

# Finished But Not Done<sup>®</sup>

*How to Succeed in a Rapid-Changing Business Environment*

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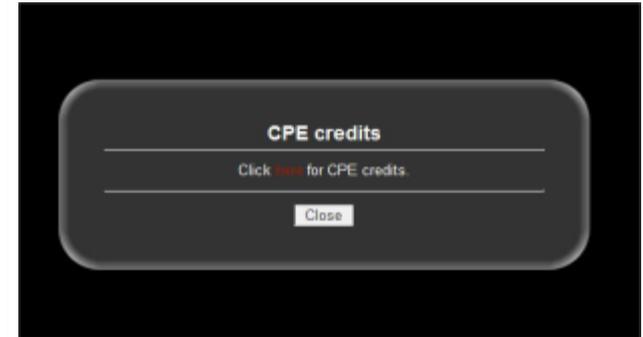
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**EBS Answers**  
Virtual Conference

# Webinar Mechanics



- Submit text questions in the chat log.
- Q&A addressed at the end of the session. Answers will be posted within two weeks on our new LinkedIn Group, EBS Answers: <http://www.linkedin.com/groups/EBS-Answers-4683349/about>
- Polling questions will be presented during the session. If you want CPE credit for this webinar, you must answer all of the polling questions.
- A recording of today's event will be available for 90 days for conference registrants.

# Learning Objectives

**Objective #1:** Understand *Organizational States*.

**Objective #2:** Understand *Realignment in an Organization*.

**Objective #3:** Understand *Transformation in an Organization*.

**Objective #4:** Achieve *Success in Organizational Realignment & Transformation*.

# *e*prentise®: Transformation Software for E-Business Suite

*Company Overview: Incorporated 2007, Helene Abrams, CEO*

## *e*prentise Can...

-  Consolidate Multiple EBS Instances
-  Change Underlying Structures and Configurations
  - Chart of Accounts, Other Flexfields
  - Merge or Split Ledgers or Sets of Books, Operating Units, Legal Entities, Inventory Organizations
  - Calendars, Currency, Costing Methods
  - Asset Revaluation, Inventory Valuation
-  Separate Data

## ...So Our Customers Can:

-  Reduce Operating Costs and Increase Efficiencies
  - Shared Services
  - Data Centers
-  Adapt to Change
  - Align with New Business Initiatives
  - Mergers, Acquisitions, Divestitures
-  Avoid a Reimplementation
-  Reduce Complexity and Control Risk
-  Improve Business Continuity, Service Quality and Compliance
-  Streamline Operations with Visibility to All Parts of the Business
-  Establish Data Quality Standards and a Single Source of Truth

Finished But Not Done®

# Transformation Software Solutions

eprentise provides software to make enterprises agile by giving them the opportunity to change their Oracle systems to align with their changing businesses.



# Business Transformation Objectives

- Financial transformation
  - Reduce DSO
  - Increased cash flow
  - Streamline financial close
- Operational transformation
  - Reduce on-hand inventory and excess obsolescence
  - Optimize operational processes
  - Rationalize business entities
    - Business Groups, Legal Entities, Operating Units, Inventory Orgs
  - Generate operational efficiencies
- Technology transformation
  - Align technology with business goals
  - Rationalize information systems and related infrastructure
  - Rationalize system support procedures
  - Smart data for Analytics/DW
  - Operational reporting

# Business Transformation Objectives

- Market penetration
  - Launch New Products in Existing Markets
  - Launch Products in New Markets
- Growth strategy by acquisition
- Growth strategy by divestiture
- Governance, risk and compliance
  - Statutory and regulatory requirements

# **Objective #1:** Understand *Organizational States*

# Organizational States

- Organization state refers to the status of an organization at a given point in time.
- An organization goes through multiple states from its inception to maturity.
- Organization state may translate to success, failure or struggle.
- Every state of an organization represents different opportunities and challenges.
- People, process & technology play important roles within every organizational state.

# Organizational States

Startup

Sustaining  
Success

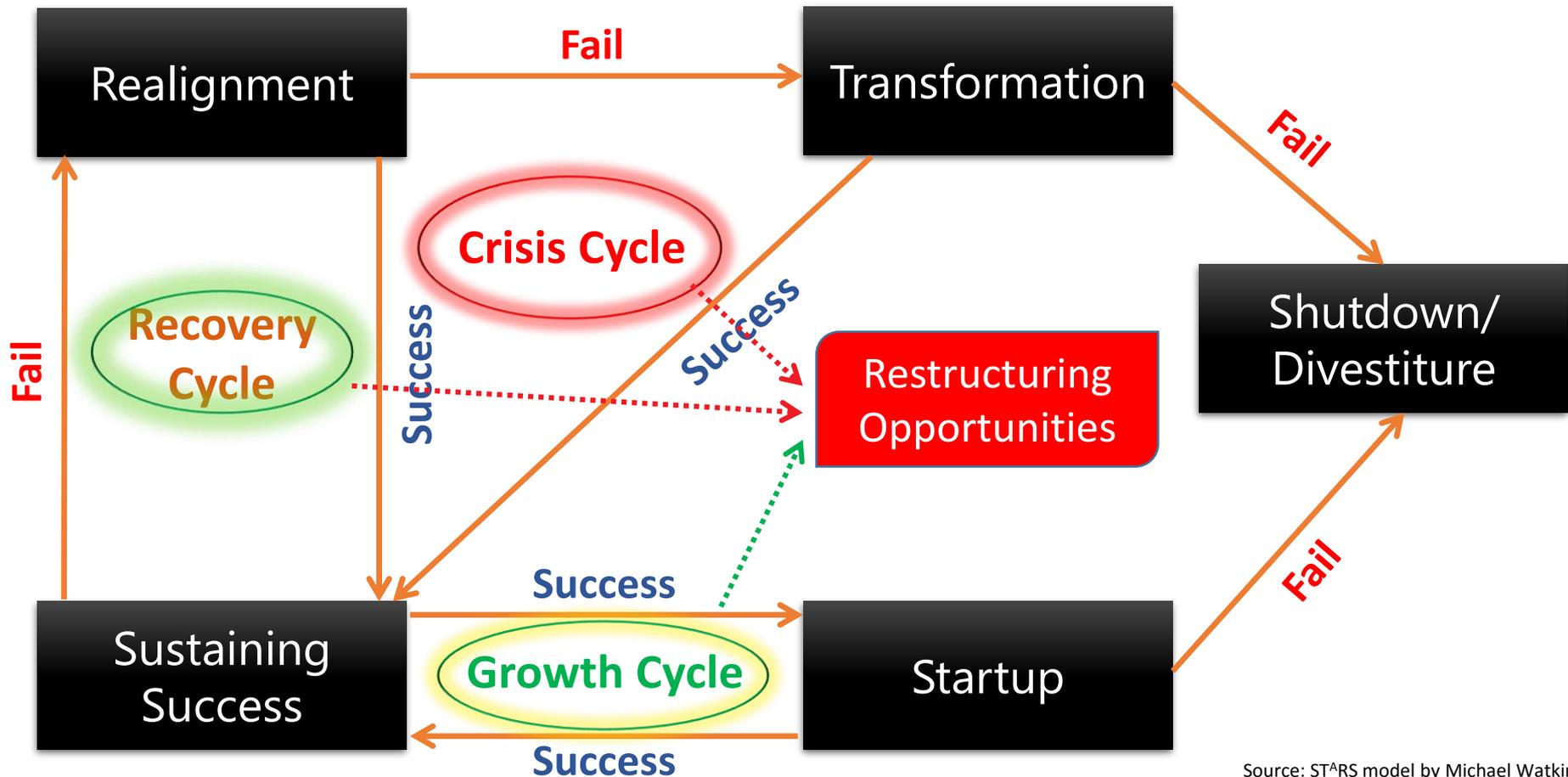
Realignment

Transformation

Mergers,  
Acquisitions,  
Divestitures

# Organizational States Interactions

Merger, Acquisition, and Divestiture Activity



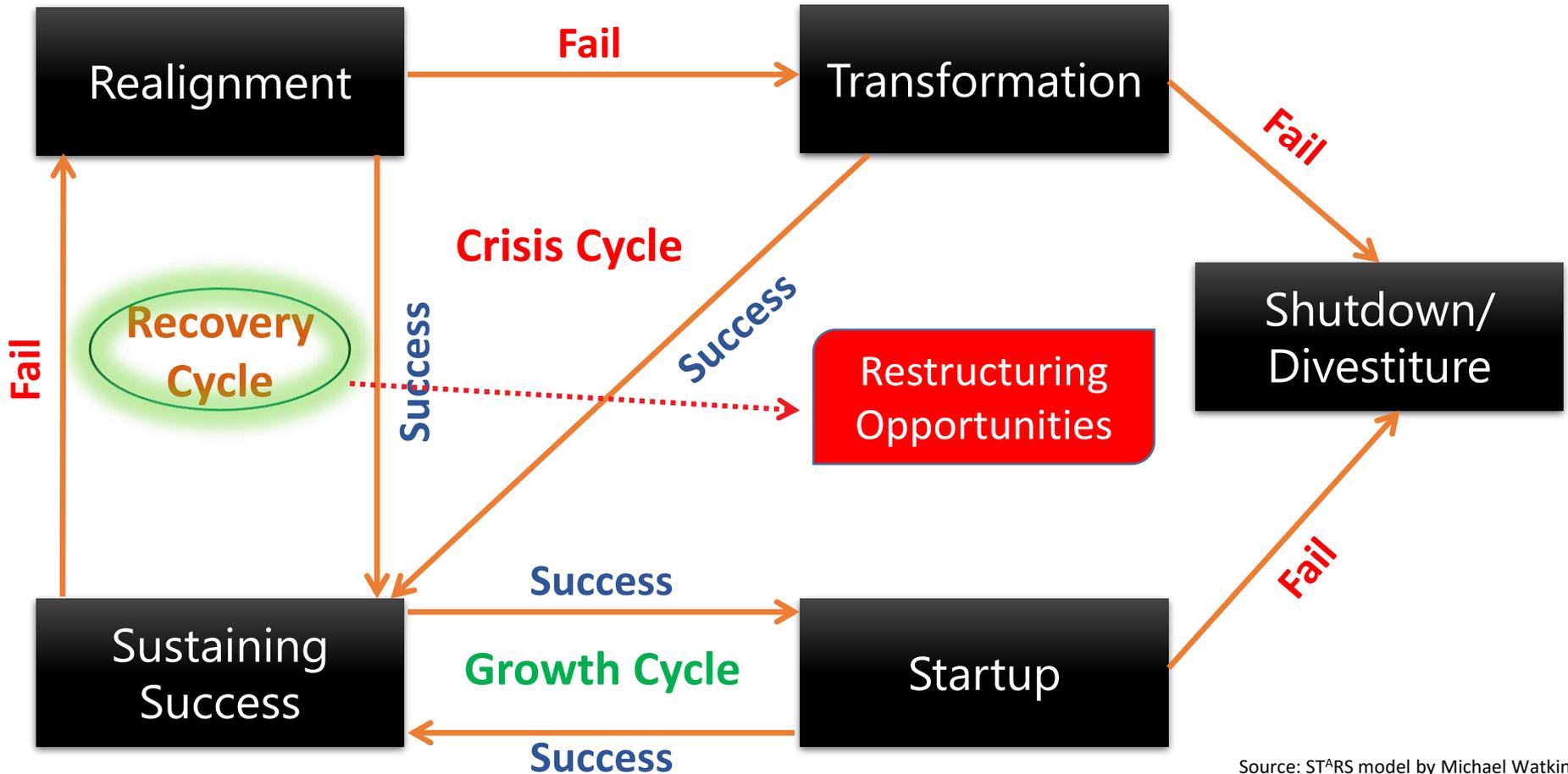
Source: STARS model by Michael Watkins

# Poll Question

## **Objective #2:** Understand *Realignment* in an Organization

# Understanding Realignment

## Merger and Acquisition Activity



Source: STARS model by Michael Watkins

# What Leads to the Realignment State?

- Companies grow and evolve
  - The larger the organization, the more likely it is for operational or reporting errors to cause major problems due to a lack of alignment between ERP systems and business process changes that have occurred.
- If **business** and **technology** are not aligned within individual **growth cycles** then growth will eventually result in a **realignment** situation.
  - **Technology goals** must always be aligned to **Business goals**.
- Issues with one or more of the following:
  - Business processes or technology not in sync with organizational state.
  - Human resource challenges - employee rightsizing
- Changing business environment

# Declines May Lead to Realignment

- Decreasing top-line (revenue growth)
  - Not able to sell to the existing customers
  - Not able to penetrate new markets and new customers
  - Not able to launch new products, solutions and services
- Decreasing bottom-line (net profits)
  - Not able to generate required efficiencies in the business
  - Too many product lines
  - Too many facilities – high fixed cost
  - Inefficient supplier network
- Financial distress

# Growth May Also Lead to Realignment

- Common business functions develop different processes due to heavy corporate growth.
  - Generally due to lack of governance policies and procedures or poor administration of them
  - Redundant processes and data have high costs in terms of both time and additional people resources.
  - When a company strategically eliminates redundant processes and data, their use of redundant hardware diminishes, the quality and timeliness of business information improves, and its people are able to collaborate in a more streamlined manner.
- IT has a significant impact on the bottom line because operating, maintaining, and synchronizing an array of E-Business Suite instances, charts of accounts, calendars, and other configuration items is time-consuming, expensive, error-prone.

# Information Systems in a Growing Company

- Information (data) follows the fundamental law of entropy.
  - An organization's complex IT systems like E-Business Suite (EBS) become more complex as a company grows.
- Challenges in managing complex technology stack
  - Core information systems implemented as part of organic growth
  - Information systems acquired through mergers and acquisitions
  - Rationalizing ERP and other systems
- Different approach required to manage systems acquired through mergers, acquisitions, & divestitures

# What if Realignment is Not Addressed?

- Business cost overruns
  - Cost not in line with industry standard costs for running business, e.g.
    - High cost to process a purchase order or supplier invoice
    - High cost per SKU (product) – cost to manage a SKU in a supply chain
    - Inventory excess obsolescence
    - Low revenue per square feet of facility space
    - Low revenue per employee
    - High administrative lead time to process transactions
- Technology cost overruns
  - Cost not in line with industry standard costs for implementing and supporting technology solutions, e.g.
    - High technology costs as compared to % of revenue
    - High infrastructure costs (including application licensing costs)
    - High application support costs (multiple systems for same business function)
    - Not able to meet system up-time (causing inefficiencies and slowdowns for business)

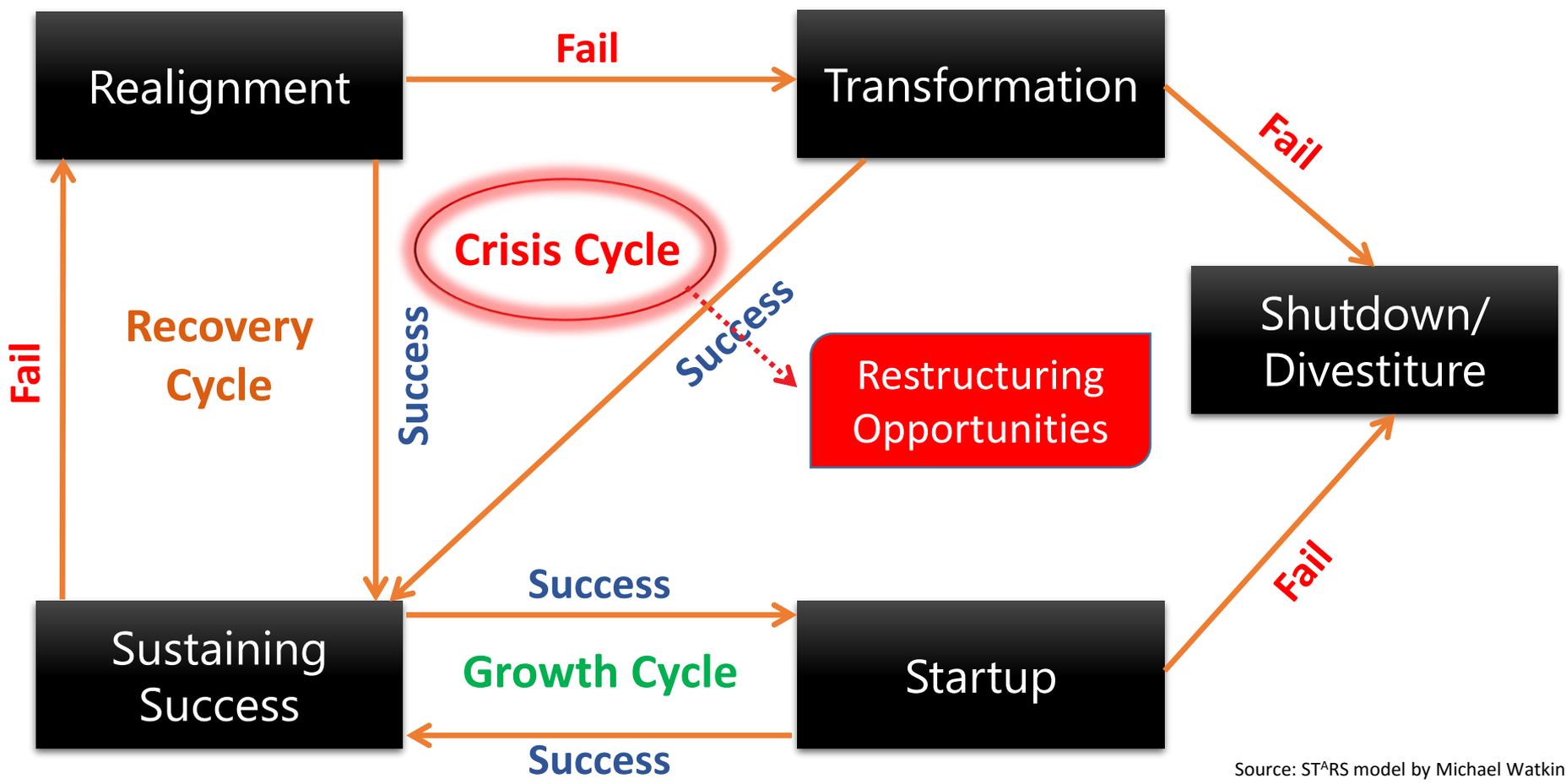
# Not Addressing Realignment Impacts External Relationships

- Ineffective customer service
  - Not able to manage customer expectations in Order-to-Cash cycle
  - Lose customers
  - Not able to attain following requirements for a Perfect Order
    - Right Product
    - Right Quantity
    - On-time shipment
    - On-time delivery
- Inefficient supplier network
  - Not able to manage customer expectations in Source-to-Settle cycle
  - Multiple suppliers with multiple terms
  - Supplier performance – non-compliance and non-conformance
  - No existence of Vendor Managed Inventory (VMI) model, where applicable
  - Not enough drop-ship vendors

## **Objective #3:** Understand *Transformation* in an Organization

# Understanding Transformation

## Merger and Acquisition Activity



Source: STARS model by Michael Watkins

# What Leads to the Transformation State?

- Not able to manage Realignment state
- Significant challenges with business strategy or there is no business strategy
- No adopted methodology to align technology goals with business goals
- Business not aligned with investor's expectations - high pressure to act
- High employee turnover
- Not able to keep existing customers
- Not able to manage suppliers
- High cost overruns
- No or very little working capital

# What If Transformation Is Not Addressed?

- Burning Platform - act-very-fast *and* get-it-right, or face-shutdown
- Not able to manage liquidity and solvency
- Incurable operational problems
- Lose significant market share
- Lose credibility with suppliers
- Lose top-notch talent
- Lose business valuation
- Potential target for takeover at very unfavorable terms

# Poll Question

**Objective #4:** Achieve Success in *Organizational  
Realignment & Transformation*

# IBM – Case Example

- IBM had approximately 405,000 employees in 1985. In 1992, IBM suffered \$5 billion in losses. By 1994, IBM had taken a series of realignment and transformation steps and cut its workforce to 219,207 to "streamline and reduce resource utilized in the business". IBM began emphasizing consulting services with its 2002 purchase of Pricewaterhouse Coopers consulting for \$3.5 billion. IBM also began selling of its low-end product divisions in 2005. Over the course of nearly 100 years, IBM has evolved in an ever-changing environment, and remained as a pioneer in its industry, using restructuring as one of its important tools.
- **IBM restructuring involved:**
  - Divesting low performing business units.
  - Acquiring companies in high growth IT sectors.

# How Can Others Achieve This Change?

- Different Realignment/Transformation solutions will require different solutions but the following must be done to ensure success:
  - Define clear goals and objectives.
  - Define implementation timeline with proper accountability.
  - Engage best resources.
  - Use proven technology solutions to affect technological changes.
  - Get consensus on changes from both the business and IT.
  - Have an internal champion with authority to get things done.

# Change in Realignment and Transformation Organizational States

		Extent of change	
		Transformation	Realignment
Speed of change	Incremental	<i>Evolution:</i> Transformational change implemented gradually through interrelated initiatives; likely to be proactive change undertaken in anticipation of the need for future change	<i>Adaptation:</i> Change undertaken to realign the way in which the organisation operates, implemented in a series of steps
	Big bang	<i>Revolution:</i> Transformational change that occurs via simultaneous initiatives on many fronts; more likely to be forced and reactive because of the changing competitive conditions that the organisation is facing	<i>Reconstruction:</i> Change undertaken to realign the way in which the organisation operates, with many initiatives implemented simultaneously; often forced and reactive because of a changing competitive context

Source: Strategic change by Julia Balogun

# Making Necessary Business Changes

- Businesses that fail to recognize the importance of making fundamental business changes are susceptible to:
  - **Cost overruns** (due to higher-than-expected IT service delivery requirements)
  - **Losing customers** (due to any number of consequences when working with poor-quality data)
  - **Falling behind in the marketplace** (due to losing an edge to the competition, many of which are finding solutions to this problem)



- Unless some collaborative action between IT and the business is taken to mitigate the challenges brought about by increasing complexity, the business runs the risk of working with data that becomes increasingly unavailable or incorrect.

# Organization Goals, Engagement & Ownership

What successful transformations share: McKinsey Global Survey results

Exhibit 3: Keys to success

**Actions taken by the companies of at least 70% of respondents who say their company was “very/extremely successful” in reaching the transformation’s targets**

■ Approaches that enable employee engagement

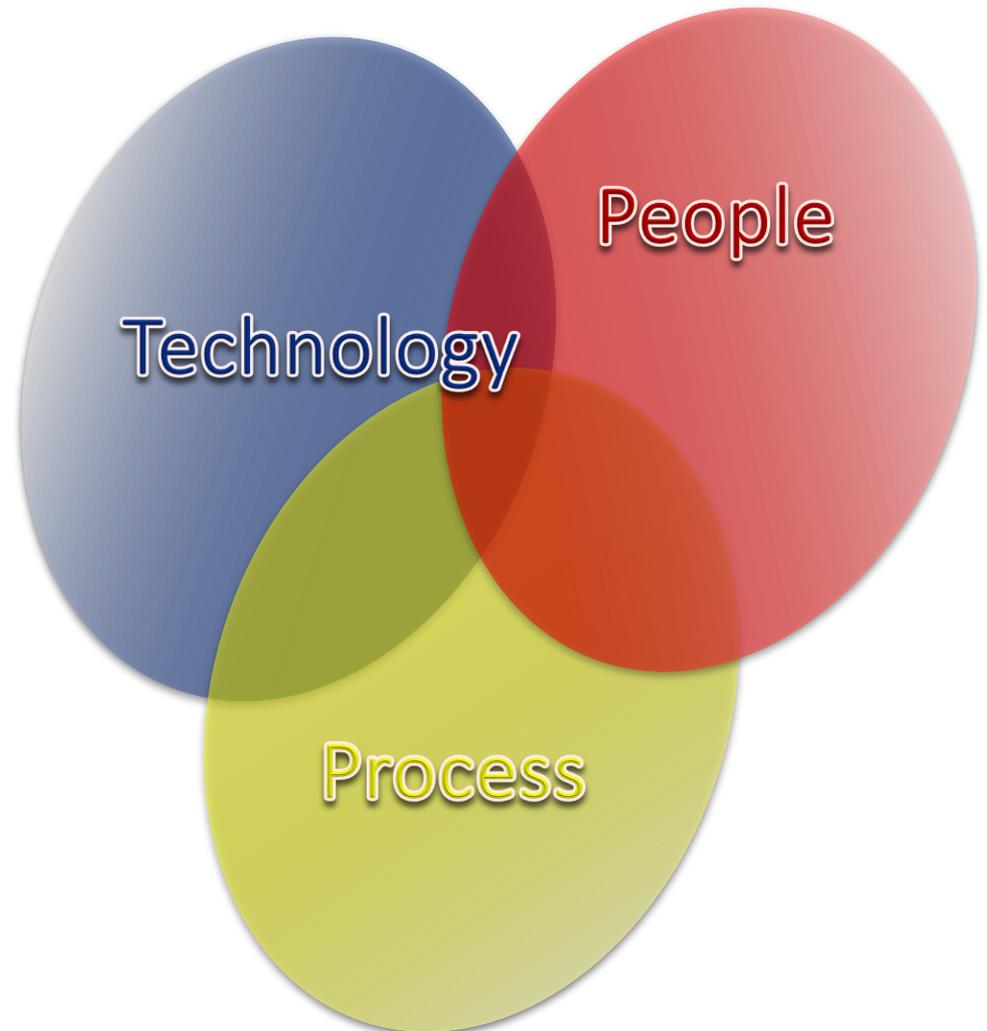
- Leaders ensured that frontline staff felt ownership for the change.
  - Roles and responsibilities were clear, so people felt accountable for delivering results.
  - The organization was engaged and energized through ongoing communications and involvement.
  - Our best talent was deployed to carry out the most critical parts of the transformation.
  - Leaders role-modeled the desired changes.
- The transformation was organized into a clear structure with readily understandable sections.
  - Clear, unambiguous metrics and milestones were in place to ensure that progress and impact were rigorously tracked.
  - The right information was available at the right time for managers to monitor the transformation’s progress and troubleshoot where required.

Source: McKinsey Survey

# Business Process Standardization

*Key components to successfully managing change*

*Realign process and technology to the changing business landscape.*

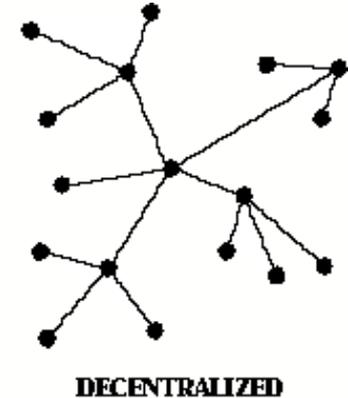
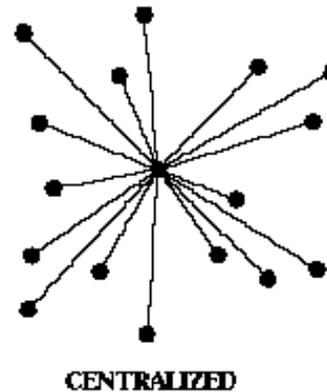


# Governance

- Effective management of enterprise assets is necessary for an effective strategy.
  - Collaboration
  - Implementation of effective controls
- Idea of the “benevolent dictatorship”
  1. *There can be no wavering about where the finish line is placed (a single global instance).*
  2. *Anything less than success or short of completion is not acceptable (no special exceptions).*
  3. *Obstructionism is not tolerated.*

# Centralize or Decentralize?

- An organization situation may require either centralized or decentralized *business entities or application instances*.



# Financial and Operational Transformation

## Financial Transformation

- Respond to the business needs to Transform:
  - Accounting Calendars
  - Chart of Accounts
  - Asset revaluation
  - Currency change
  - Inventory valuation
- Respond to the business needs to Transform by merging or splitting:
  - Ledgers

## Operational Transformation

- Respond to the business needs to Transform by merging or splitting:
  - Business Groups
  - Legal Entities
  - Operating Units
  - Inventory Orgs
- Respond to the business needs to Consolidate multiple EBS instances into one EBS instance (M&A).
- Respond to the business needs to Split one EBS instance into multiple EBS instances (Divestiture).

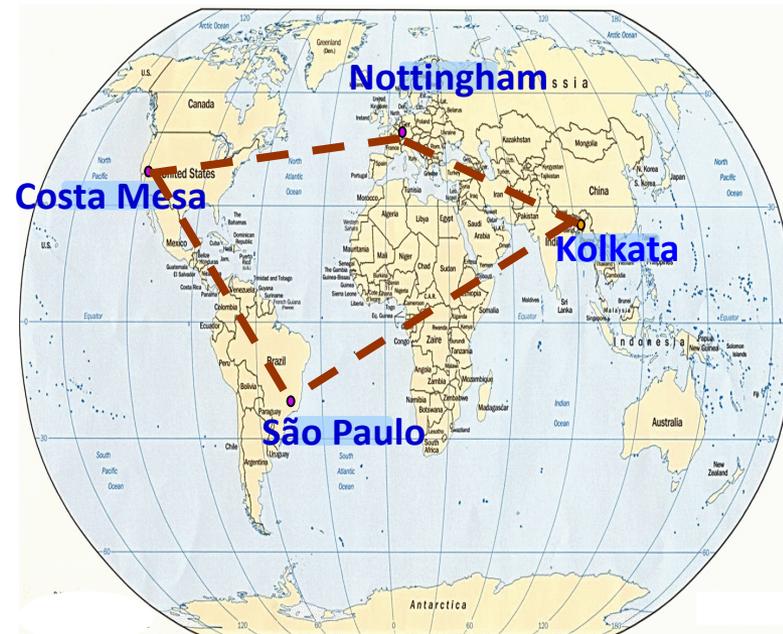
# Technology Transformation Enables Financial and Operational Transformation

- Reduce Total Cost of Ownership and improve service by:
  - Consolidating data centers
  - Consolidating servers
  - Consolidating ERP instances
- Establish a Shared Services Center
  - According to the Shared Services and Outsourcing Network, back in 2004, 24% of executives considered shared services strategic for their businesses. 7 years later, in 2011, 89% of worldwide executives think they are strategic.
  - Consolidate ERP application instances or processes:
    - Move to a single global Chart of Accounts (CoA)
    - Move to a single global instance
    - Rationalize clients, vendors, and products

# SSC - Process Standardization

*The backbone of a globalization effort is the understanding that business processes are intrinsically linked and not confined to departmental, geographic, or organizational boundaries.*

- **Shared services center** as a way to standardize on common global processes such as:
  - Corporate treasury
  - Invoice processing
  - Receivables processing
  - Sarbanes-Oxley Compliance
  - Account maintenance
  - Corporate reporting
  - Expense processing
  - HR maintenance



# A Single, Global Chart of Accounts

- R12 includes major advances in its accounting engine.
    - Single engine manages all posting activities into GL
    - Subledger accounting
  - Other new features provide extended functionality, making it simpler to perform financial consolidation as well as to remain in compliance with statutory and regulatory requirements.
    - Primary and Secondary Ledgers
    - Ledger sets
  - A single chart of accounts enables companies to take full advantage of these new R12 features.
- Accounting policies are standardized across the entire enterprise.
  - Data remains consistent and has full drill-down and roll-up capability, auditability, and visibility into all of the activity for the entire Ledger set.
  - Conversions not required for data warehouse queries.
  - Facilitates the movement to a shared service center.
  - Increases the level of enterprise governance and control of new code combinations.

# Poll Question

# Proven Solutions – Change with Confidence

- When possible rely on proven solutions:
  - Create new ERP instance from an existing ERP instance using a Divestiture criteria.
  - ERP Instance Consolidation – as part of M&A, consolidate multiple instances into a single instance.
  - Business Reorganization – reorganize business entities.
  - Change Chart of Accounts.
  - Change Accounting Calendar.
  - Financial Ledger Reorganization

# Proven Solutions

**Consolidation**  
Project NA-Consolidation  
Logged In As: BUSINESSUSER

**Consolidation Ruleset Workflow**

Note: Click on the button next to the rule to execute the rule. Rules must be executed in sequence. Buttons can be clicked only when the rule is available for execution. The color of the button will change as the status changes.

Start → Prepare Source Instance (Status: Not Started) → Resolve Source Seed Configuration data (Status: Not Started) → Resolve Source Master data (Status: Not Started) → Resolve Source Transaction data (Status: Not Started) → Align Target sequences (Status: Not Started) → Consolidate Source and Target Instances (Status: Not Started)

**FlexField**  
You are Connected to the V1S Oracle Applications (11.5.10.2) Instance

Prepare Instance | Map Accounting | Execute Change

Prepare Instance | Map to New COA | Map Segments | Map Values | Map Code Combinations | Execute Changes

Select Defined Accounting Flexfield: Italy Accounting Flexfield -> Vision France Accounting Flexfield

Current Segment			New Segment		
Name	Description	Map?	Name	Description	Map?
Company	Company	<input checked="" type="checkbox"/>	Company	Company	<input checked="" type="checkbox"/>
Account	Account	<input type="checkbox"/>	Account	Account	<input type="checkbox"/>
Cost Center	Cost Center	<input type="checkbox"/>	Natural	Natural	<input type="checkbox"/>
Product	Product	<input type="checkbox"/>	Cost Center	Cost Center	<input type="checkbox"/>
			Product	Product	<input type="checkbox"/>

The Following Segment Mappings Have Been Defined:

Current Segments	New Segments	Type	Status	Delete?

**Reorganization**  
Project NA Reorganize Inventory Orgs  
Logged In As: BUSINESSUSER

**Create Rule**

Rule Type: Change Rule  
Rule Template: Mass Move Inventory Orgs  
Authority Type: Instance (Enable)  
Authority: SAKEE20 (Allow others to Modify/Delete/Execute)  
Rule Name: Move Inv Orgs under new OU (Create Mapping File)

Selection Criteria: C:\SAKEE20\Move Inv Orgs under N\ (Browse...)

	A	B	C
1	INVENTORY_ORG	CURRENT_OPERATING_UNIT	NEW_OPERATING_UNIT
2	Vision Operations	Vision Operations	
3	Seattle Manufacturing	Vision Operations	
4			

**Reorganization**  
Project NA Reorganization  
Logged In As: BUSINESSUSER

**Create Rule**

Rule Type: Merge Rule  
Rule Template: Merge Operating Units  
Authority Type: Instance (Enable)  
Authority: NA.TEST (Allow others to Modify/Delete/Execute)  
Rule Name: Merge Operating Units Test

Selection Criteria: Merge Operating Units  
Source: Progress Canada  
Target: Progress UK

Rules: No rules are available.

**Reorganization**  
Project Currency Change for NA Set of Books  
Logged In As: NA\_RO

**Create Rule**

Rule Type: Change Rule  
Rule Template: Change Set of Book Currency  
Authority Type: Instance (Enable)  
Authority: NA-Instance (Allow others to Modify/Delete/Execute)  
Rule Name: Cng NA-SOB-Curr-CAD2USD

Selection Criteria: NA Set of Books  
Current Currency Code: CAD  
New Currency Code: USD  
Daily Conversion Type to use: Corporate  
Landing Balances File: C:\NA-USD-OED-10-LandingBalances.cs (Browse...)

**Reorganization**  
Project Merge SOB BGCB-62 into BGNA-1  
Logged In As: BARRICK\_RO

**Create Rule**

Rule Type: Merge Rule  
Rule Template: Merge Set of Books  
Authority Type: Instance (Enable)  
Authority: GLDDSN-Instance (Allow others to Modify/Delete/Execute)  
Rule Name: Merge SOB 62 into SOB1

Selection Criteria: Source Set of Books: Barrick Gold Corp - Barbados; Target Set of Books: Barrick Gold of North America

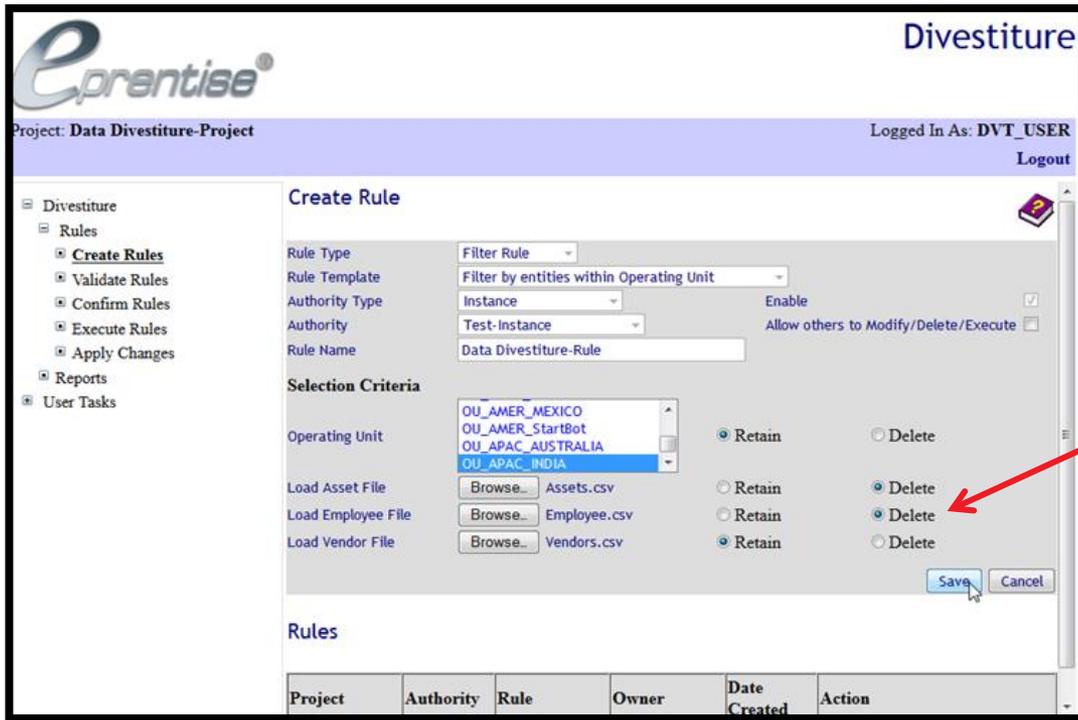
**Reorganization**  
Project Add ADJ Prds to Barrick Gold-12 Calendar  
Logged In As: BARRICK\_RO

**Create Rule**

Rule Type: Change Rule  
Rule Template: Add Adjustment Periods to Accounting Calendar  
Authority Type: Instance (Enable)  
Authority: GLDDSN-Instance (Allow others to Modify/Delete/Execute)  
Rule Name: Run-1-Add ADJ Prds to Barrick Gold-12 (Create Calendar File)

Selection Criteria: New Calendar File: F:\PCH-Clon-01-Aug2009\Repository (Browse...)

# ePrentise Divestiture Software



Specify Retain or Delete

# eprentise Transformation Benefits

- **Consolidate** Instances
- **Change** accounting structures
- **Move** legal entities or operating units into new ledger
- **Divest** a business unit
- **Change** calendars
- **Change** currency
- **Change** other flexfields
- **Merge or Split** ledgers
- **Combine** operating units
- **Change** costing methods
- **Merge or Move** inventories
- **Change** business groups
- **Reassign** Legal Entities to new Operating Units

- Shorter project duration with fewer resources translates to lower costs.
  - Repeatable results, reusable as requirements change
  - Requires less than half the time and resources of consulting efforts.
- Accurate, consistent results (no need to worry about different coding styles, standards, skill levels, corrupting database, differences in different versions)
  - Eliminates need to qualify consultants on technical skills.
  - Maintains database integrity.
  - Retains all history.
  - Avoids re-implementation.
  - Reduces risk.
- No Oracle Application software is changed or customized.
- No need for external, mapping, data warehouse, or reporting to reconcile different businesses.
  - Make the most of existing resources.

# Contact

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