



Digital Transformation Evaluation Framework: Oracle Corp.

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Executive summary

As enterprise IT evolves to support business ambitions, the IT function is moving into the driver's seat and IT leaders are actively working with business leaders to formulate a techno-strategy roadmap that more tightly aligns IT to business goals. This often requires the CIO's office to rely on vendor partners to help them make sense of enterprise IT trends, incorporate emerging technologies, build hybrid IT ecosystems, and deal with a complex technology landscape to deliver transformation. In turn, vendors need to evolve their offerings rapidly to deliver efficiency, flexibility, and growth that are tuned to the objectives and priorities of their customers' business. Success in the digital era requires vendors to make more than cosmetic changes to their business models. They must recalibrate their offerings and businesses to the digital era and these changes have to transcend mere reshuffling of portfolios or organizational structure.

To this end, Omdia established a framework for evaluating the progress that vendors and service providers have made towards their own internal transformations in its September 2019 report *Framework: Service Integrator Transformation – How SIs Meet Their Own Digital Challenges*. In this current report we evaluate the progress that Oracle Corp. – one of the world's largest enterprise applications vendors – has made towards its pivot to a services-oriented business model.

Key findings

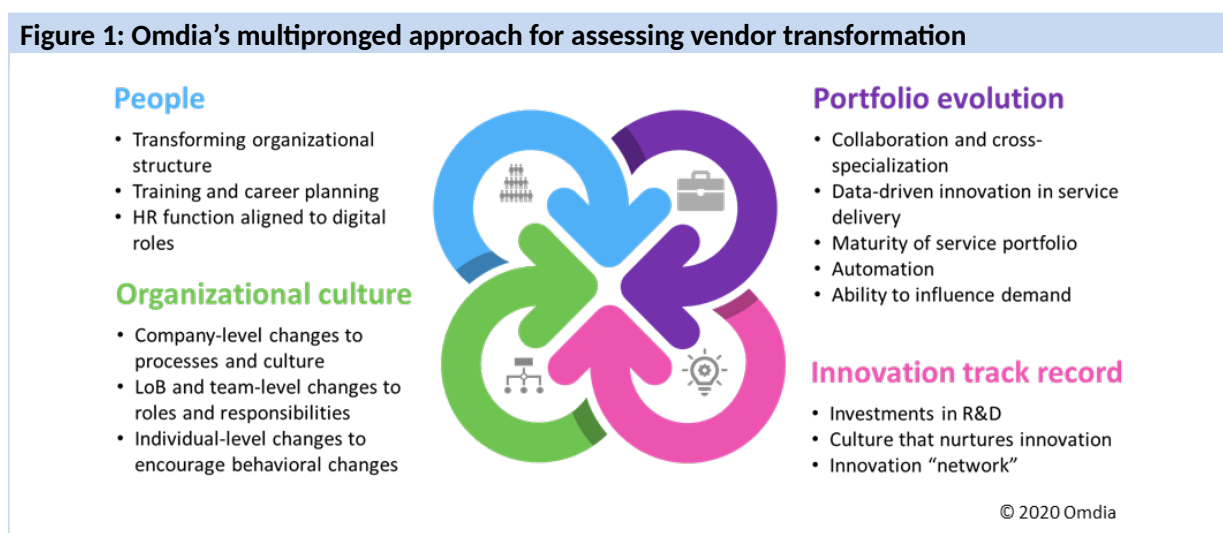
- Oracle has made significant progress towards its goal of transforming its business model through the Oracle@Oracle program. By leveraging its own suite of cloud-based infrastructure and applications, the vendor has been able to transform the way it engages with customers, employees, and partners.
- Oracle proves that the right investments, combined with a well thought out strategy, can power a rapid shift towards digital. Oracle is also putting its money where its mouth is by embedding its own products at the core of its transformation. In the process, Oracle is turning its own organization into a prime example of how its product suite can drive digital business models.
- By keeping the focus on a handful of simple but significant end goals, Oracle has been able to articulate its goals clearly.
- Rather than make transformation a top-down effort, Oracle has engaged with its employees, partners, and customers to drive the focus of its various initiatives. The focus is on a continuous feedback loop for frequent status checks and course corrections.
- Oracle supports its transformation through people policies and an organizational culture that fosters innovation and entrepreneurship. This fuels long-term innovation, a continuous cycle of product updates, and a collaborative approach to achieving its end goals – all of which support a digital business.

Evaluation methodology

Independent software vendors (ISVs), service providers (SPs), and systems integrators (SIs) –all called vendors throughout the report –are investing in their own transformation as they seek to expand portfolios to better support their customers. Understanding how vendors manage their own transformation offers a view into how well the company has managed to articulate and achieve its goals. In addition, it serves as a study in best practices as these vendors are also large multinational companies. To this end, in 2019 Omdia published a report outlining a framework to assess internal transformation of these organizations in their pivot to digital services.

Omdia’s framework takes a holistic view to evaluate vendor transformation, looking beyond digital revenues. The framework evaluates the various internal initiatives that the organizations have underway to support their own transformation. Omdia’s framework seeks to understand if the growth is sustainable and whether a company’s digital transformation is permeating through the organization (see **Figure 1** for the evaluation criteria).

Figure 1: Omdia’s multipronged approach for assessing vendor transformation



Source: Omdia

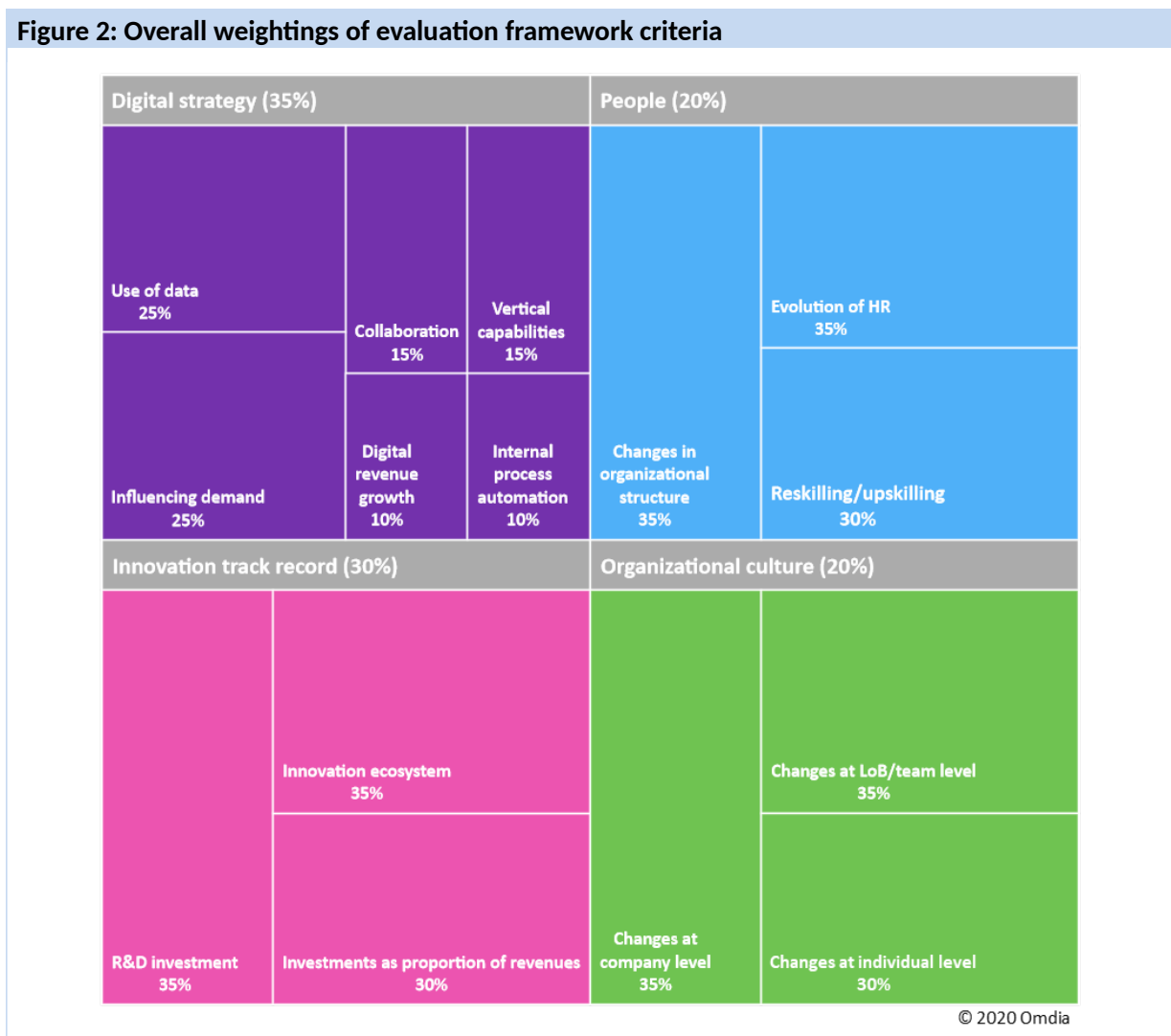
The Digital Transformation Framework aims to evaluate vendors and service providers on their internal transformation along the following dimensions:

- **Digital strategy (portfolio evolution):** looks at how the vendor’s teams collaborate, leverage data, automate, and cross-pollinate ideas to influence demand for their products/services
- **Innovation track record:** assesses the vendor’s investments in R&D and how it nurtures innovation across its ecosystem of partners
- **People:** measures the vendor’s efforts to transform its organizational structure, providing reskilling/upskilling opportunities and tools, and the evolution of the HR function to support the shift to digital roles
- **Organizational culture:** looks at how changes permeate through the organizational, team, and individual levels and how well everyone is aligned to the same goals

Omdia has split each dimension up into multiple criteria around the specific part of the portfolio being evaluated. The criteria are weighted based on an Omdia assessment of relative importance.

Finally, the four dimensions (digital strategy, innovation, people, and organizational culture) are also weighted according to their importance to transformation (see **Figure 2**).

Figure 2: Overall weightings of evaluation framework criteria



Source: Omdia

These questions and the associated weights were designed to generate a score that reflects how close Omdia believes the vendor is to achieving its own internal pivot to a fast-paced digital business model. This, in turn, puts the business on a strong footing for continuous innovation and to be a more responsive partner to its customers.

Digital strategy (portfolio evolution)

The most visible of the four elements is an organization's portfolio and go-to-market approach. As technology and market trends change, organizations usually prioritize their portfolios first. Digital transformation has irrevocably changed the market that the vendors operate in, and they have to rethink their sales processes as old-school approaches will not work. The vendor-client relationship is evolving into a continuous engagement, and it is essential that vendors' internal business processes take an outside-in view and focus on addressing customer needs and challenges.

Omdia's framework assesses several aspects of vendor portfolios and process transformation, including the following:

- Collaboration and communication between experts across horizontal and vertical practices, cross-specialization teams, portfolio reorganization, and promoting an open and collaborative approach
- Use of data to bake innovation into service delivery, build agility, and enhance customer experience
- Ability to predict and influence customer demand
- Growth of digital revenues over the last three years
- Maturity of digital services and understanding of vertical-specific use cases
- Automation of processes (delivery and others)

Omdia scored vendors along these factors based on how well cross-functional collaboration is enabled across business units. Effective collaboration can speed up the development of incremental product features that, in turn, influence customer demand and drive revenue growth. Omdia assigned scores on a scale of one to five. Higher scores reflect how well the vendor uses data from across the business to identify avenues that can benefit from automation and drive decision-making around business strategy and product/service roadmaps.

Innovation track record

Enterprises expect vendors to be able to drive enterprise experiments around new and emerging technologies and then support the successful ones at scale. This requires significant vertical, sub-vertical, business process, and technology expertise, drawn together to develop roadmaps, frameworks, and intellectual property that hastens the development and testing of pilot projects. One of the most crucial weapons in any vendor's arsenal is its approach towards and investment in innovation and R&D. In this dimension, Omdia assessed the following:

- The extent of investment in innovation and R&D as a proportion of revenues or profits
- Investments around promoting innovation from within through incubation accelerators, funds allocated for promoting entrepreneurship, and empowering employees to pursue innovation in products, processes, and service delivery
- Attempts to identify, nurture, and incorporate innovation from and with partner community and customers through centers of excellence (CoEs), joint innovation labs, joint ventures, and others that are not essentially part of a customer engagement

This dimension evaluates the size and scope of investments being made in driving innovation across the product/service stack, either through internal innovation forums or through partnerships. Omdia assigned scores on a scale of one to five. Higher scores signify excellence in building an ecosystem that nurtures innovation and a continual commitment to invest in the resources and partnerships needed to sustain it.

People transformation

Technology, data, collaboration, and business agility are important aspects of ensuring that adaptability is the new normal for service providers. To achieve these goals, the biggest and most

profound transformation that needs to take place is in the workforce and in how roles and reporting structures are perceived and enforced. The digital era requires that service providers redefine the way their internal organization works, including (but not limited to) how they define reporting structures, roles, and responsibilities. This dimension assesses the vendor's efforts regarding the following:

- Creation of specific programs aimed at changing worker roles, reporting structures, and culture specific to various levels –includes efforts to recognize, reward, and reinforce desired behavior across the talent pyramid
- Investments in training, upskilling, and reassignment of talent that is impacted by increasing use of automation –includes performance review and progression planning
- Overall evolution of the HR function to better support digital jobs, changing/fluid roles and reporting structures

This dimension looks at how the vendor views investments in its people and in measures that support their professional and personal aspirations. Omdia assigned scores on a scale of one to five. Higher scores reflect how well the vendor's people policies are geared to streamline reporting structures, flatten hierarchies, and redefine roles and how well the investments made in the processes and tools enable those policies.

Organizational culture transformation

Changing organizational culture is the most difficult part of any transformation program. Culture is implemented as values, behaviors, and beliefs ingrained into an organization over decades, and it is difficult to modify. A successful transformation program needs to address cultural change at multiple levels:

- Company level –visualize the future state for the organization and establish a set of common goals for everyone to work towards. Communicate, model, and reinforce the values, beliefs, and culture needed to reach this end state.
- Line of business (LoB) and team level –translate strategic goals at the company level into specific goals for LoBs and team responsibilities. Determine what changes need to be made to help the team succeed.
- Individual level –identify and communicate the impact of the company's strategy on interpersonal dynamics. Define and encourage specific behaviors that individuals need to start, stop, and continue doing to achieve goals.

This dimension assesses how effective the vendor has been in introducing changes in the organizational structure and aligning business units and teams to a shared set of goals, and how these aspirations filter through the entire organization. Omdia assigned scores on a scale of one to five. Higher scores signify greater progress in these assessment areas.

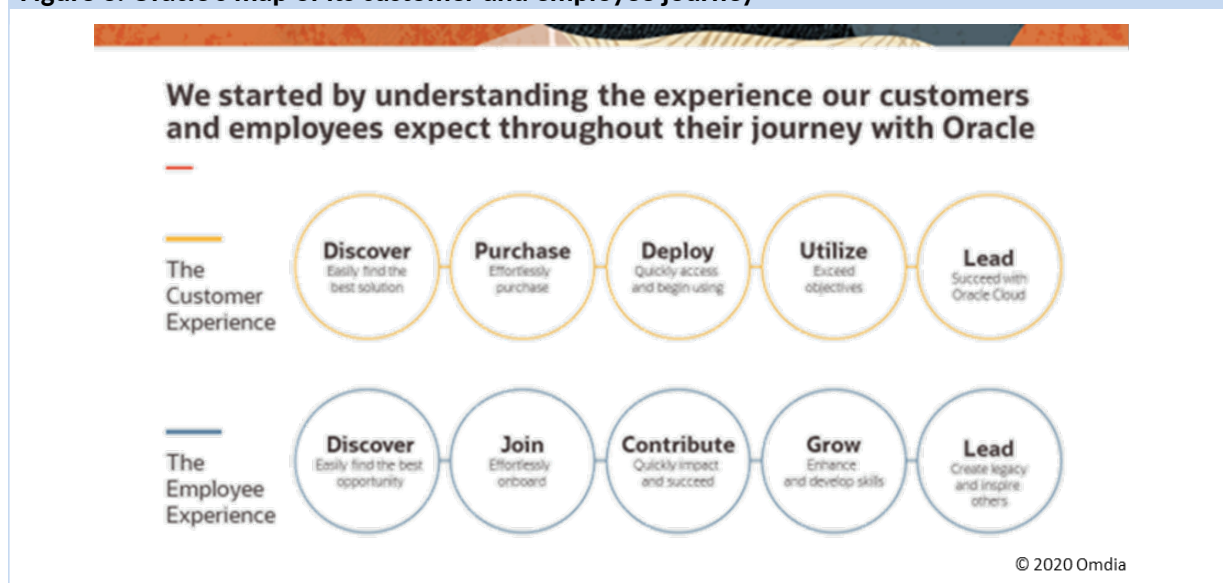
Vendor analysis: Oracle Corp.

Oracle's mission is to help its customers unlock new value and achieve new possibilities through its products and solutions. With enterprises across the world accelerating their shift to the cloud, Oracle witnessed increasing demand to provide them not just with a product but with a service that could

change and adapt to the needs of the business. Oracle concluded that the shift to cloud would require a complete transformation of its own business to enable it to stay ahead of the ever-changing expectations of its customers.

Oracle embarked on an ambitious journey to pivot its business model from product-oriented to services-driven by leveraging Oracle Cloud technology. The idea behind this was to take a dose of its own medicine, so to speak, and provide a live example of how a large and complex organization such as Oracle could transform itself using the products and solutions it sells to clients. The program, called Oracle@Oracle, aimed to reimagine the processes, tools, and operations across the business to enable exceptional customer experiences and to empower its employees with the tools that would help them deliver these experiences. The program required a reimagining of the entire employee experience as well (see Figure 3).

Figure 3: Oracle's map of its customer and employee journey



Source: Oracle

To become a services-oriented company, Oracle mapped each element of the customer and employee journey with the company and reimaged the end-to-end experiences it delivered across these. At all steps, the focus was on four simple but powerful goals:

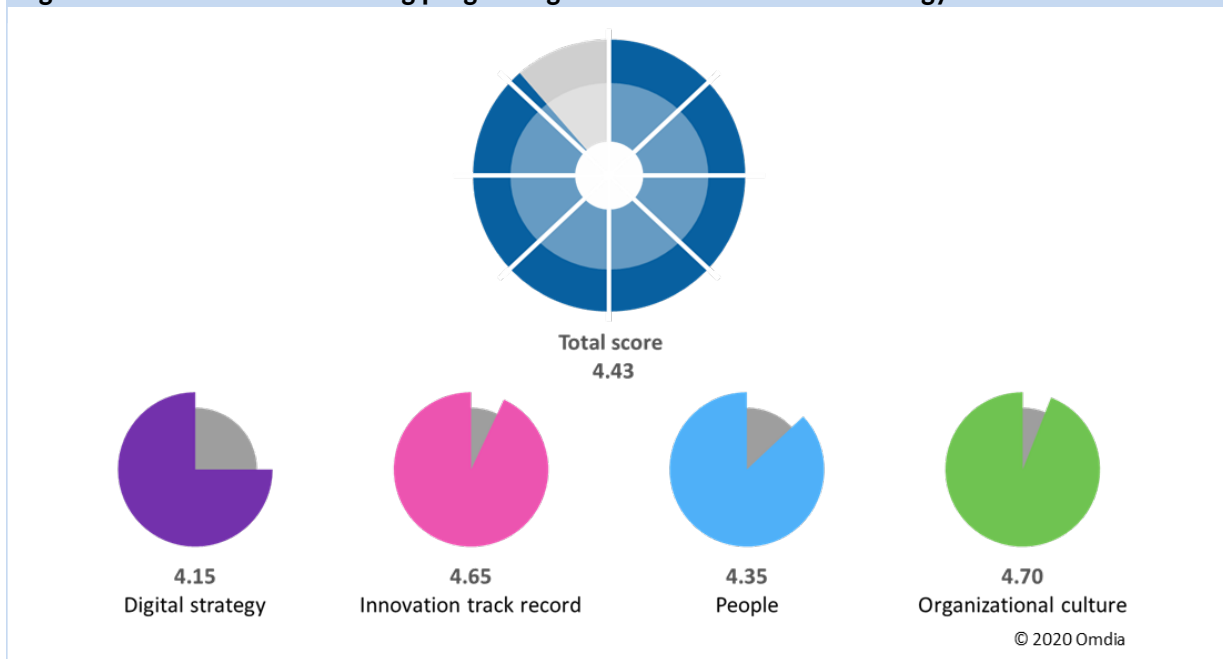
- **Streamline.** Remove and simplify steps across the experience.
- **Empower.** Enable users to complete the experience autonomously.
- **Delight.** Design a positive experience that users love.
- **Automate.** Automate the end-to-end experience with Oracle Cloud.

By focusing on these principles, Oracle took a systematic approach to defining what needs to be done differently. The approach is reinforced by a process of soliciting regular feedback from critical stakeholders, experts, and practitioners across LoBs that ensured everyone is aligned to the same goals. The approach to change is further supplemented by a process for frequently reviewing progress, openly discussing challenges and roadblocks, driving effective decision-making, and ensuring teams are equipped and empowered to efficiently and effectively collaborate, ideate, and execute on the roadmap.

Oracle@Oracle: evaluation scores and explanation

By leveraging its own portfolio of cloud solutions, Oracle has been able to integrate business systems across the organization quickly and seamlessly. This has brought greater visibility across Oracle's operations, allowing it to streamline processes and drive better decision-making. Despite the size and complexity of its operations (Oracle serves 430,000 customers across 175 countries and employs over 136,000 people), the company transformed itself efficiently and effectively in a relatively short time span. Omdia rated Oracle's total score for its transformation strategy at 4.43 out of 5 because of its attention to detail and the calculated way in which the organization transformed its processes and organizational culture (see **Figure 4**).

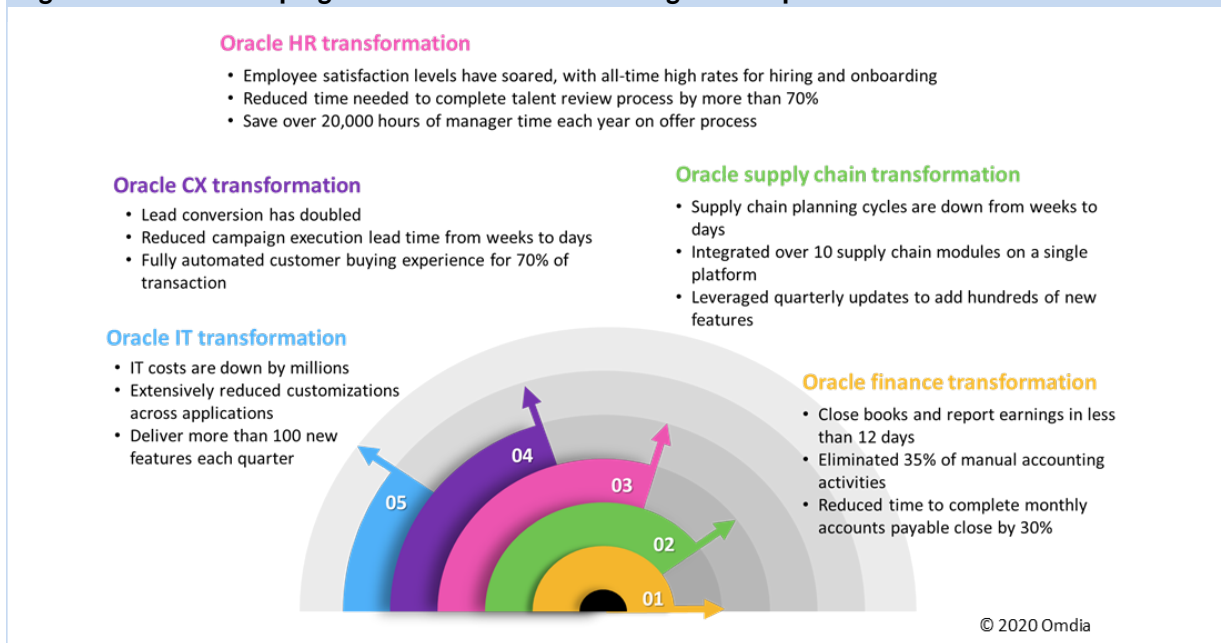
Figure 4: Oracle has made strong progress against its transformation strategy



Source: Omdia

Oracle's transformation program touches all aspects of the organization, bringing together people, resources, and focus with a goal of making the company the leading provider of an end-to-end suite of platforms and applications for the digital business. The company is realizing benefits in the form of streamlined operations, lower cost, enhanced employee morale, better customer experience and retention, and faster time to market as a result of its efforts (see **Figure 5**).

Figure 5: Oracle is reaping the benefits of transforming various parts of its business



Source: Omdia and Oracle

The company continues to make significant investments in the following:

- R&D that aims to deliver further innovation around its products and platforms
- Ensuring employees have the right set of tools that enable them to deliver exceptional experiences to the customer
- Revamping its partner experience and building deeper relationships that strengthen its vertical capabilities

Digital strategy (portfolio evolution) – score 4.15

Having a sound strategy in place for the evolution of products/services and the business model is essential for defining the “end state” of the organization. Aligning people and resources is a part of achieving these goals. By putting the power of Oracle's integrated end-to-end portfolio at the heart of the business, Oracle can bring together experts from across the business and capture robust data and insights that accelerate decision-making.

Oracle engages in a continuous dialogue with its teams and its customers. It assesses the challenges customers face when interacting with the company and then goes about resolving them. For instance, Oracle has automated aspects such as employee onboarding, filing expenses, purchasing, and reconciling global transactions. Similarly, purchasing and provisioning for products such as Fusion Cloud has also been largely self-service enabled, giving customers control over the process and greater choice on how and from where they want services provisioned. This also provides more transparency into customer accounts/services and enables account management to provide personalized support options. The extensive automation across various processes ensures company leaders are able to respond more rapidly to changing business and economic conditions and have more time to focus on strategic activities. The extensive investments that have been made in ensuring the resilience of the organization, as well as the commitment of its SMEs to ensure

customer success, is evident in Oracle's shift to a remote-working model during the current COVID-19 pandemic while supporting its customers without any major disruption.

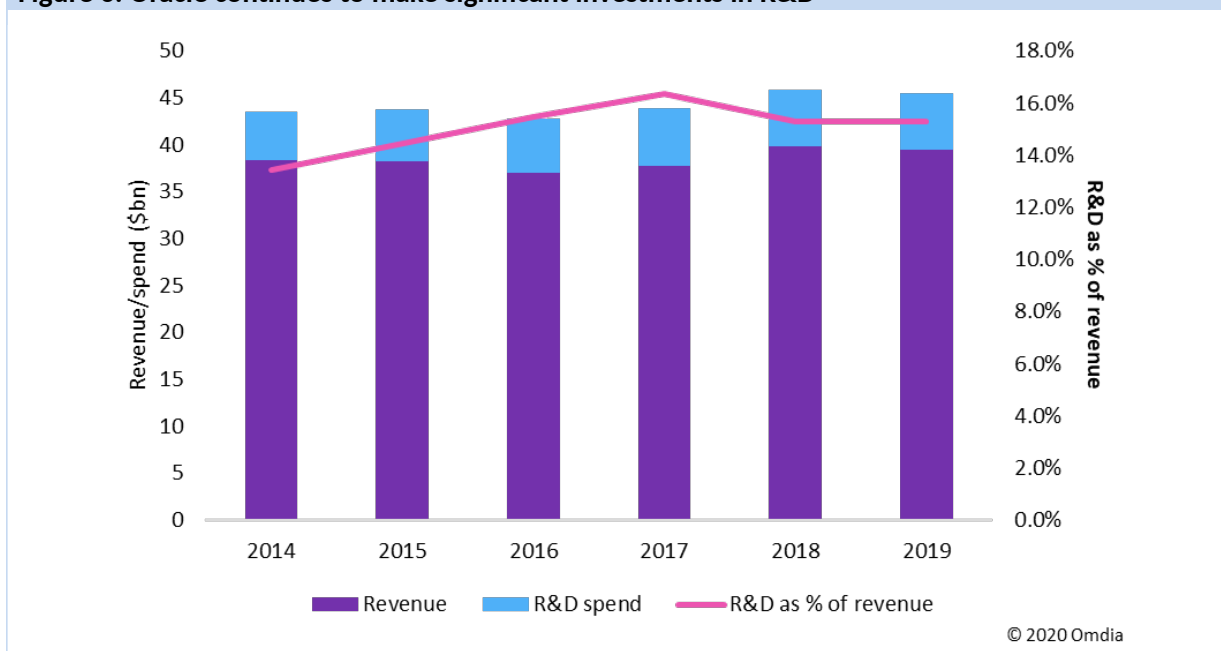
Similarly, product and service innovation are driven by collaboration and communication across a wide spectrum of technology and business experts. The aim is to take a very human-centered approach to delighting customers and employees alike when they use these products/services. By collecting data at every step of the customer journey and mapping it back to the product/service's ability to improve user experience, Oracle improves its customer focus for the evolution of its portfolio. The organization is taking a similar approach to internal users of its platforms: the focus is on improving ease of use, intuitiveness, agility, and adaptability which translates into quarterly product updates and enhancements and frequent customer and partner communication. This is one of the key differentiators as Oracle uses feedback from its customers to drive product roadmaps. For instance, Oracle integrates data from various internal and external sources and uses a variety of models to understand the people engaging with the company and what product or service they are interested in. Oracle also runs predictive analytics against its front office and back office data to forecast who will buy what and when, thereby identifying high-value leads for the marketing organization. Despite being able to predict customer behavior, Oracle has to show significant evidence that it is indeed able to influence buyer behavior and increase demand for its products in the market.

The company's service-oriented approach is gaining traction in the C-suite. The number of customers moving from platforms such as AWS to Oracle Cloud Infrastructure (OCI) has increased, but Oracle still needs to gain a larger foothold in the enterprise applications market with its suite of enterprise resource planning (ERP), customer relationship management (CRM), and human capital management (HCM) products. Though cloud as a percentage of total revenues has continued to grow steadily, the high growth rates of suites such as Fusion and NetSuite and the Oracle autonomous database are from a smaller base. Omdia estimates that Oracle's cloud revenues are growing at a rate of 28% year on year, with smaller pockets of robust growth such as Fusion ERP Cloud.

Oracle scores well above average in this dimension because of its strategy to pivot from a product business model to a services one. More importantly, by leveraging both the talent from its own consulting organization and its products to drive this transformation, Oracle is driving home the message that it possesses a solid set of capabilities that can power its customers' transformations.

Innovation track record – score 4.65

Oracle has invested 15% or more of total revenues back into R&D consistently over the past five years. This amounts to a spend of around \$6bn annually in R&D, which supports the development of its full stack of cloud-based offerings for the enterprise (see **Figure 6**).

Figure 6: Oracle continues to make significant investments in R&D

Source: Oracle

Oracle continues to nurture a spirit of innovation that aims to enhance customer experience with its products. The company demonstrates a desire and willingness to put people first and give a human touch to its initiatives around product and service innovation. Oracle's R&D investments are geared towards

- **Maximizing efficiency and effectiveness** by focusing on high-value activities, increasing collaboration, and saving money through automation across the business
- **Making the smartest decisions quickly** through data-driven insights and the inclusion of AI/ML tools
- **Outpacing change** with flexible, high-performance services and quarterly innovation
- **Engaging with customers and employees** through improved, secure, and delightful experiences

For instance, Oracle created an accelerated buying experience that makes purchasing fast and simple by

- Simplifying agreements and removing tiers of approvals
- Giving the sales force the ability to make changes to customer contracts within the system without manual intervention from the legal teams, allowing for faster and simpler interactions
- Providing in-app learning and chat tools
- Enabling the sales force to complete a fully automated quoting and contracting process through Oracle's own configure price quote (CPQ) Cloud

Oracle invests in long-term projects to develop and apply new technologies and fosters a culture that encourages and rewards grassroots innovation. It hires staff with strong technical capabilities and research experience (e.g., through their doctoral work) combined with entrepreneurial experience in

startups. The vendor also provides strong formal and informal incentives and mechanisms that keep long-term innovation vibrant while continuing to focus on shorter-term goals, such as software release updates and technical escalations.

In 2019, Oracle completely overhauled its partner program along the same lines as its internal transformation, with a singular focus on the customer's outcome as the goal of its relationship with partners. The partner ecosystem is geared towards the following:

- Building intellectual property embedded in Oracle's cloud services
- Simplifying and streamlining the selling process
- Adding incremental value services by implementing, extending, and managing Oracle Cloud environments

The vendor has built a robust portfolio of cloud-based enterprise systems that are vertically aligned and which it offers through its global business units, but initiatives around developing specific use cases appear to be dependent on partners. The vendor is concentrating on certifying its partners across its revamped partner program and tracking their ability to focus on customer success. Though current initiatives in the customer and partner network space focus on the ability to deliver the same level of "delightful customer experiences," Oracle should be careful to retain focus on the creativity and innovation that create different "flavors" of the same solid solution base. Oracle is also actively engaging with startups that leverage its platforms to deliver solutions that offer it early access to promising technologies and use cases. The ability for clients and partners to collaborate to drive technology and industry-specific innovation efforts needs to be scaled further.

People – score 4.35

Oracle has deployed its HCM suite internally to automate large parts of its HR processes such as onboarding, development, and project staffing. Oracle's automation of its HR functions plays a significant role in the growth of the company and its people. Oracle's HR transformation is oriented around three strategic pillars:

- **Insights that matter** – using data, analytics, and insight to drive innovation and decisions that positively impact the business and people
- **Employee experience** – focusing on innovation around attracting, retaining, and developing talent to support both employee and customer success
- **Integrated technology** – brings people, information, and experience together to deliver on the company's strategic priorities

For instance, Oracle has built better hiring experiences and enables new hires to contribute starting on day one by

- Simplifying tasks and removing tiers of approval
- Giving managers end-to-end visibility of the employee onboarding journey
- Providing new recruits with the ability to complete certain administrative tasks prior to day one
- Enabling managers to complete automated requisitions and offers, which also helps employees to onboard seamlessly

Oracle's HCM tracks key talent information such as performance, potential, career aspirations, and skills/experience and aligns it with the company's goals and priorities. This way, Oracle can implement targeted talent strategies to fill talent gaps, promote internal career mobility, and reward employees based on their alignment to organizational goals.

The HR transformation lets the vendor identify talent and skill gaps and work with teams and LoB leadership to fill them. The transparency of the process allows the vendor to staff projects, train, and move resources as needed. The vendor has put in place a system of continuous conversations around progress that is used in tandem with annual or biannual appraisal processes to better align individual targets to business goals and personal aspirations.

Oracle's high score reflects the vendor's ability to use data and automation to improve employee engagement. However, the company still needs to demonstrate how organizational structures and roles are evolving as a part of its transformation.

Organizational culture – score 4.70

Oracle has a clear vision of being an adaptable business powered by the full strength of its own solutions. The company has created a strategic roadmap for transformation that is reinforced across all tiers of the organization. Working towards a common goal has enabled teams across different parts of Oracle to come together under the Oracle@Oracle program.

Oracle aims to create a culture where its workforce is agile, empowered, innovative, continuously learning, and deeply customer focused. Oracle's top executives engage their workforce in the company's transformation through regular briefings and Q&A sessions about the company's strategy and progress towards goals. The organizational culture prioritizes four key pillars: employee success, customer focus, innovation, and citizenship. Oracle holds an annual Global Employee Summit, a quarterly Strategy in Action employee discussion series, and ongoing Slack conversations to help employees understand the operational details of the overall strategy and how they contribute to its mission. Oracle's core competencies – the key skills and behaviors for all employees – focus on

- Driving customer focus and innovation
- Leading and adapting to change
- Working together with each other and their customers to achieve mutual success

These competencies are embedded into employees' careers at the company, starting with hiring and onboarding through development, performance, and recognition. An annual employee survey gathers feedback on how the organization is doing in key areas that are important to company and employee success, including leadership and strategy, work environment, growth opportunities, customer focus, processes and tools, and meaningful work. Feedback is evaluated at multiple levels – and action plans put in place – globally, within LoBs and teams, and across key programs and processes. Organizational goals are cascaded in HCM, where employees can align their individual performance goals with organizational priorities. All business functions are geared towards achieving the complete transformation of Oracle from a product-led organization to a services-led one, with a constant and consistent relationship and dialogue with its customers and partners.

Oracle's internal transformation shows that a well thought out, clearly articulated, and carefully executed strategy can drive large-scale transformation, delivering efficiencies, savings, and growth in the process.

Appendix

Methodology

All participating vendors completed a comprehensive RFI. This was followed up by extensive briefings and additional desk research. Scoring of assessment criteria was undertaken in consultation with analysts from Omdia's other practices where necessary.

Further reading

The Enterprise COVID-19 Playbook, ENS002-000139 (June 2020)

Digital Enterprise Services: Navigating COVID-19, ENS002-000138 (June 2020)

London Tech Week and TechXLR8: Industry Insights Report 2020, ENS002-000135 (May 2020)

Digital Entropy is Rapidly Emerging as a Major Side-Effect of Digital Transformation, ENS002-000125 (April 2020)

Framework: Service Integrator Transformation – How SIs Meet Their Own Digital Challenges, ENS002-000094 (September 2019)

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