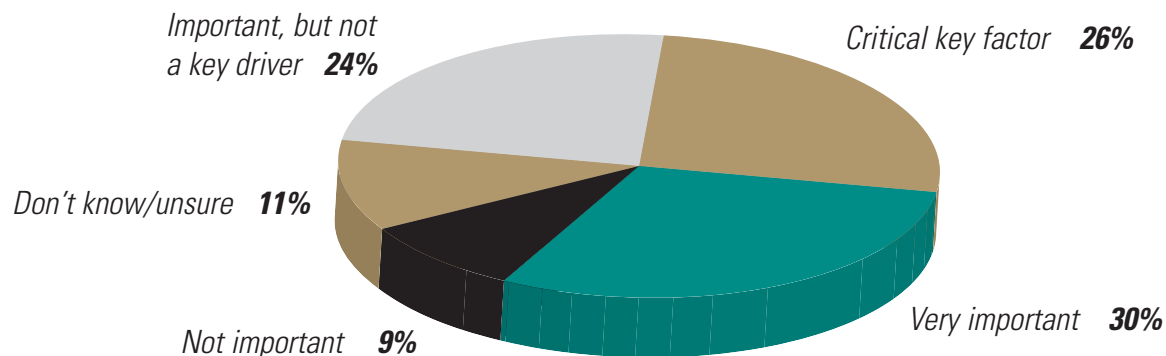
## Figure 8: Activities Following Oracle EBS or PeopleSoft Upgrade

(Among respondents having completed upgrade)



## Figure 9: Importance of Managing Operational Risk and Business Process Controls in ERP Upgrade Decisions

(Among respondents having completed upgrade)



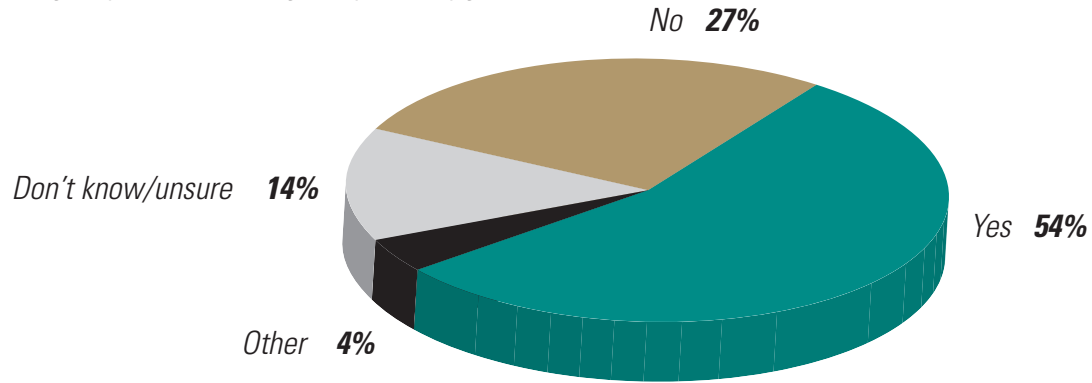
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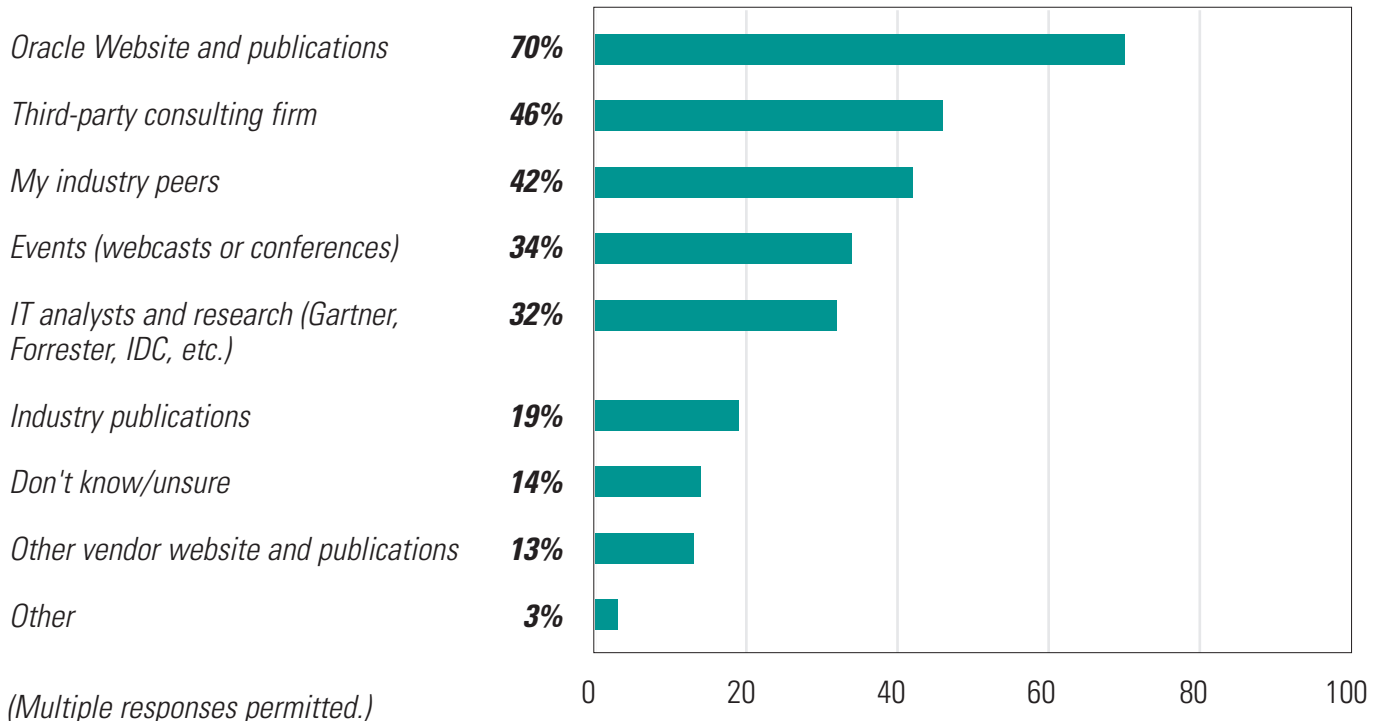
## Figure 10: Employ Formal Methodology During Upgrade Process?

(Among respondents having completed upgrade)



## Figure 11: Sources of Project Success Information for ERP Application Upgrades

(Among respondents having completed upgrade)



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## RISK AND COMPLIANCE MANAGEMENT, A PART OF PLANNING AND PREPARING FOR THE UPGRADE

**Close to half of the Oracle enterprise application customers are preparing for their next major upgrade within the next three years. Companies planning migrations are concerned about the impact of change on their infrastructure. A majority are preparing for the challenge with a formal risk management methodology.**

As shown in Figure 2 in the previous section, 48 percent of the survey respondents indicate they will likely be upgrading to Oracle EBS R12.1 at some point within the next one to three years. Twenty-five percent will be upgrading within the next 12 months.

Among companies that have not yet conducted a major upgrade to the next release of Oracle E-Business Suite or PeopleSoft—and may be planning to do so—their top concern is that the change process will adversely affect other existing application set ups, cited by 71 percent. Close to two-thirds also are concerned about potential disruptions to their transactions and workflow, and 60 percent worry about applications breaking. (See Figure 12.)

A majority of respondents that are in the process of planning an upgrade to a new enterprise application release (55 percent)

plan to employ a formal methodology during the migration process to manage the risks associated with non-compliance, fraud, errors, potential downtime, disruption, and other losses. (See Figure 13.)

Compliance with mandates also drives decisions around enterprise application upgrades. Close to six out of 10 respondents, say compliance with mandates such as Sarbanes-Oxley is a factor in managing issues with their enterprise application upgrades, since organizations need to prove to both internal auditors and external auditors that the ERP upgrade has not negatively impacted compliance. (See Figure 14.)

For most organizations, IT takes the lead in assuming responsibility for managing risk during enterprise application upgrades. Close to two-thirds of respondents say the CIO or IT executive in charge makes decisions during this process. Chief financial officers also play a key role—half of the companies in the survey say financial executives have a say in how risks related to application upgrades are handled. However, the chief risk officer or risk management executives own that responsibility in only 12 percent of organizations surveyed. (See Figure 15.)

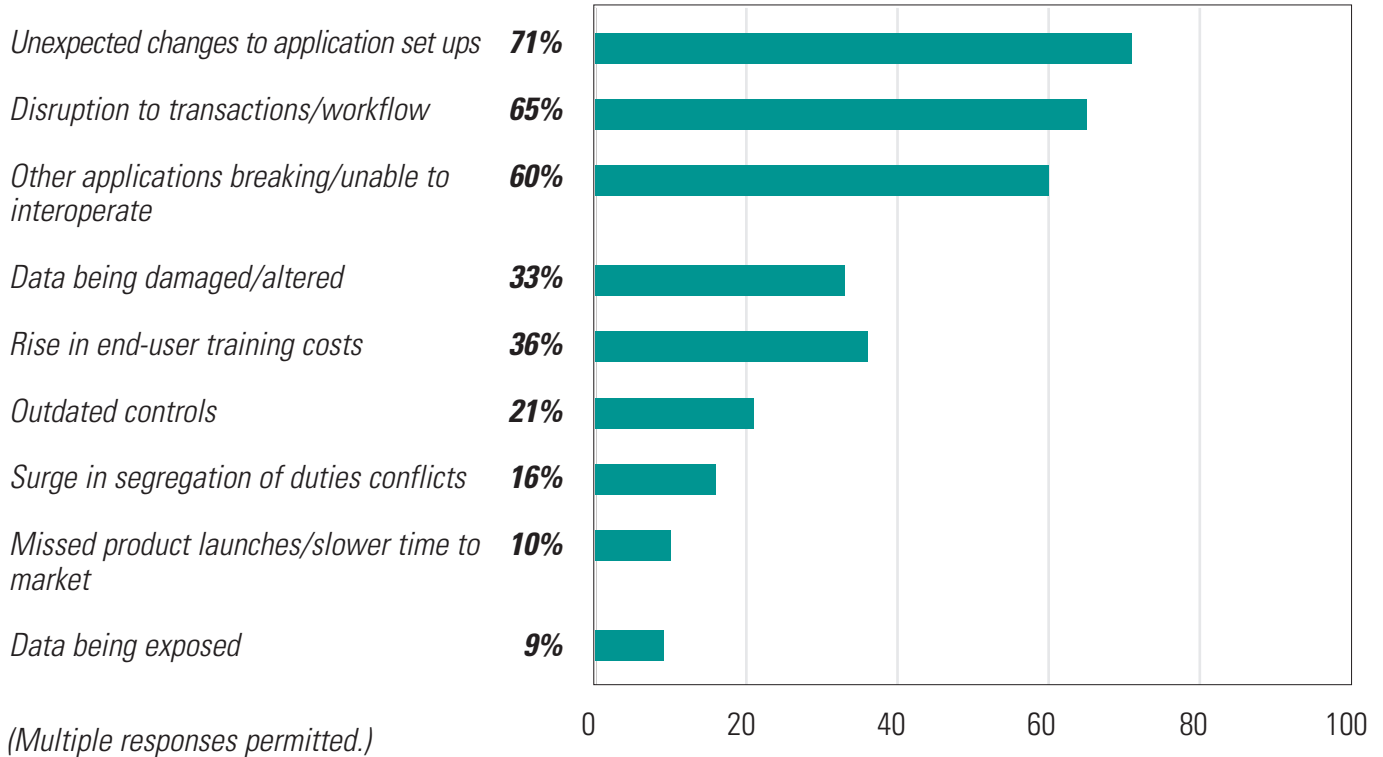
***Among companies that have not yet conducted a major upgrade to the next release of Oracle E-Business Suite or PeopleSoft—and may be planning to do so—their top concern is that the change process will adversely affect other existing application set ups, cited by 71 percent.***

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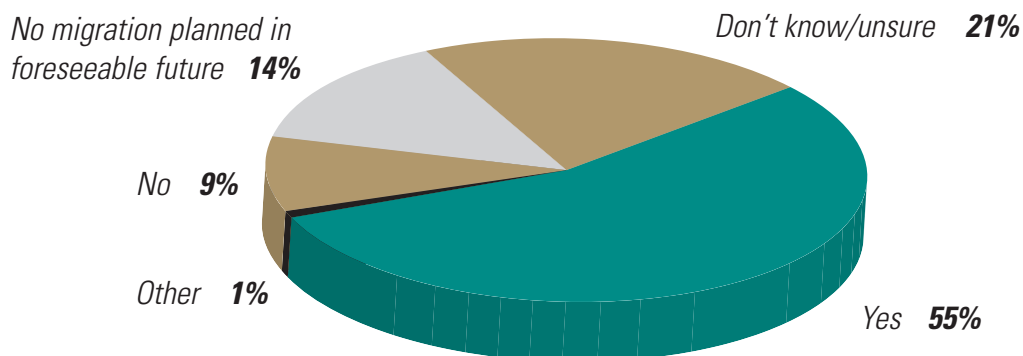
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## Figure 12: Primary Risks Associated with Enterprise Application Upgrades



## Figure 13: Plan to Employ Formal Risk Management Methodology for Upgrade?

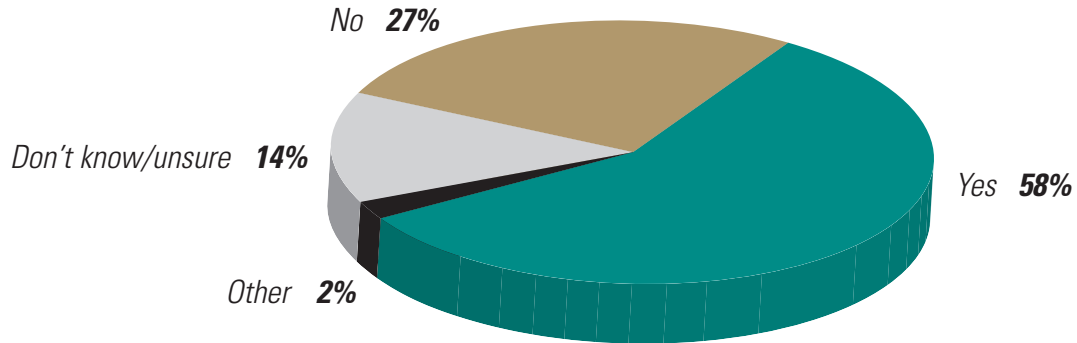


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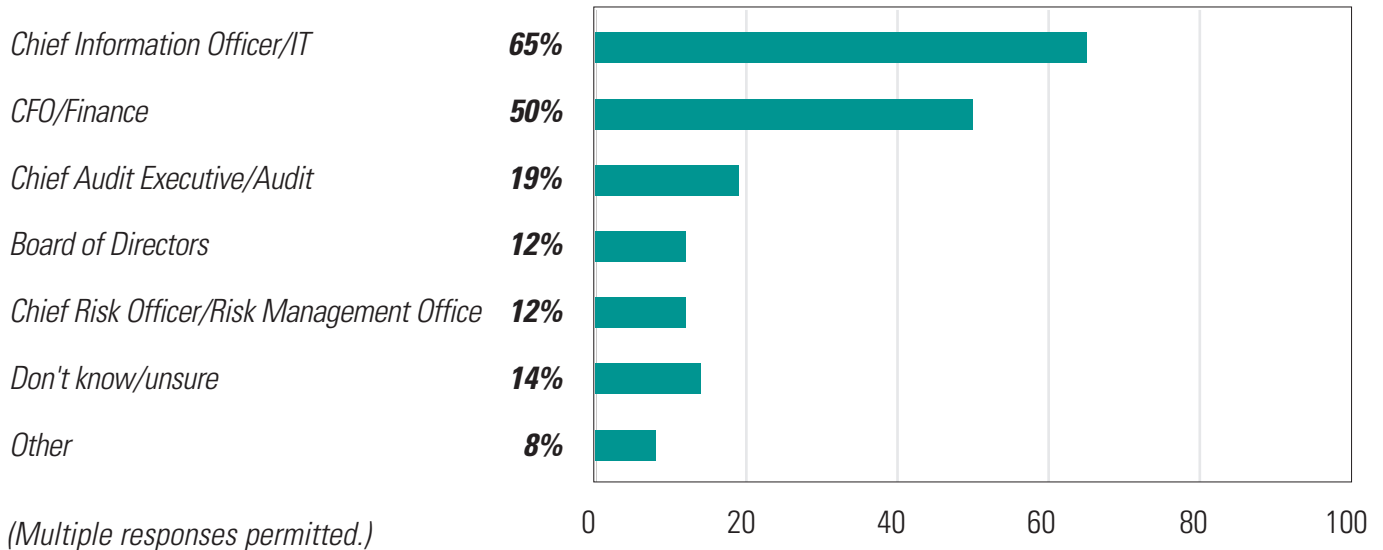
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## Figure 14: Compliance with Mandates a Factor in Managing Enterprise Application Upgrades



Total is 101% due to rounding.

## Figure 15: Who is Responsible for Managing Risk During Enterprise Application Upgrades



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## GOVERNANCE, RISK AND COMPLIANCE GENERAL PRACTICES

Half of the respondents indicate that their companies incorporate GRC-based internal controls to ensure compliance, risk management, accuracy, transparency, and reliability in key IT initiatives, including enterprise application upgrades. Nine out of 10 of these respondents report that their financial systems are the enterprise applications that are subject to GRC-based internal controls. About seven out of 10 report that their human resources and payroll systems fall under the GRC purview, and a majority also cite identity and access management systems.

Governance, risk and compliance (GRC) is a set of best practices that address the ability to manage and mitigate the risks associated with enterprise activities and changes. The following are working definitions of governance, risk, and compliance, the components of GRC:

- Governance is the oversight of corporate activities and processes to assign accountability over mandates and results.
- Risk management consists of the identification, assessment, and monitoring of risks and controls to mitigate threats to the business.
- Compliance is the management of activities and processes—through operational and financial controls—around mandates that come from laws, regulations, and industry standards.

In this survey, we explore the adoption and awareness of GRC best practices to manage major application upgrades, such as the move from Oracle E-Business Suite R11 to R12. While the technology aspect of the upgrade is seamless and well-supported, there are risks related to organizational preparedness and the performance of interlinked applications.

Overall, most respondents report there is awareness within their organization of GRC best practices. However, only more than one-third, 35 percent, can say the awareness and adoption of GRC is at high levels. (See Figure 16.)

Half of the respondents indicate that their companies now incorporate GRC-based internal controls to ensure compliance, risk management, accuracy, transparency, and reliability in key IT initiatives, including enterprise application upgrades. (See Figure 17.) Respondents from the high-tech sector (including OEMs and software vendors) take the lead in incorporating GRC methodologies, followed by those representing utilities, telecom, or transportation providers. Close to half of financial services and insurance firms also employ GRC best practices within their IT operations. (See Figure 18.)

Nine out of 10 respondents with GRC best practices report that their financial systems are the enterprise applications that are

subject to GRC-based internal controls or verifying regulatory compliance. About seven out of 10 report that their human resources and payroll systems fall under the GRC purview, and a majority (52 percent) also cite identity and access management systems. (See Figure 19.)

The most important area for controls is system administration changes across multiple instances, says one respondent. “We have to manually approve and update access in three separate instances for user IDs, responsibilities, and locations,” the respondent, a finance manager with a large logistics company, points out. “We also need to have ‘role-based’ user hierarchy in Oracle EBS that will help to standardize access based upon job.”

Looking at business processes that fall under the purview of GRC, procure-to-pay processes stand out as the leading area, cited by 76 percent of respondents. Close to two out of three also say order-to-cash processes are affected. Human resource processes also are a popular GRC area, cited by 43 percent. (See Figure 20.)

Information technology and finance managers share the responsibility for GRC in a majority of companies. Two out of three report that their chief IT executives are primary decision makers, while 60 percent rely on their top financial executives to manage GRC. (See Figure 21.)

A majority of respondents feel they have well-documented internal controls environments. Forty-one percent say they have well-documented controls, with regular evaluation/remediation cycles when violations occur. Another 23 percent feel, at a minimum, their controls are consistently or continually enforced. About one-third, 31 percent, say their controls are only partially or not documented at all. (See Figure 22.)

A majority of respondents also consider their organizations to be effective in managing controls in a number of areas. For example, close to three-quarters say they effectively manage controls for departmental or functional access. Almost seven out of 10 says they are effective at managing controls for securing sensitive information and data privacy, and a similar number say they are adept at maintaining segregation of duties. However, the monitoring of transactions is not yet a common and effective practice among our respondents. (See Figure 23.)

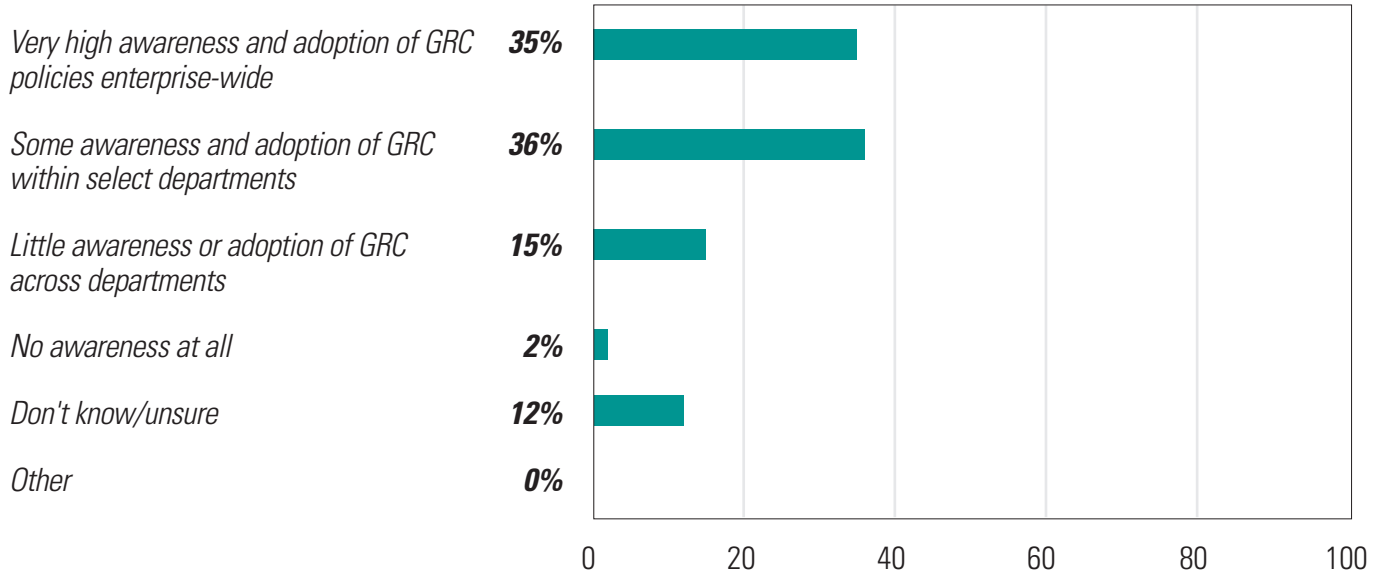
Still, there are challenges in every environment. For example, as noted earlier, many respondents oversee environments beyond Oracle E-Business Suite or PeopleSoft—four out of 10, in fact, manage their own custom-built enterprise software. “While much of our company is on Oracle EBS, we still have over a dozen different legacy accounting systems, some dictated by our customers,” says one respondent. “It is difficult to manage risk compliance when policies and controls have to be created to apply to multiple ERP applications.”

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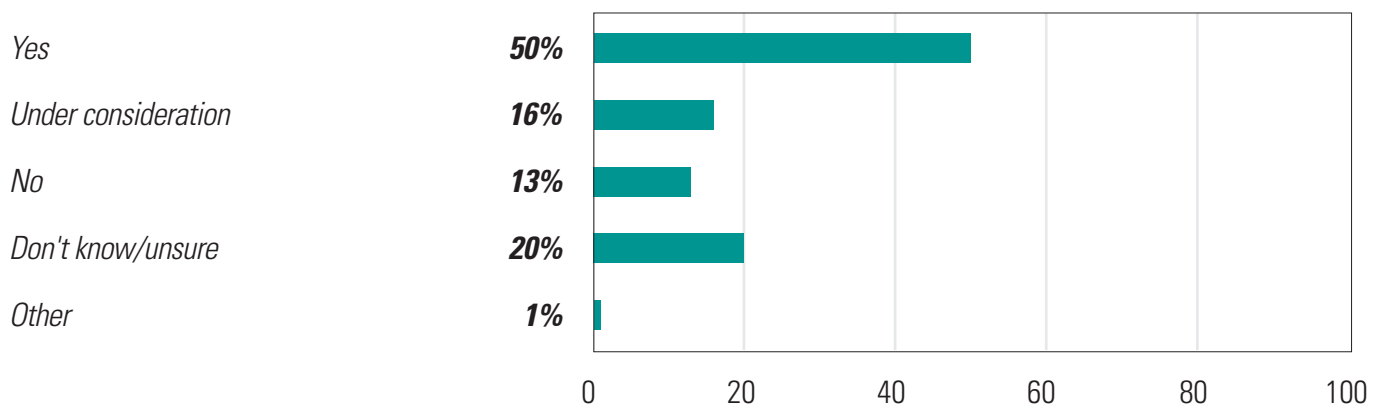
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## Figure 16: Awareness and Adoption of Governance, Risk, and Compliance (GRC) Policies and Procedures



## Figure 17: Incorporate GRC-Based Internal Controls for Enterprise Application Upgrades?

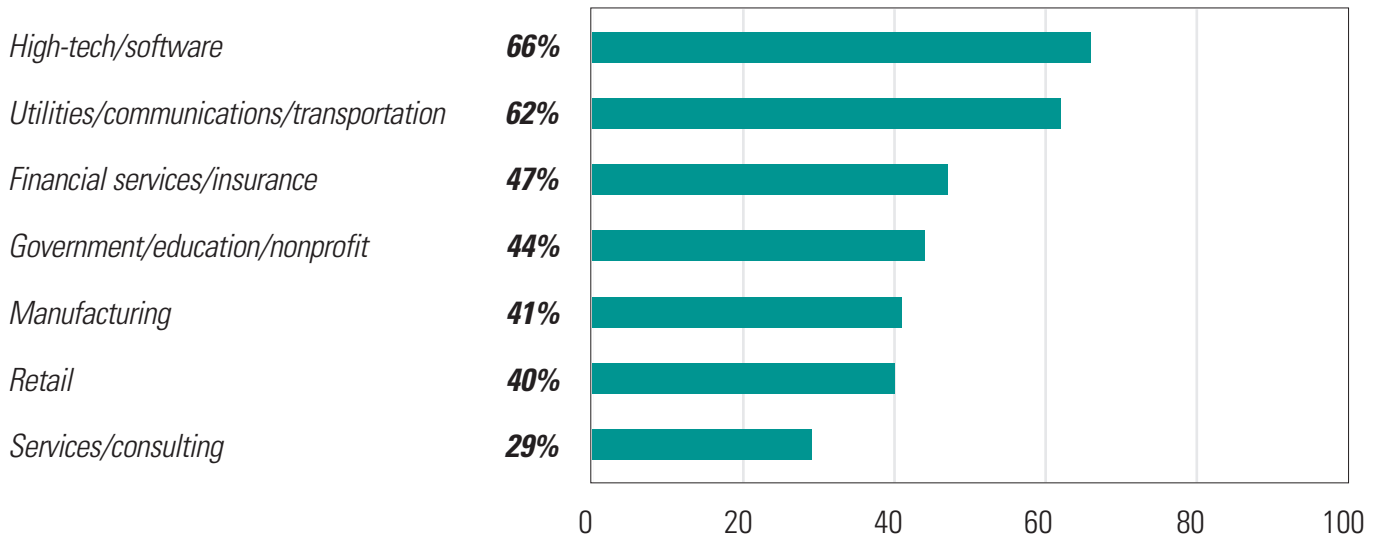


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## Figure 18: Incorporate GRC-Based Internal Controls for Enterprise Application Upgrades—By Industry Group

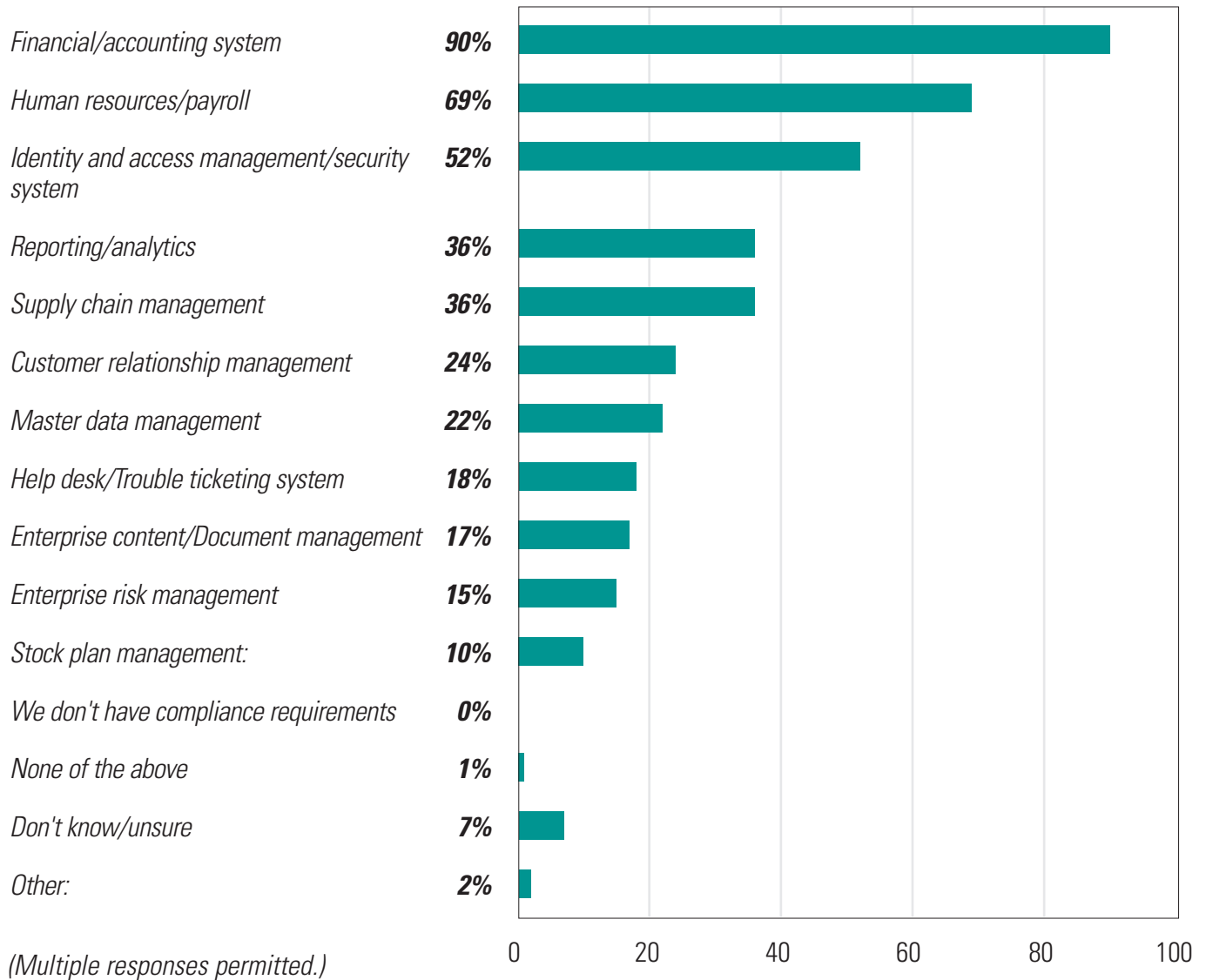


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## Figure 19: Enterprise Applications Subject to GRC-Based Internal Controls

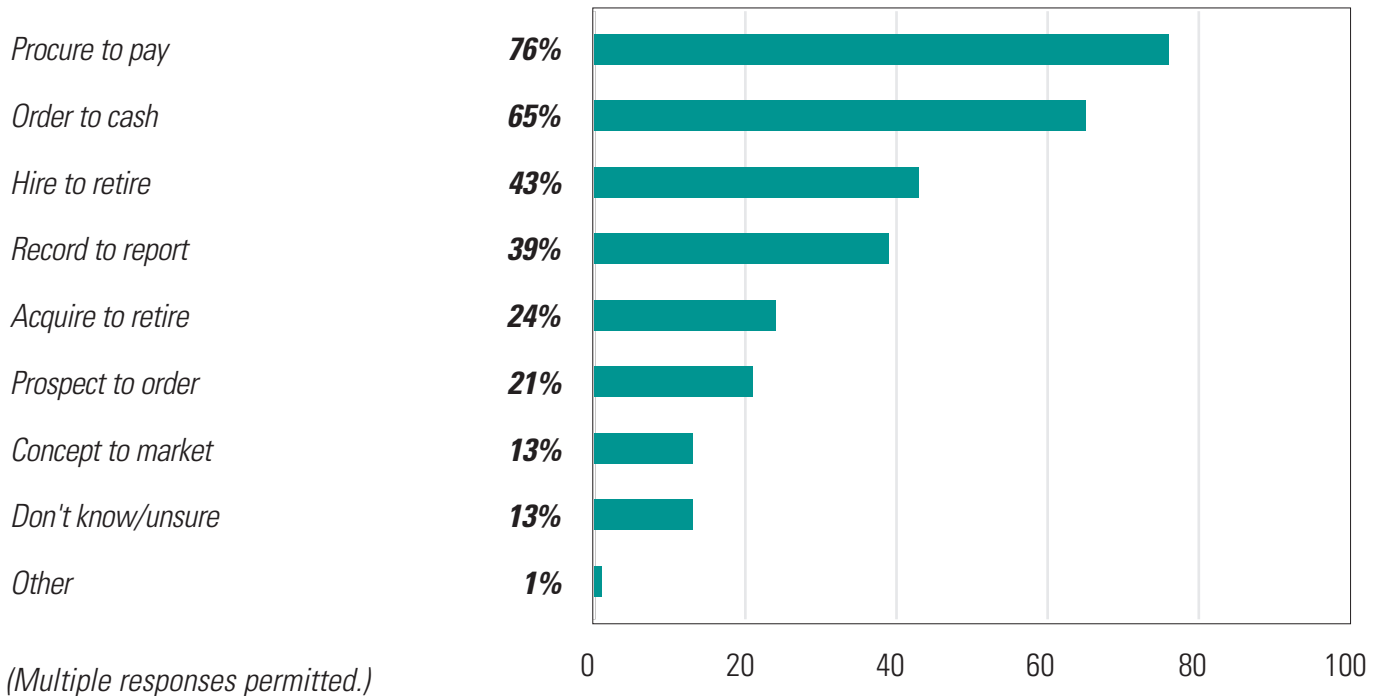


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## Figure 20: Business Processes Requiring Safeguards and Internal Controls

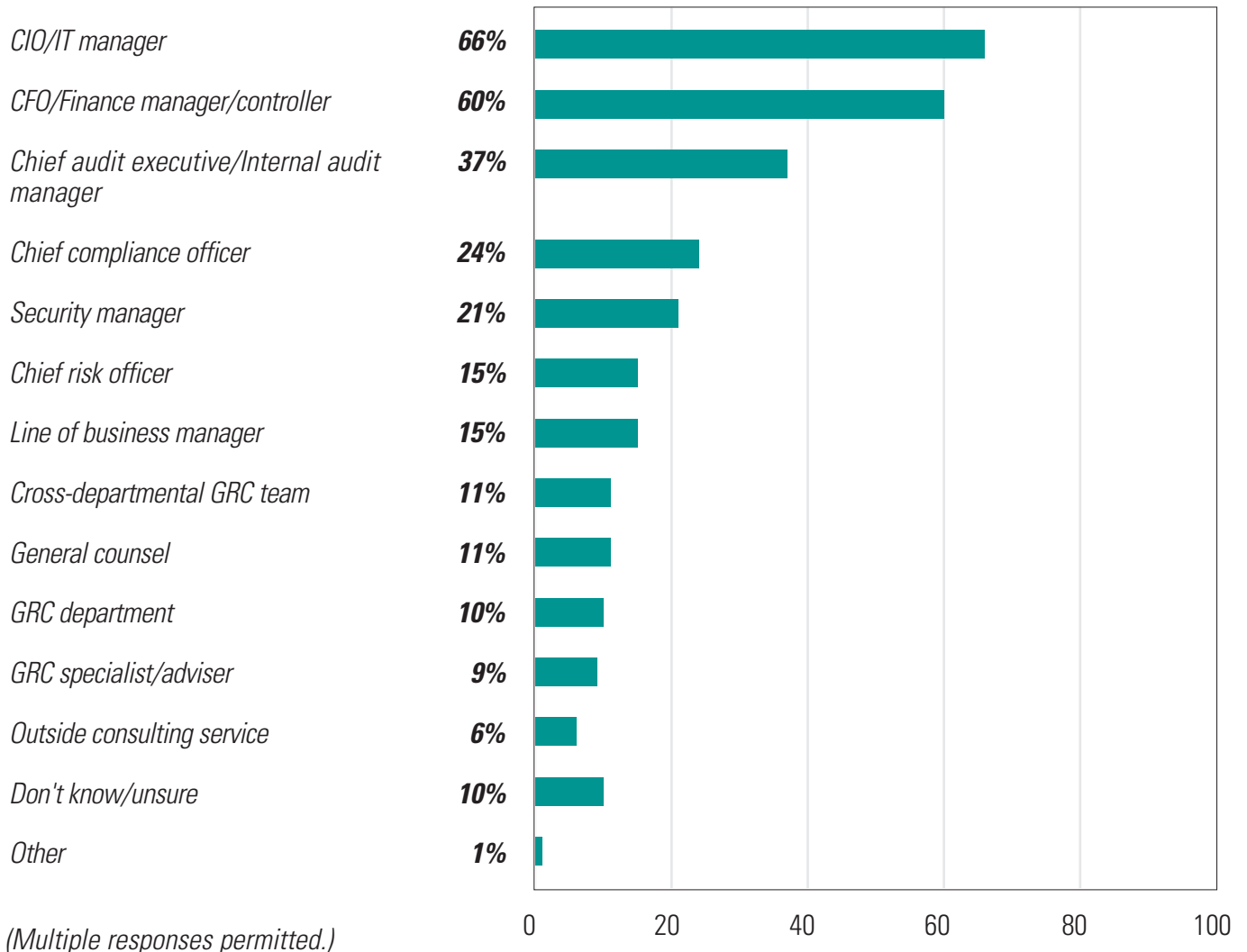


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## Figure 21: Primary GRC Decision-Makers for IT Initiatives

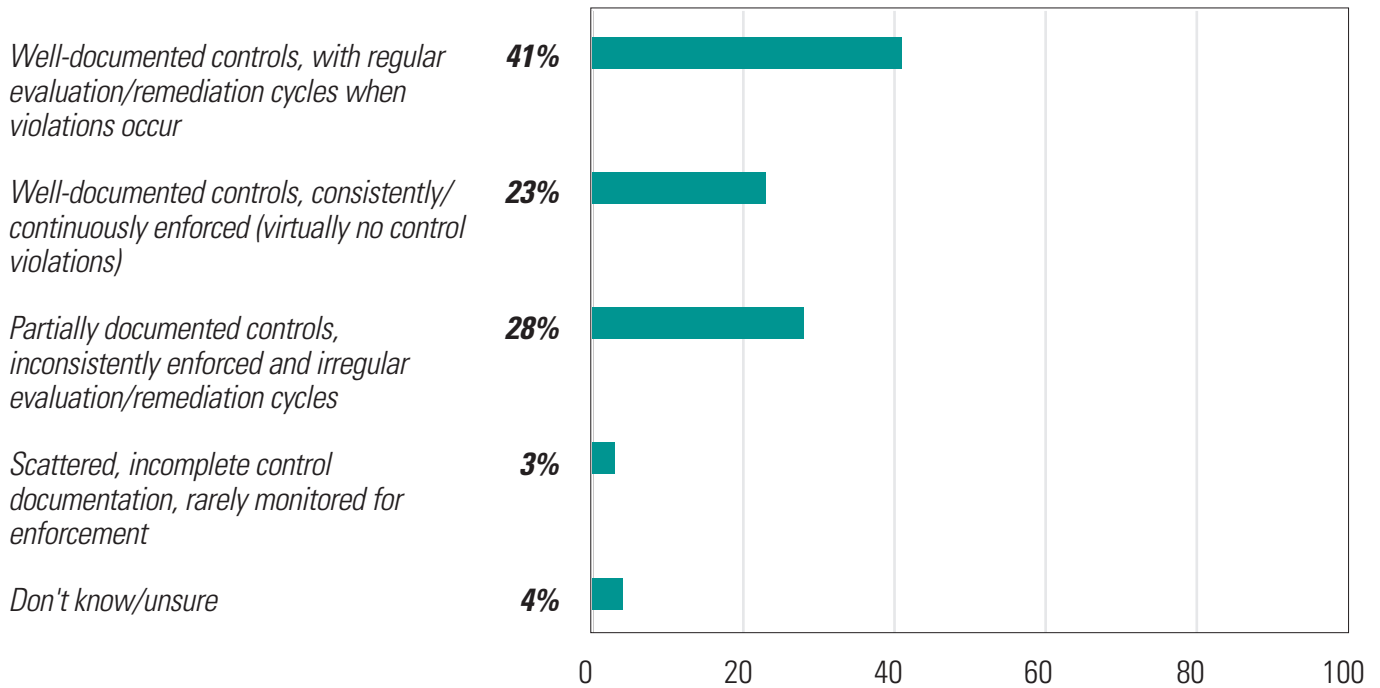


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## Figure 22: Typical Internal Controls Environments

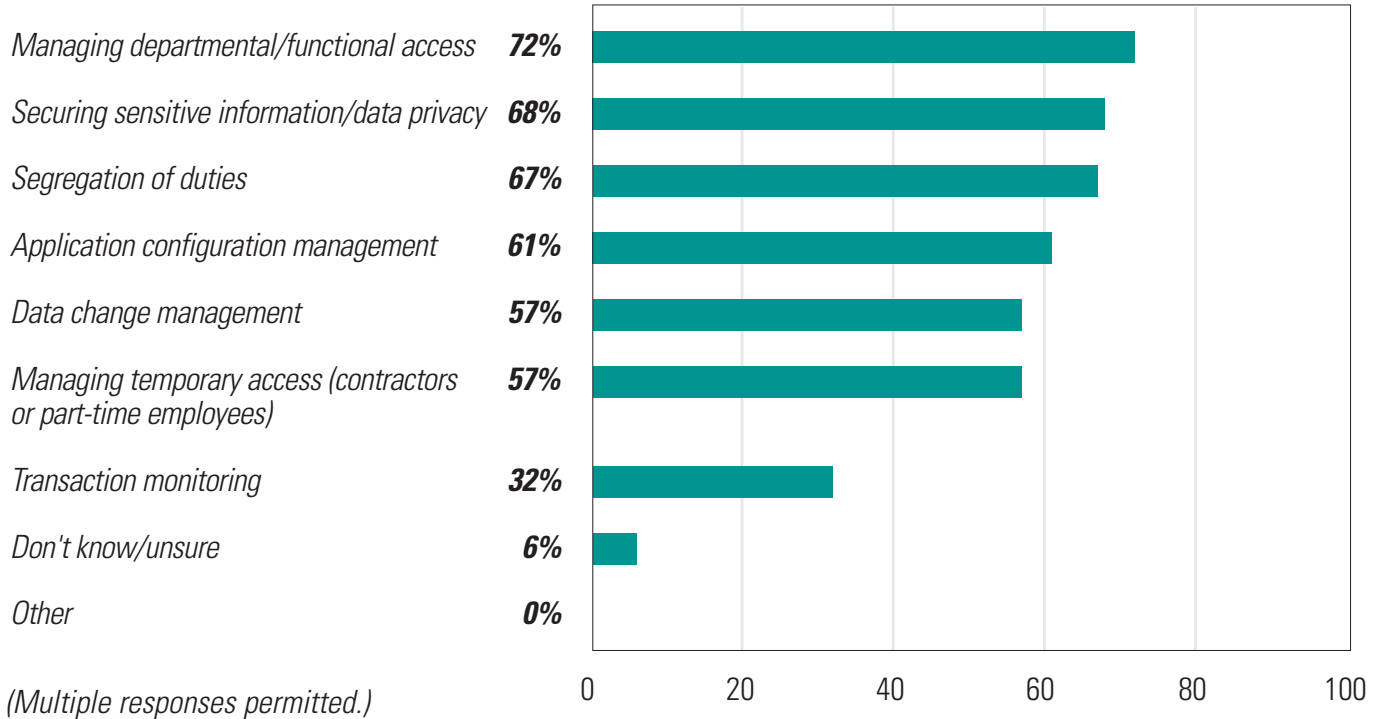


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## Figure 23: Where Respondents' Companies are Effective in Managing Controls



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## ACHIEVING GRC AUTOMATION

**More than one out of five still approach controls with manual processes. Four out of 10 report too much staff time is consumed to manage IT risk issues, but only 14 percent have automated a substantial portion of their GRC processes.**

A majority of respondents, 57 percent, report their companies employ a wide range of solutions to address GRC best practices—from business intelligence tools to office productivity software. Yet, 22 percent admit that their approaches to GRC are still manual, and a like amount simply have no idea what kinds of software solutions are employed. (See Figure 24.)

For many companies—six out of ten—the main burden to managing GRC is the time required to maintain such an effort—especially since much of the IT department’s resources may be tied up with the upgrade effort itself. Along with the time requirement, there’s the reporting burden itself—effective GRC requires that a lot of people be kept informed about the issues and risks associated with business and IT activities. Thirty-seven percent report this is an issue. Related to time and reporting burdens is the increased costs for labor, contractors, or overtime pay. (See Figure 25.)

Automation is the best way to address the time and staffing requirements associated with GRC. The survey finds there is at least partial automation in the GRC tools that are being employed. However, for the most part, only small aspects of GRC operations are automated. Fifty-three percent say less than 10 percent of controls are automated or aren’t sure automation exists at all.

Only 14 percent could say they have achieved substantial automation (with more than half of their GRC-related controls automated). (See Figure 26.)

The level of automation may increase in the near future. Almost six out of 10 respondents expect their controls to be increasingly automated. (See Figure 27.)

Automating configuration and setup management would be valuable to GRC efforts, one respondent points out. “We need exception reports generated at the time of entry, and not after configuration or setup is completed,” says an enterprise architect with a large government agency.

However, what is uncertain is the amount of funding that will be committed to supporting GRC best practices over the coming months. Only about one out of four say such funding will be ramped up. For the most part, as indicated by 40 percent of respondents, GRC program funding will remain unchanged. (See Figure 28.)

Experiencing issues during an application upgrade process can be detrimental to a business’s ability to compete in today’s global economy. The OAUG survey finds there is increasing interest in applying GRC best practices to provide better management, control and accountability to crucial upgrade processes. An enterprise-wide governance is required to establish GRC best practices to ensure that all risks are identified and reported on.

*For the most part, only small aspects of GRC operations are automated.*

*Fifty-three percent say less than 10 percent of controls are automated*

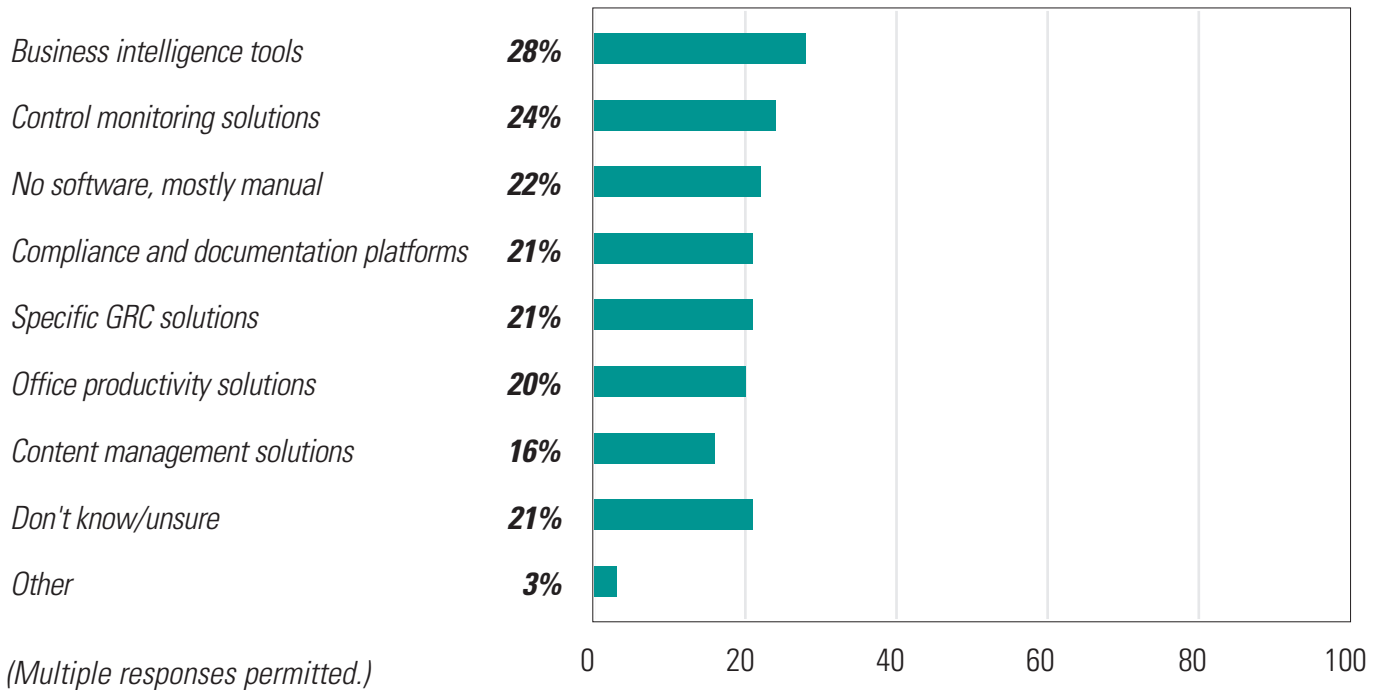
*or aren’t sure automation exists at all.*

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## Figure 24: Software Used to Manage GRC

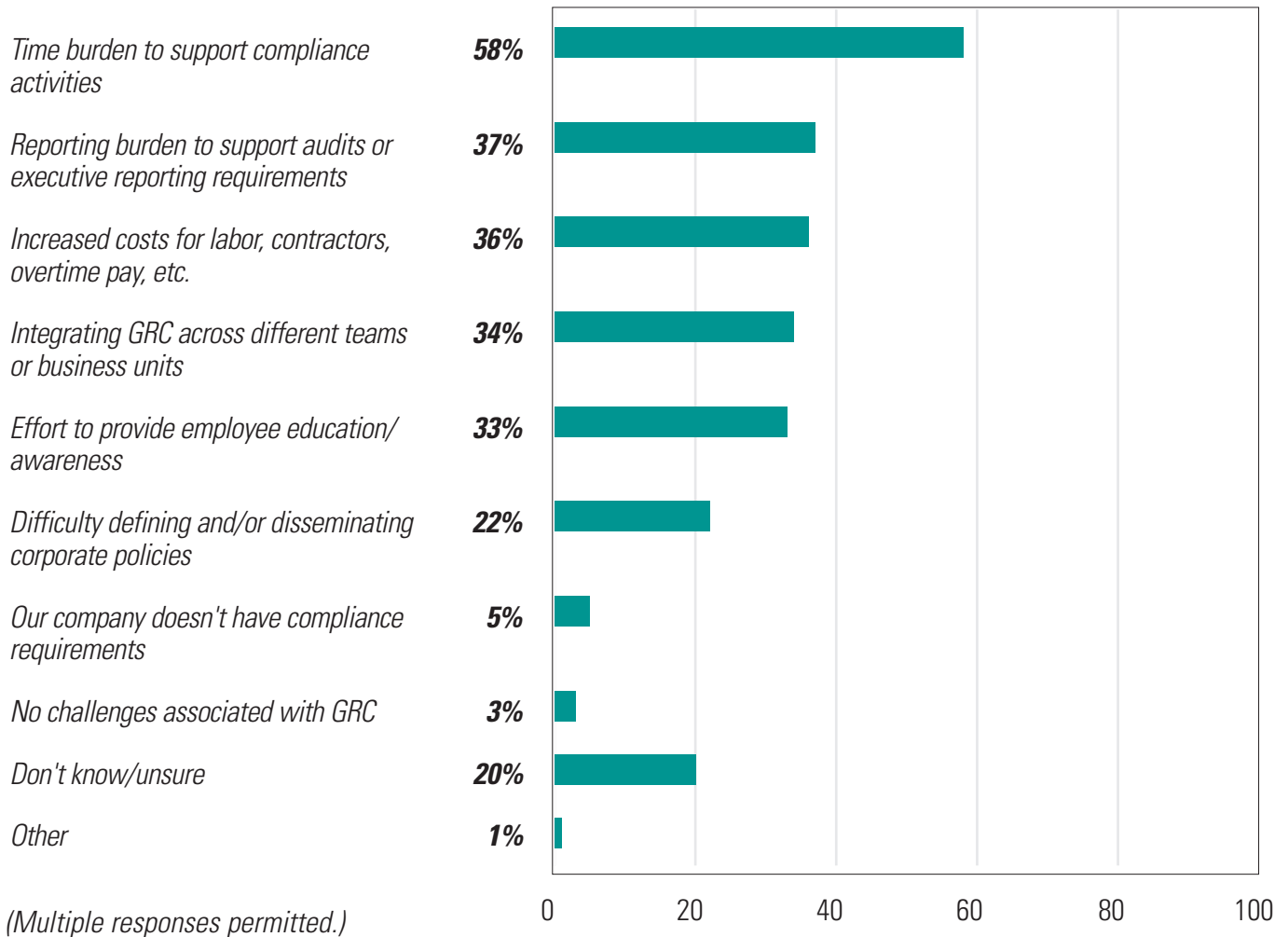


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## Figure 25: GRC Challenges

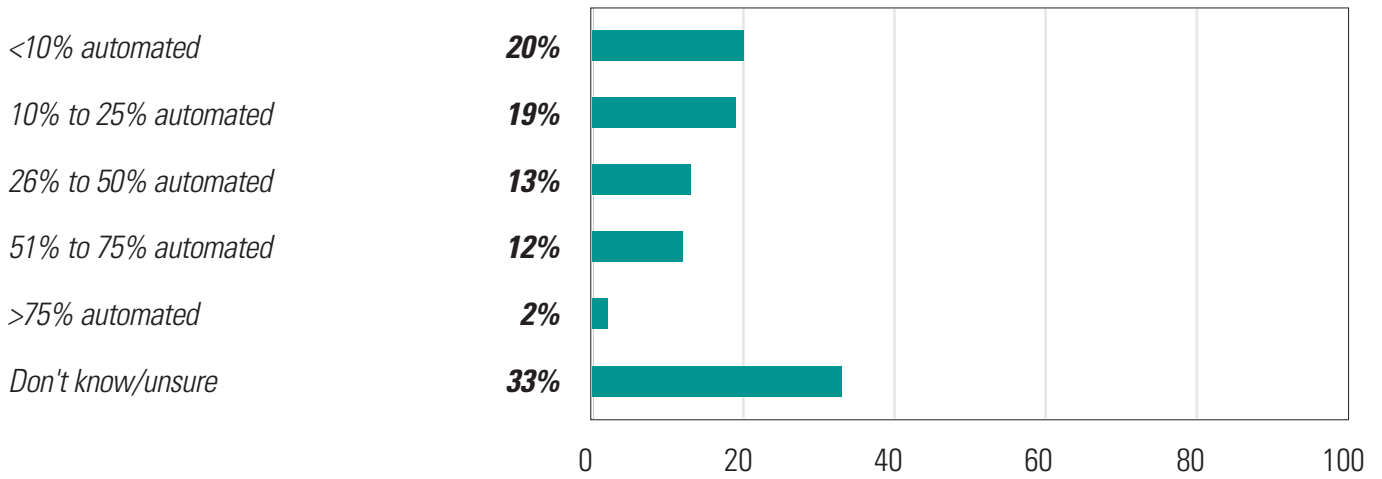


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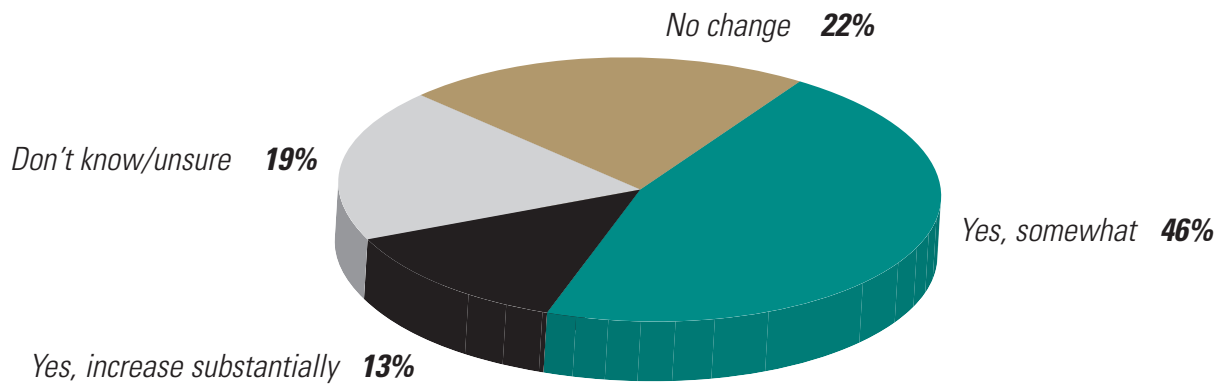
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**Figure 26: Percentage of GRC-Related Controls That are Automated**



**Figure 27: Expected Increases in Automation Over Next 12 Months**

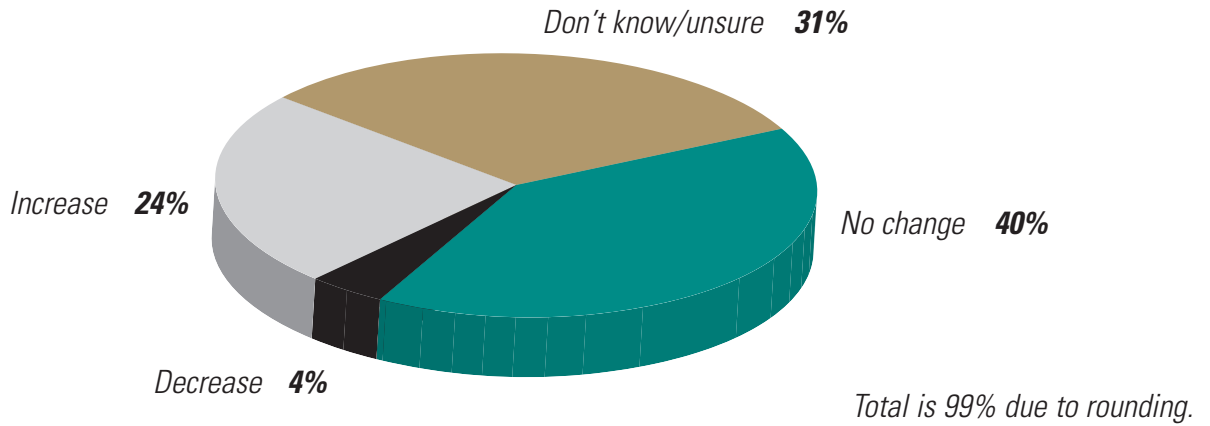


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## Figure 28: Expected Changes to GRC Funding Over Next 12 Months



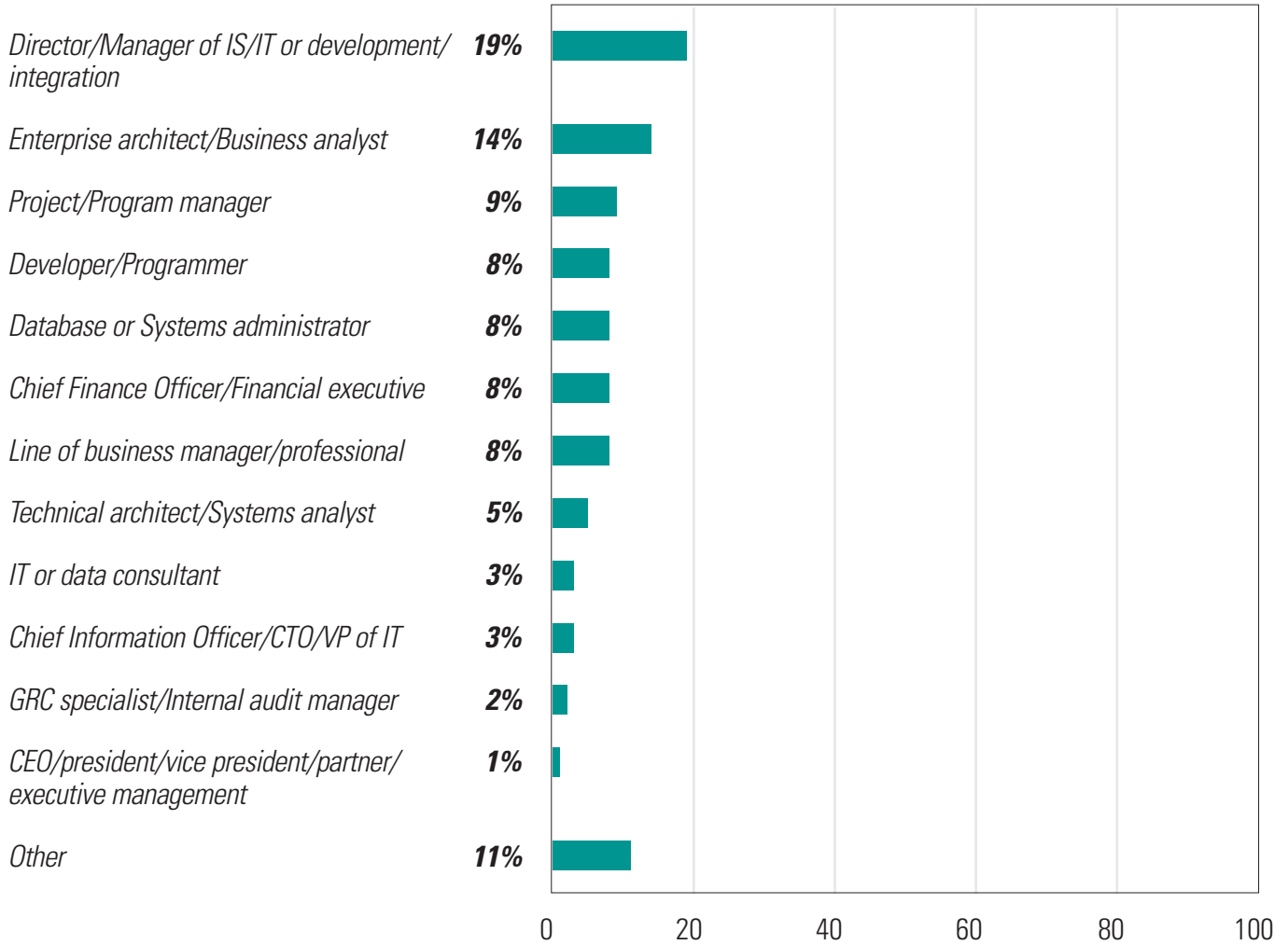
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## DEMOGRAPHICS

### Figure 29: Respondents' Primary Job Titles

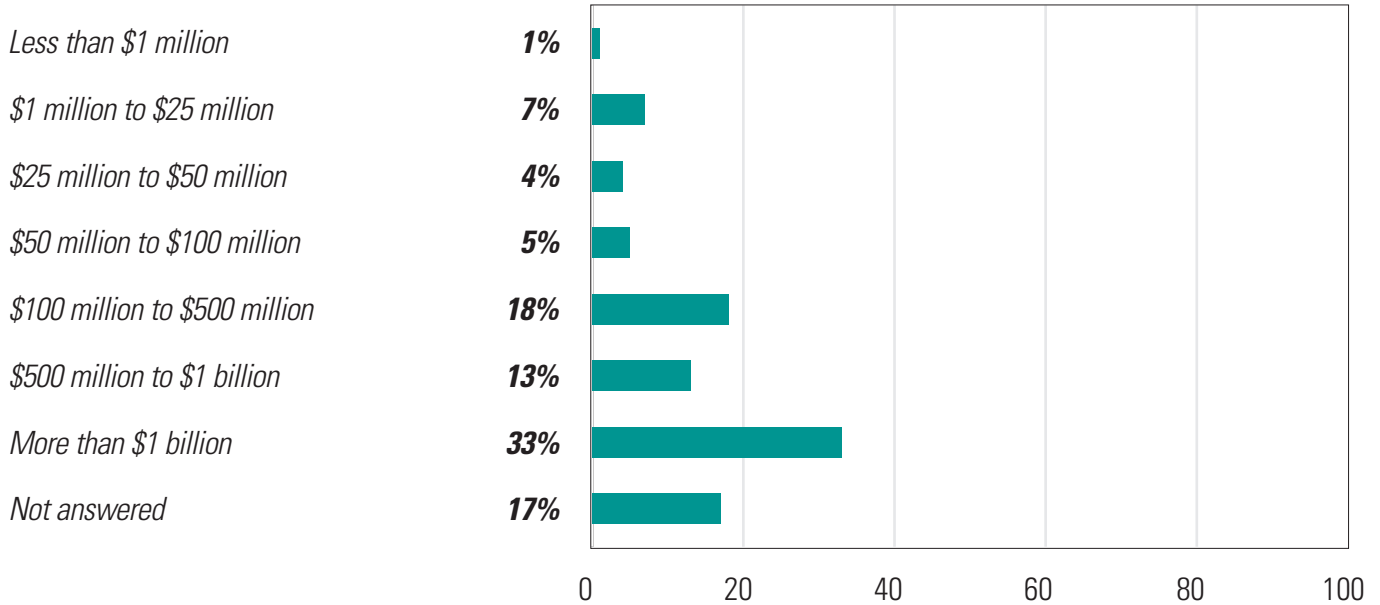


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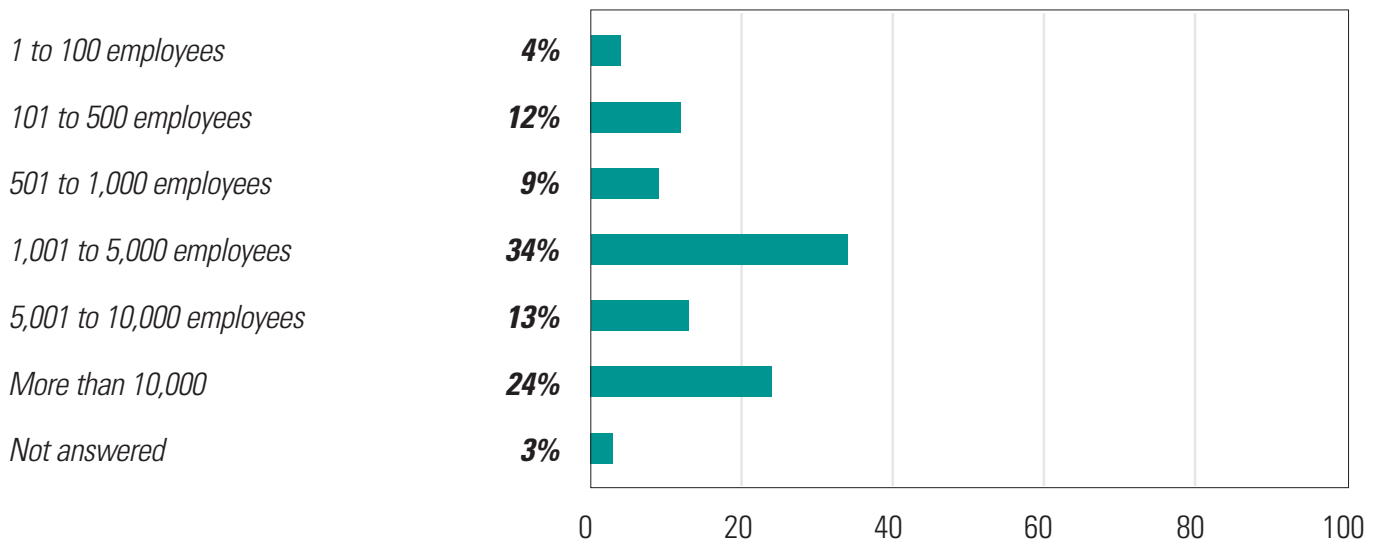
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## Figure 30: Respondents' Organizations—By Annual Revenues



## Figure 31: Respondents' Organizations—By Number of Employees

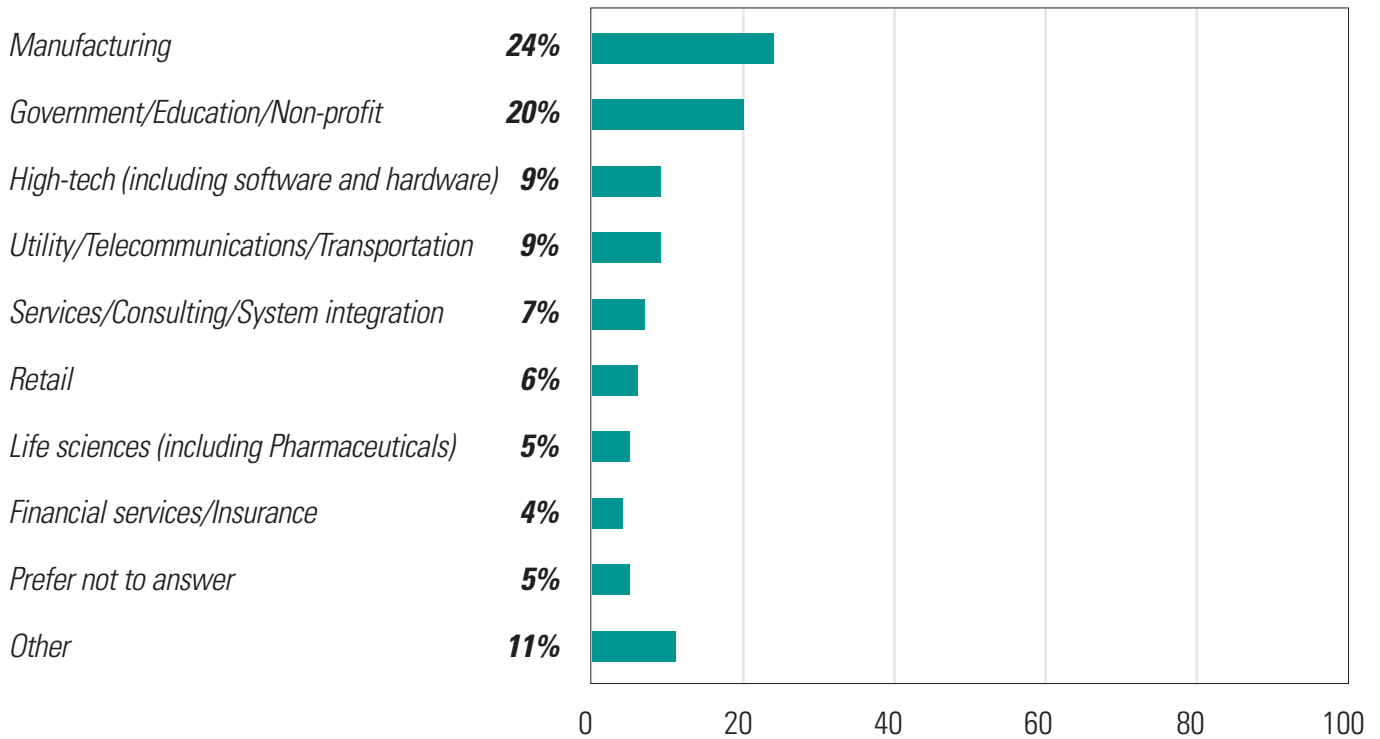


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## Figure 32: Respondents' Organizations—By Primary Industry



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