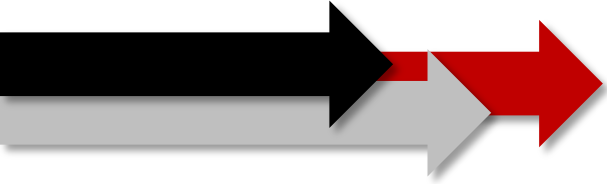# CIO Academy: Organizational Transformation and the Role of IT
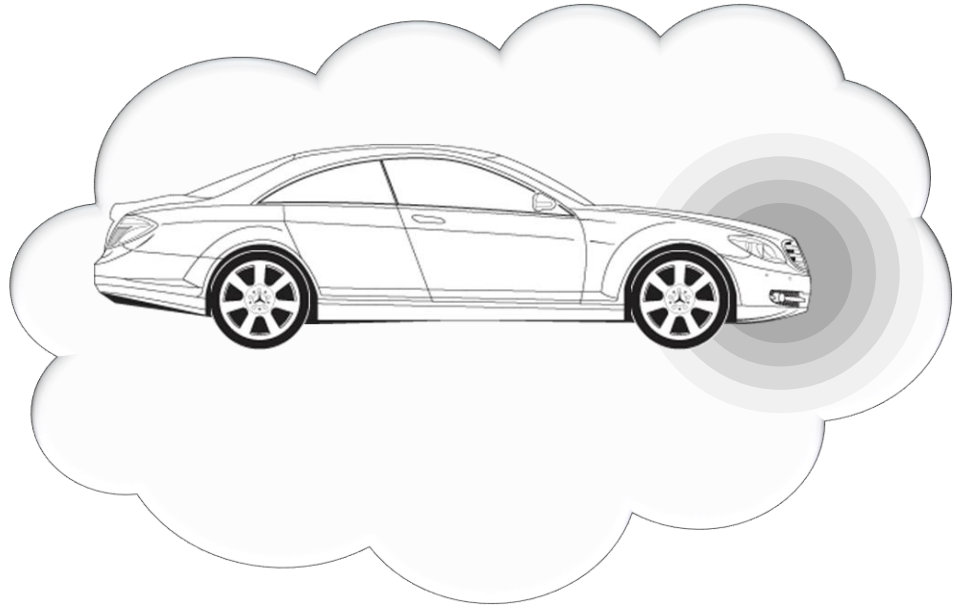
Mark Sunday, SVP & CIO
Oracle

Hardware and Software
ORACLE
Engineered to Work Together

Vision

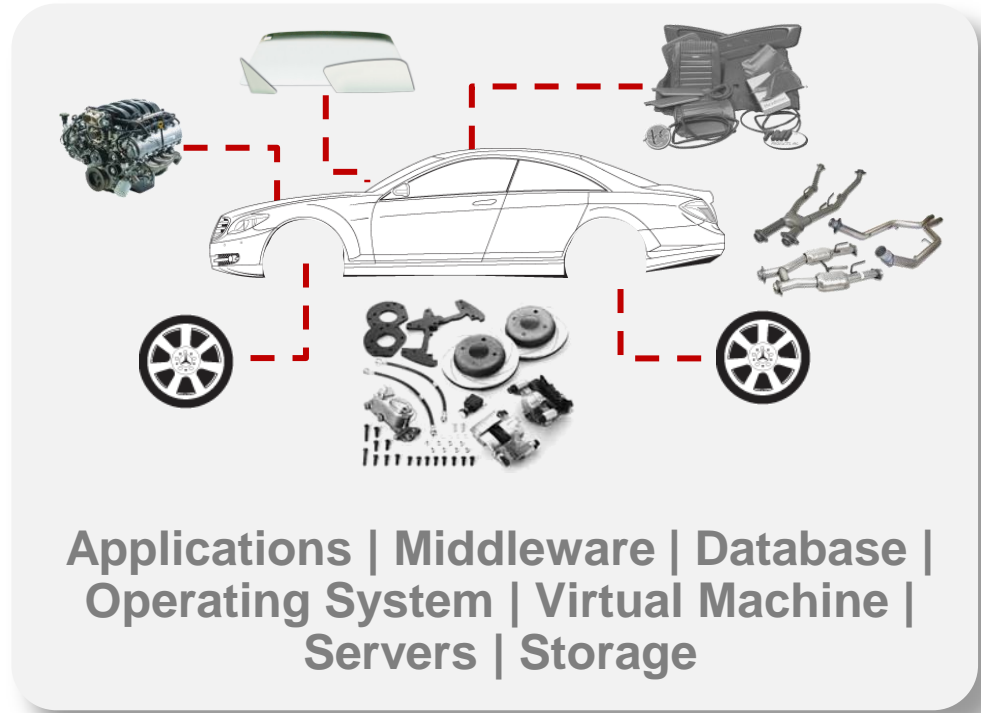IMAGINE BUYING A CAR THE WAY A BUSINESS BUYS IT

Information Technology

Process

1. **Design**
   Overall System & Each Component

2. **Procure**
   Deal with Multiple Vendors

3. **Assemble**
   Not all Pieces Designed to Work Together

4. **Test**
   Functionality, Integration, Scalability, Reliability & Performance

Applications | Middleware | Database | Operating System | Virtual Machine | Servers | Storage
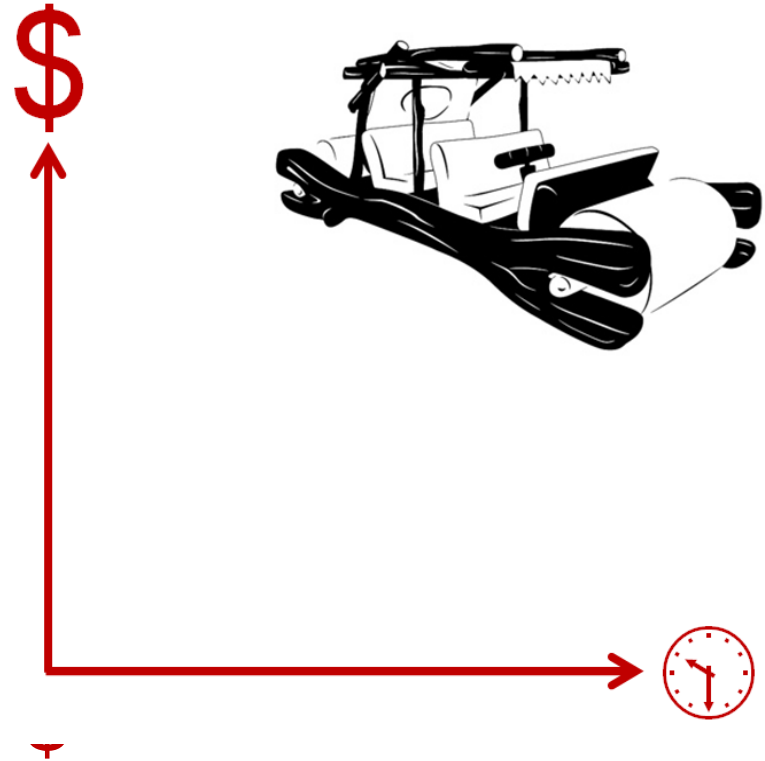
IMAGINE BUYING A CAR THE WAY A BUSINESS BUYS IT

Information Technology

Missed Expectations

▶ **Took <u>Longer</u> Than Imagined**

▶ **Cost <u>More</u> than Expected**

▶ **Certainly <u>Not</u> What Was Envisioned**

$

IMAGINE BUYING A CAR THE WAY A BUSINESS BUYS IT

Information Technology

- **Complete**

- **Open**

- **Integrated**
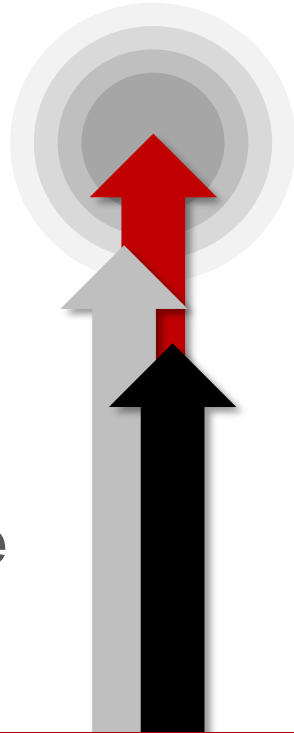
Oracle Strategy

Oracle Buys Sun

Oracle Brings Hardware & Software Together

Vision Maintained

Complete Stack

- **Best-of-Breed / Open**
- **Vertical Integration**
- **Extreme Performance**
- **Engineered Systems**

Complete Choice

- **On-Premise**
- **Private Cloud**
- **Public Cloud**
- **Hybrid Cloud**

ORACLE®

How Oracle IT is an **ENABLER** of this Strategy

Oracle Corporation

▶ **Scale**

- US$35.6 billion total GAAP revenue in FY11
- More than **380,000** customers worldwide in more than **145** countries around the globe
- **108,000** employees

▶ **Innovation & Investment**

- **32,000** developers & engineers
- **18,000** support personnel
- **20,000** partners worldwide
- **14 million** developers – the largest developer community worldwide

First Things Successful M&A Leaders Do…

1 **They get their own IT house in the best possible shape before initiating any deals**

2 CEO makes sure that IT leaders have a seat at the due-diligence table to get their perspective on the difficulty of systems integration

3 They carefully plan post-merger integration, including the role that IT will play and the resources at its disposal

Source: McKinsey Study - Understanding the strategic value of IT in M&A

Where We Came From (198X – 200X)…

Over 70 ERPs

Inconsistent Business Processes

40 Data Centers

Decentralized Decision Making
—**Geography**
—**Line of business**

Fragmented Data

| Insert Information Protection Policy Classification from Slide 8

ORACLE

Oracle's Transformation
Simplify, Standardize, Centralize & Automate

Organization

Infrastructure

Process

Self Service

Data Center

Data

Applications

Shared Services

  Insert Information Protection Policy Classification from Slide 8
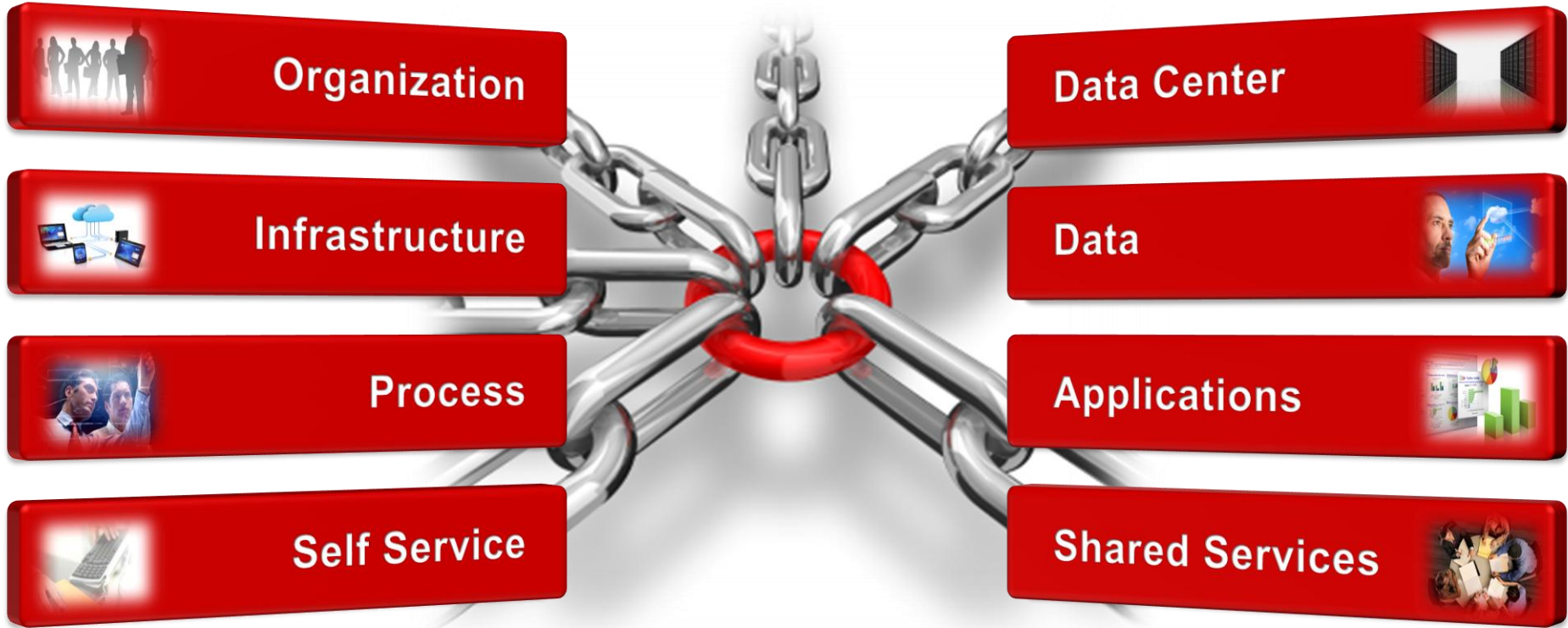
Oracle Internal Self-Service

Make Everything Self-Service

Level of Self-Service Across Functions at Oracle

*

HR — 84%

Expenses — 100%

Air Travel — 85%

Online Support Requests — 78%
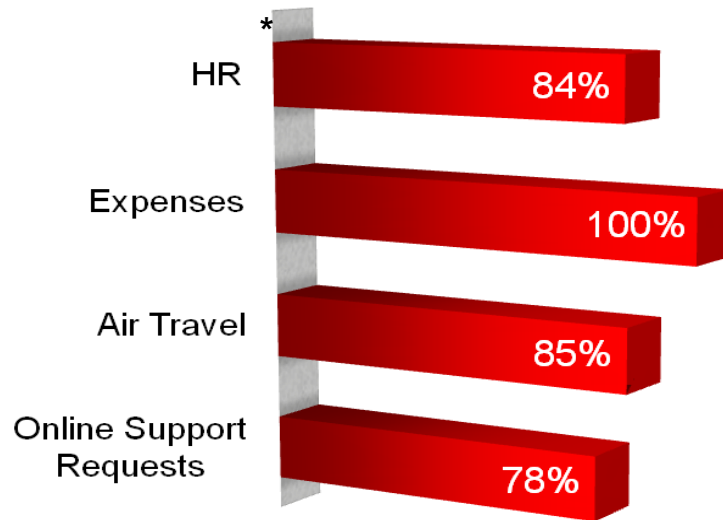
TACTICS

- Automate All Low Value, High Volume Interactions with:
  - ➥ Employees
  - ➥ Customers
  - ➥ Suppliers

- Model: Amazon's Customer Experience

*Number of end-user processes and workflows that have been self-service enabled

ORACLE

    Insert Information Protection Policy Classification from Slide 8

Shared Services – Evolution & Advantages

Multiple …
SYSTEMS

Rationalize Systems
Move to one System
Move to one Database

Cost Reduction

Multiple …
PROCESSES

Define Processes
Common Policies
Common Processes

Increased Efficiencies

Shared Services

Increased Productivity

One Location
Consolidate within Region
Consolidate within Country

Multiple …
LOCATIONS

Improved Control & Risk

One Organization per Process
Separate from Business Units

Multiple …
ORGANIZATIONS

Shared Services - Challenges
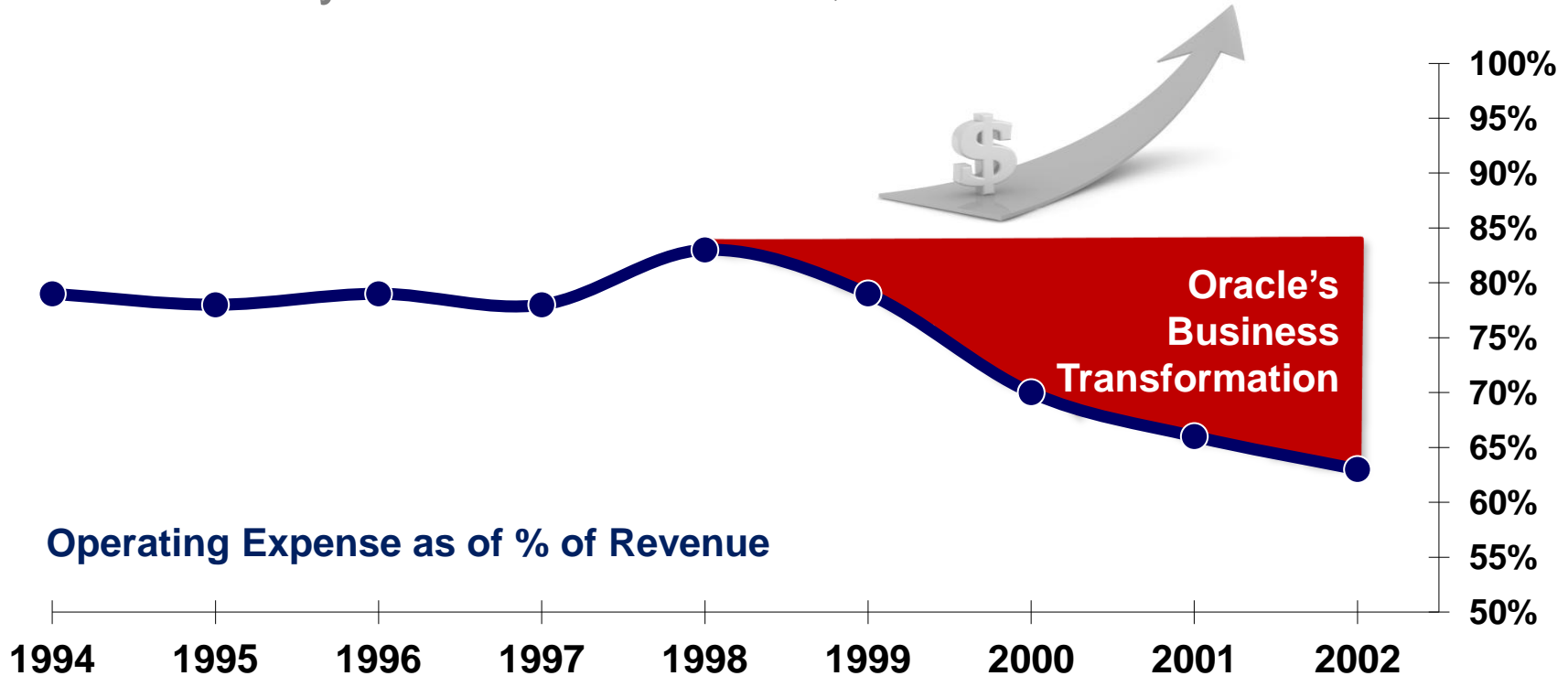
- Clear definition of **local / central split** – minimize hand-offs

- **Change management is required** for the loss of the "personal touch" locally

- **Location** should be considered for both cost-savings and attrition over the long-term

- Management of **cultural differences** & **virtual teams**

- Special attention is required if the **process is being reengineered** during the migration to shared services

 Insert Information Protection Policy Classification from Slide 8

The Transformation Payoff

The Ability to Drive Profitable, Sustainable Growth

Oracle's Business Transformation

Operating Expense as of % of Revenue

100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%

1994 1995 1996 1997 1998 1999 2000 2001 2002

ORACLE

   | Insert Information Protection Policy Classification from Slide 8

Oracle IT Philosophy

Complexity	**Streamlined**	**Simplify**
Many Ways	**One Way**	**Standardize**
Distributed	**Targeted**	**Centralize**
Manual	**Automated**	**Automate**

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Efficiency at the Cost of Agility?

LOWER Costs | *Operational* **EXCELLENCE**
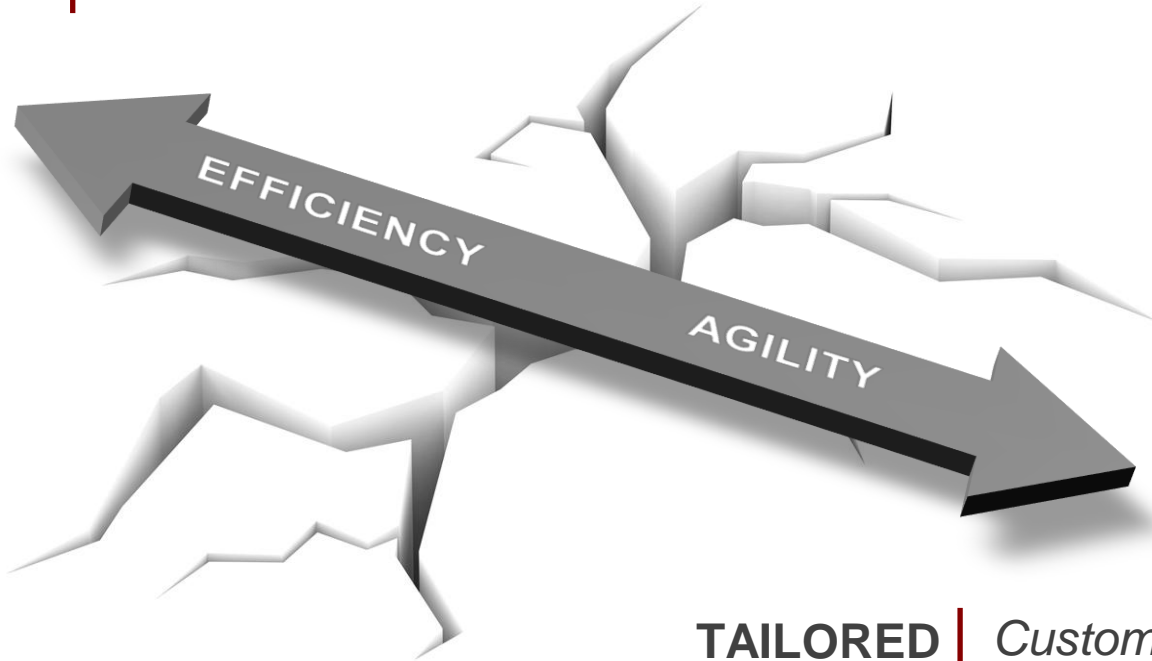
EFFICIENCY

AGILITY

TAILORED Offerings | *Customer* **INTIMACY**

- ● **Simplify**
- ● **Standardize**
- ● **Centralize**
- ● **Automate**

ORACLE®

Efficiency at the Cost of Agility? No.

LOWER Costs | *Operational* **EXCELLENCE**

EFFICIENCY

&

AGILITY

TAILORED *Offerings* | *Customer* **INTIMACY**

- **Simplify**
- **Standardize**
- **Centralize**
- **Automate**

ORACLE®

Acquisitions Over Time

FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12

Sun Acquisition

> Oracle's IT Acquisition Approach ➤ "We Don't Integrate, We Eliminate"

▲ Standardizing & Consolidating:

Applications | Organizations | Facilities | Infrastructure

▲ Reengineering & Globalizing Processes

▲ Run Oracle on Sun

ORACLE

 | Insert Information Protection Policy Classification from Slide 8

Oracle

Application Portfolio

CUSTOMER MGMT
- Marketing
- Sales
- Partner Mgmt

PROJECTS
- Project Portfolio Mgmt

BI / ENTERPRISE PERFORMANCE MGMT
- Sales & Marketing
- Finance
- Service

CUSTOMER SERVICE (MYORACLE SUPPORT)
- Service Request Lifecycle
- Configuration Mgmt
- Knowledge & Communities
- Health Checks | Diagnostics

ENTERPRISE RESOURCE PLANNING
- Financials
- Project Accounting
- Order Mgmt / Quoting
- Contracts
- HR & Payroll
- Advanced Pricing
- eCommerce
- Indirect Procurement

GOVERNANCE, RISK & COMPLIANCE
- Risk Evaluation & Remediation
- Controls & Policy Compliance

COLLABORATION
- Email
- Workspaces
- Web Conferencing
- Instant Messaging

 | Insert Information Protection Policy Classification from Slide 8

Operations Focused on Four Primary Links in the Supply Chain

1 **THROW OUT THE INVENTORY**
- Build to Stock (old)
  – Assemble to Order (new)

2 **MAKE DEEP CUTS**
- Strategic changes to Sun's existing distribution system & network of sales channel partners
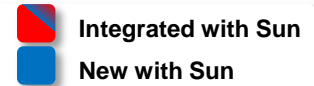
3 **MODERNIZE THE TECHNOLOGY**
- Business process changes
- Update & expand the underlying applications

4 **CONTINUOUSLY IMPROVE**
- Listening to alternative ideas & concerns

Sun microsystems

Oracle with Sun
Application Roadmap

Integrated with Sun
New with Sun

CUSTOMER MGMT
- Marketing
- Sales
- Partner Mgmt
- Quoting

CUSTOMER SERVICE (MYORACLE SUPPORT)
- Service Request Lifecycle
- Configuration Mgmt
- Knowledge & Communities
- Health Checks | Diagnostics

GOVERNANCE, RISK & COMPLIANCE
- Risk Evaluation & Remediation
- Controls & Policy Compliance

PROJECTS
- Project Portfolio Mgmt

ENTERPRISE RESOURCE PLANNING

Financials & Core ERP
- Financials (GL, AR, AP)
- Project Accounting
- Goods & Services
- Contracts
- eCommerce
- Advanced Pricing
- Indirect Procurement
- Direct Procurement
- Expenses

Human Resources
- HR & Payroll

Value Chain Management
- On Demand Planning
- Supply Planning
- Service Parts Planning
- Items, BOMs, Configurations
- WMS & Logistics
- Global Trade Mgmt
- Field Services Execution

COLLABORATION
- Email
- Workspaces
- Web Conferencing
- Instant Messaging

BI / ENTERPRISE PERFORMANCE MGMT
- Sales & Marketing
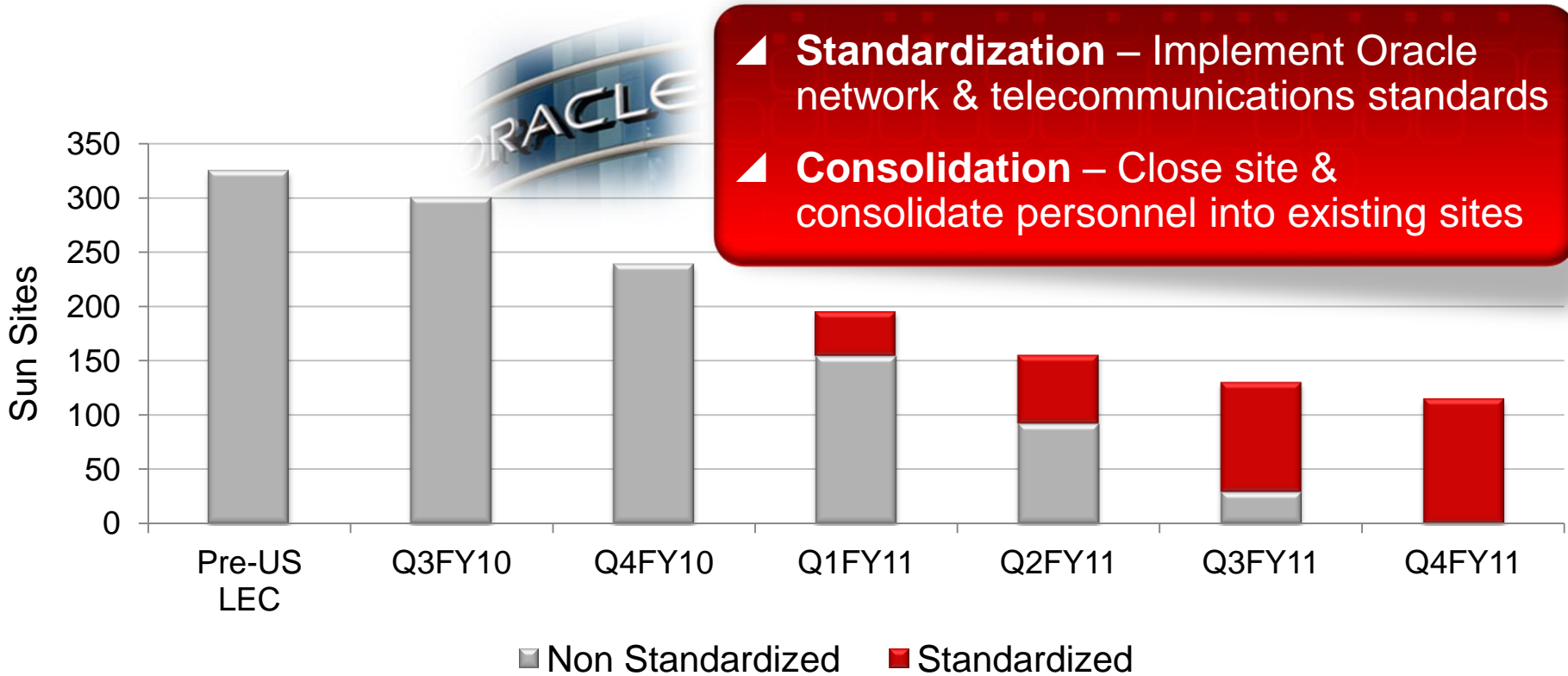- Finance
- Service
- Supply Chain

PRODUCT LIFECYCLE MGMT
- Product Collaboration
- Product Cost Mgmt
- CAD Integration
- Product Master Data Mgmt

Infrastructure Consolidation & Standardization

- ▲ **Standardization** – Implement Oracle network & telecommunications standards
- ▲ **Consolidation** – Close site & consolidate personnel into existing sites

Chart — Sun Sites (y-axis: 0–350)

Categories: Pre-US LEC, Q3FY10, Q4FY10, Q1FY11, Q2FY11, Q3FY11, Q4FY11

Legend: ■ Non Standardized ■ Standardized

Consolidation & Standardization Payoff

Telecommunications Example
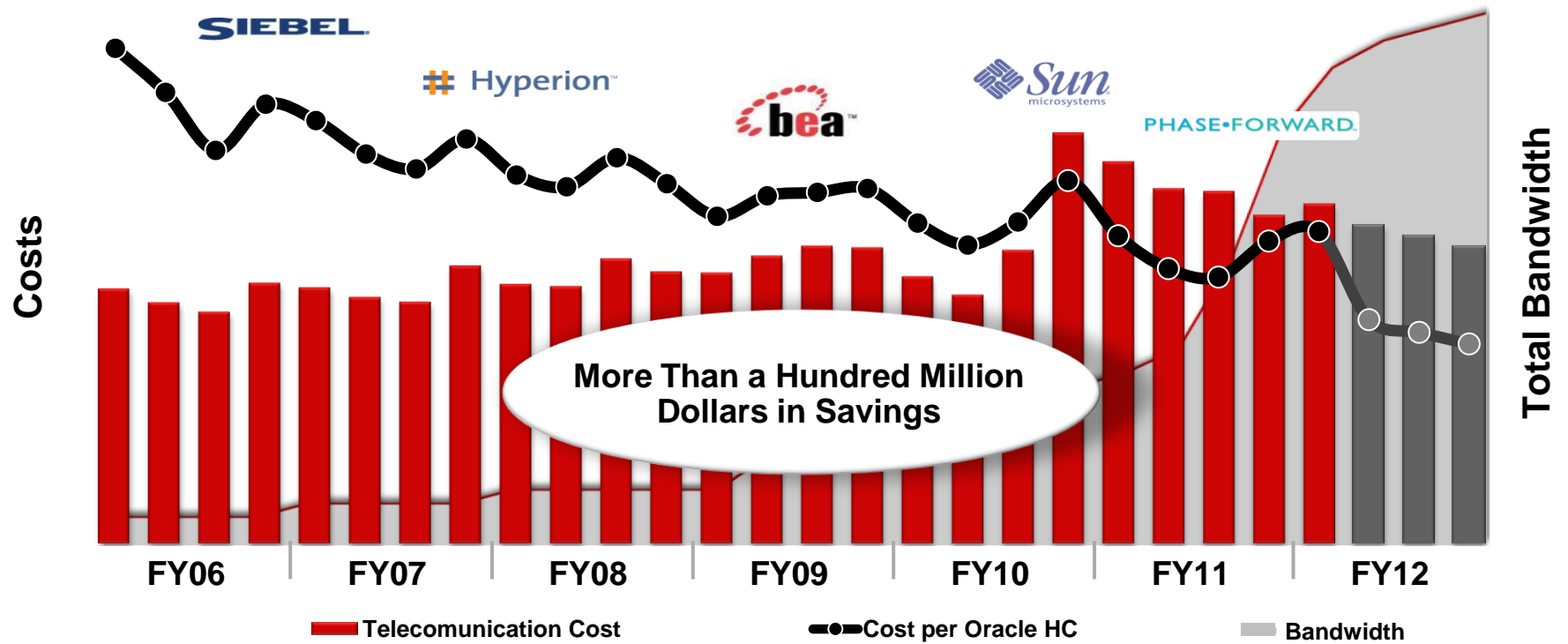
More Than a Hundred Million Dollars in Savings

- Telecomunication Cost
- Cost per Oracle HC
- Bandwidth

Costs | Total Bandwidth

FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12

Oracle on Sun

SPARC / Solaris 10 - Successfully migrated our core ERP single instance to the M9000s

Exadata / Exalogic - Deployed for key applications proving the performance of Exadata & Exalogic

ZFS Storage Appliance - The standard method of storage for Oracle's IT needs

StorageTek Tape - Leveraging Oracle storage technology to show that applications can be better performing

X86 / Linux – Running mission critical applications spanning Oracle's lines of business

Sun Ray - Deployed worldwide, proving that security & manageability can be improved

IT - Key To Acquisition Synergies

Synergy distribution by industry, %

Related to IT

IT alone

IT enabled

Unrelated to IT

|	Health Care	Industrial	Financial Services
IT alone	15	10	25
IT enabled	35	40	35
Unrelated to IT	50	50	40
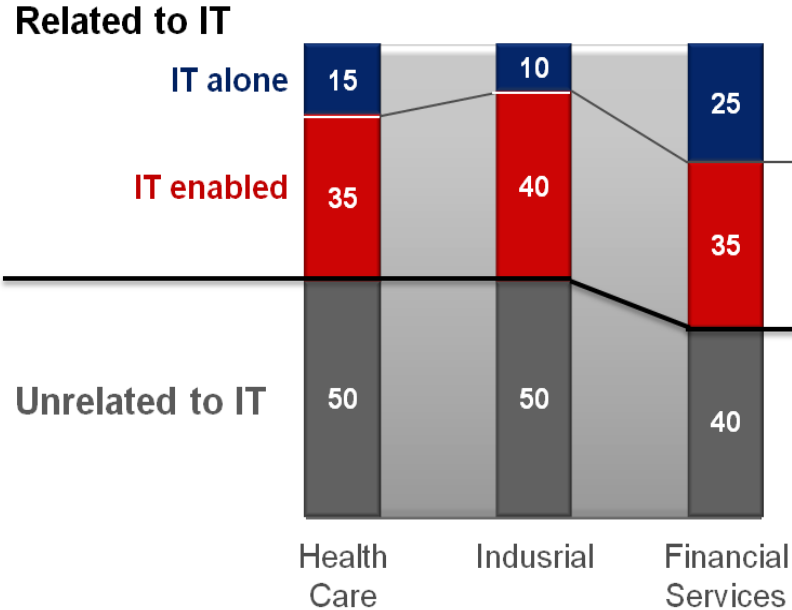
Examples of synergies

- Lower IT infrastructure costs
- Reduced IT head count
- Increased volume discounts for IT procurement

- Integrating functional systems reduces finance & HR costs
- Route optimization lowers logistics costs
- Integrating customer data offers better cross-selling revenue

- Fewer plants, distribution centers, & headquarters reduce facility costs
- Lower financing costs
- Vendor consolidation lowers procurement costs

"Often, <u>more than half</u> the synergies available in a merger are **strongly related to IT**"

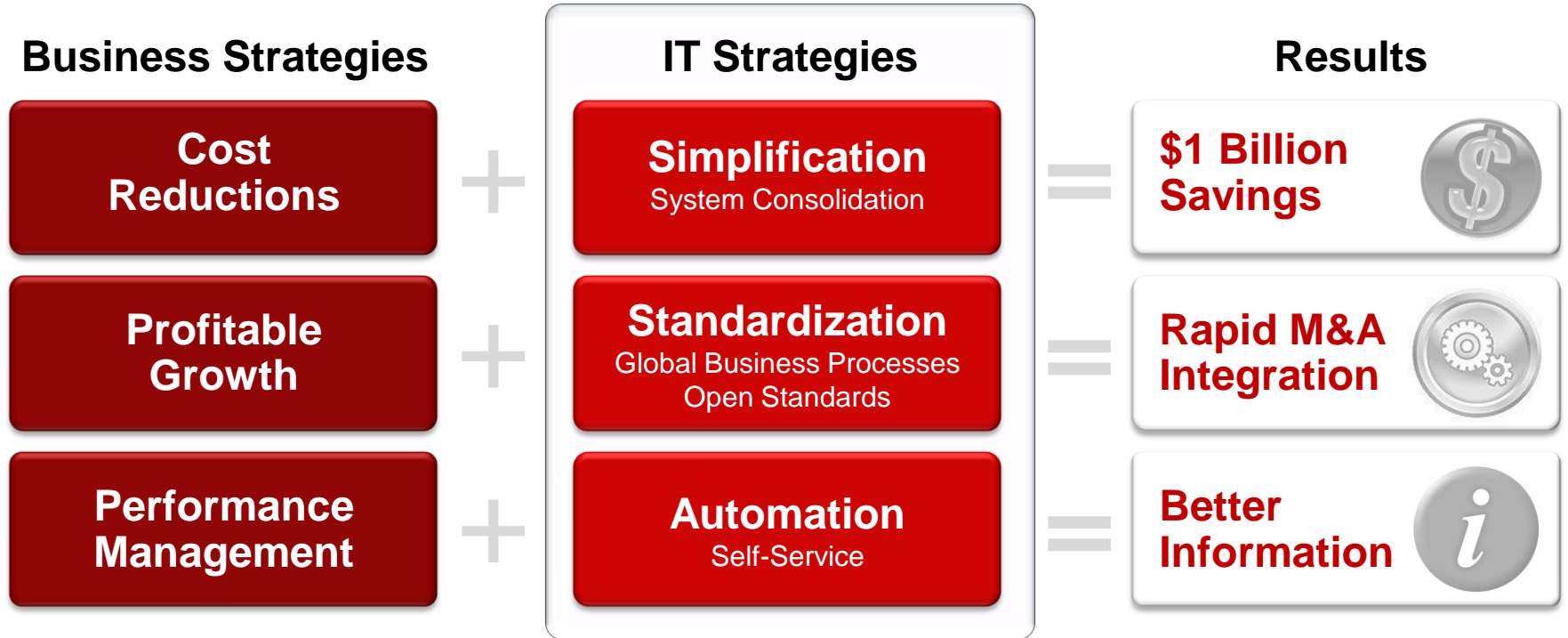# Oracle's M&A Integration Process Drives Performance Improvements
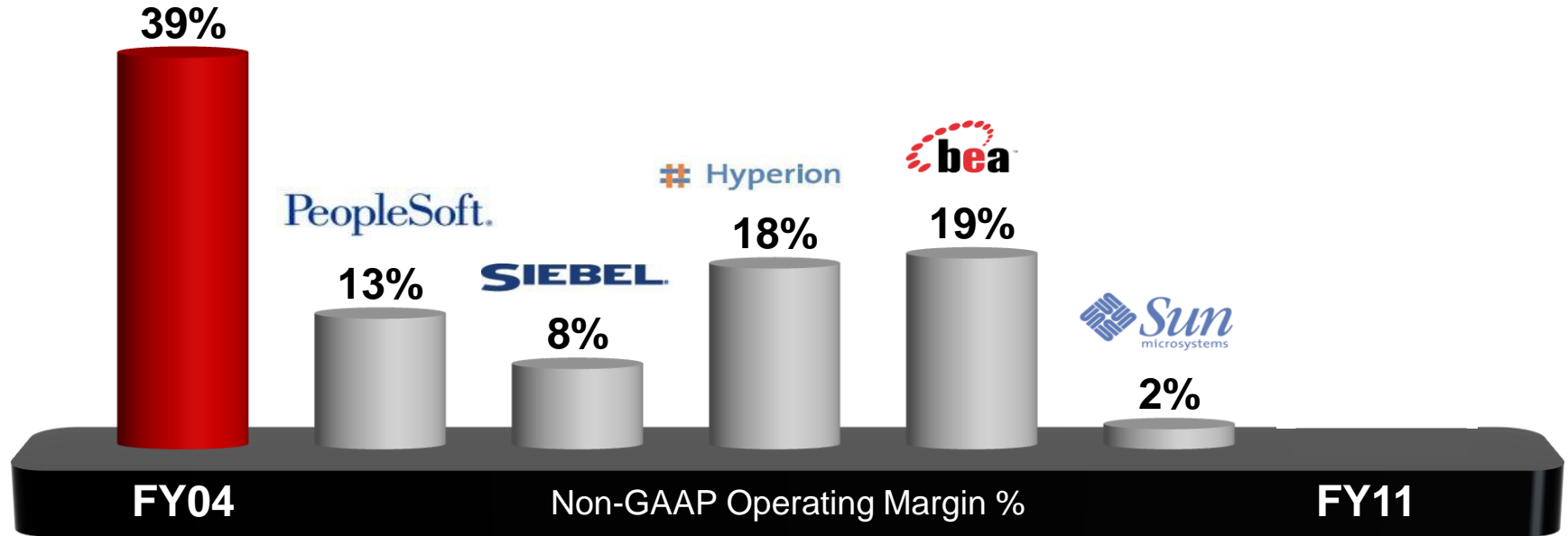
Figures based on Non-GAAP results. GAAP to Non-GAAP reconciliations are available at www.oracle.com/investor.
Figures for acquired companies are non-GAAP results for 12 month period preceding acquisition.

Insert Information Protection Policy Classification from Slide 8

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Looking Back…

Becoming Information Driven

Business Strategies		IT Strategies		Results
Cost Reductions	+	**Simplification** System Consolidation	=	**$1 Billion Savings**
Profitable Growth	+	**Standardization** Global Business Processes Open Standards	=	**Rapid M&A Integration**
Performance Management	+	**Automation** Self-Service	=	**Better Information**

ORACLE

 | Insert Information Protection Policy Classification from Slide 8

IT Transformation Journey

003 | 2004 | 2005 | 2006 | **2007** | 2008 | 2009 | 2010 | 201

2007

Transformation Milestones

Determine Drivers for Change

Operational Synergies
Scalability
More 'Wood Behind the Arrow' for Key Organizational Initiatives
More Strategically Engaged with Our Stakeholders

Decision to Adopt ITILv3 Best Practices

IT Service Management

DRIVERS *for change*

Operational Synergies

Scalability

More 'Wood Behind the Arrow' for Key Organizational Initiatives

More Strategically Engaged with our Stakeholders

Insert Information Protection Policy Classification from Slide 8

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IT Transformation Journey

004 | 2005 | 2006 | 2007 | **2008** Transformation Milestones | 2009 | 2010 | 2011 | 201

IT Re-Organization

Service Based Organization

ITSM Improvement Program – Kick Off

Where We Started

Pockets of Excellence | Many Doors | Reactive

Function Based Organization

NETWORK
ON DEMAND
ORACLE UNIVERSITY
INTERNAL CUSTOMERS
AUSTING DATA CENTER
ROCKY MTN DATA CENTER
SECURITY
HELP DESK
FIELD SERVICES
APPLICATIONS

ENGAGE WITH STAKEHOLDERS
ARCHITECT & ENGINEER
TRANSITION TO PRODUCTION
OPERATE & SUPPORT
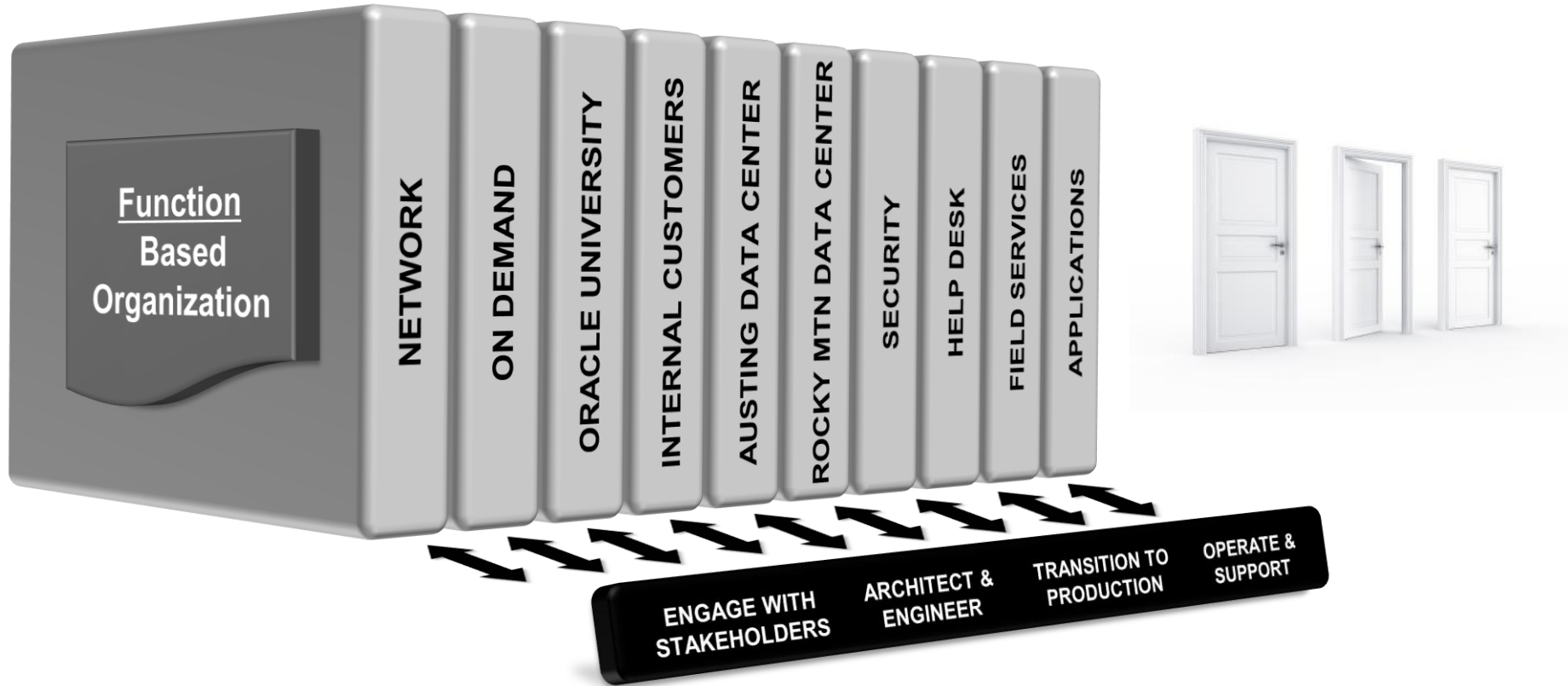
Commitment to Transform

Hernando Cortez

 | Insert Information Protection Policy Classification from Slide 8

ORACLE®
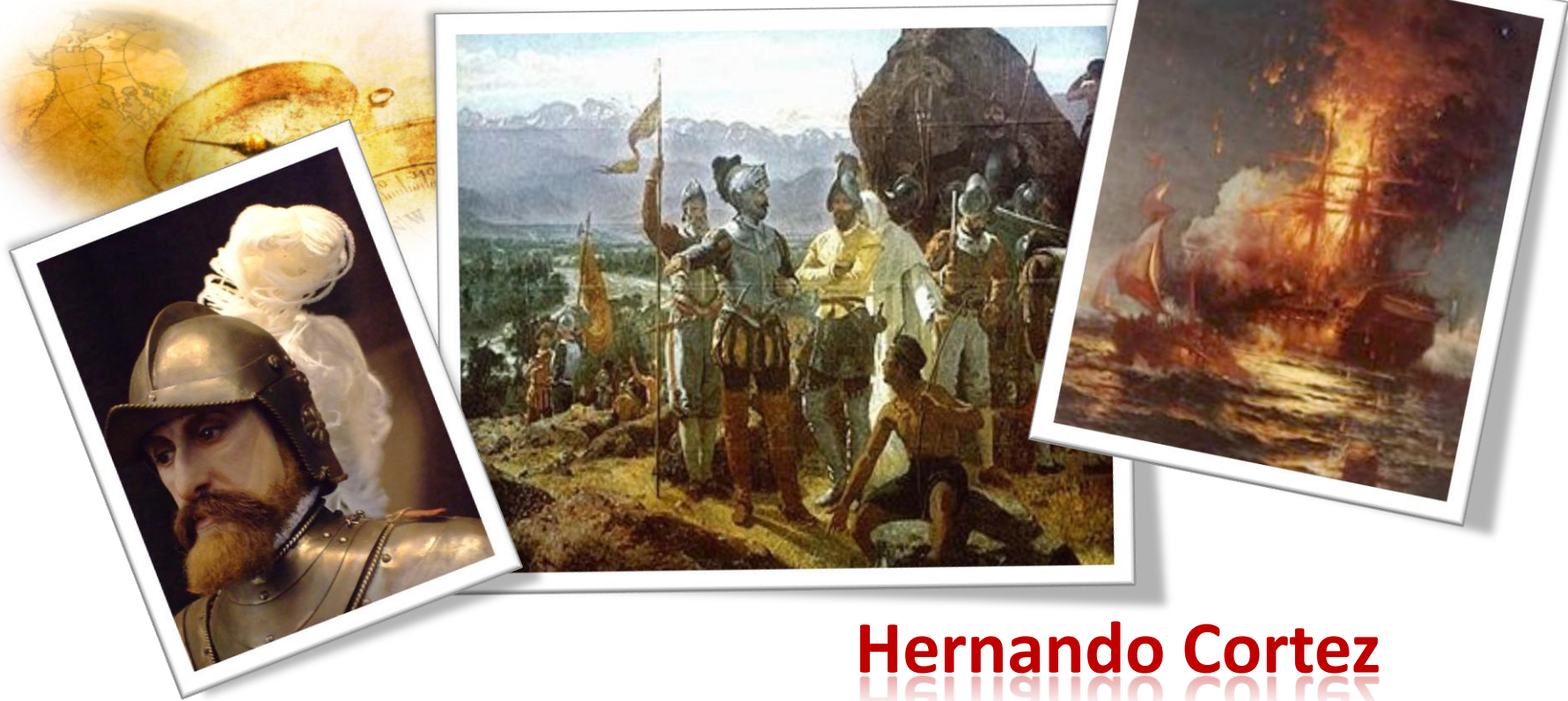
2008 Transformation Snapshot

Highly Leveraged | **Consistent Delivery** | **Scalable**

Service Based Organization

CUSTOMER MANAGEMENT

SERVICE DESIGN

SERVICE OPERATIONS

SERVICE SUPPORT

RISK MANAGEMENT

SERVICE MANAGEMENT

ENGAGE WITH STAKEHOLDERS

ARCHITECT & ENGINEER

TRANSITION TO PRODUCTION

OPERATE & SUPPORT

IT Transformation Journey

005 | 2006 | 2007 | 2008 | **2009** Transformation Milestones | 2010 | 2011 | 2012 | 201
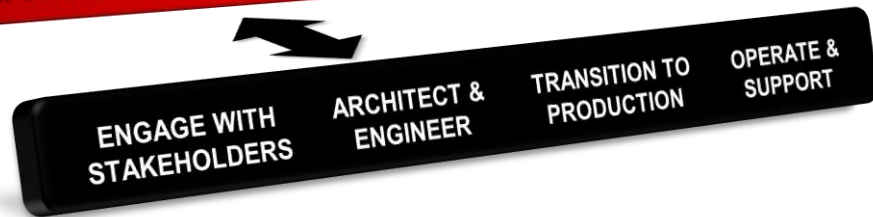
Introduced 22 ITSM Processes, Service Catalog, BRMs, …
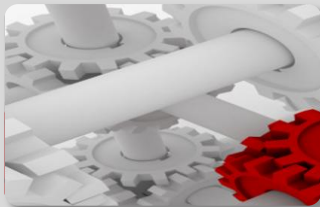
Completed ITSM Improvement Program

2009 Focus - ITSM Implementation

ITSM foundation established

- ✓ ITSM Process Framework (22 processes)
- ✓ Service Catalog
- ✓ Service Level Metrics
- ✓ Governance Processes
- ✓ Business Relationship Managers for Each Customer
- ✓ Systems Roadmap Established
- ✓ Continual Service Improvement Framework Established

LIFT PROGRAM

Objectives	Success Criteria
• Implement an **ITSM process framework** made up of 22 processes*	• 22 processes published and being executed and measured* • 100% of people with defined process roles are trained
• Develop a single **service catalog** that defines all services delivered by GIT	• GIT portfolio of services defined and published • Services are communicated and socialized with GIT customers
• For all services in the catalog, establish **Service Level Metrics**	• Service Level Baselines & Targets established for GIT portfolio of services • Performance against service levels measured and published
• Establish ongoing **governance** of the process framework & service lifecycle	• Key governance roles established (Process Owners & Service Owners) • Portfolio Steering Committee in place and prioritizing service efforts
• Establishment of **Business Relationship Management**	• BRM function and processes in place that enable alignment between customer objectives and GIT priorities
• **Systems roadmap** to align to and support the process framework & service lifecycle	• Prioritized list of approved application, tools, and automation requirements
• Establishing a continual improvement framework	• Continuous measurement and analysis of key process metrics to identify opportunities for improvement that deliver business value
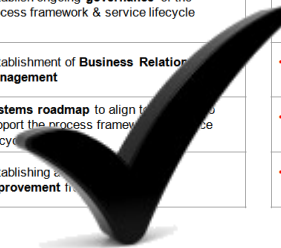
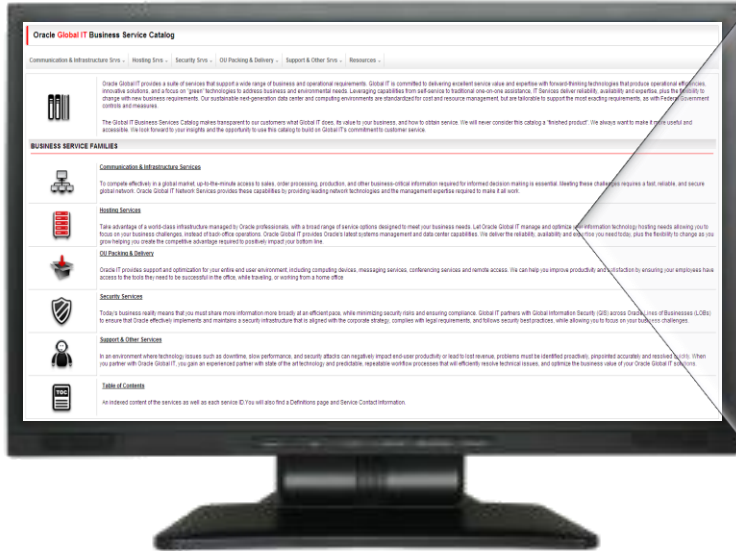# Implement 22 ITSM Processes

Objective:
Implement an ITSM **process framework** made up of 22 processes

Success Criteria:
- 22 processes published & being executed and measured
- 100% of people with defined process roles are trained

Develop a Service Catalog

- **27** Services Defined & Published

- **Global IT Services Portal** available, this is GIT's Business Service Catalog

- Service Owners & Service Delivery Contacts assigned for **all services**
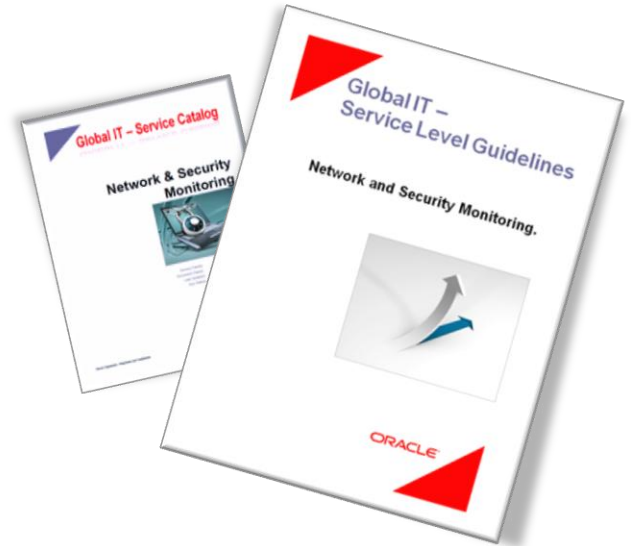
Objective:
Develop a single **service catalog** that defines all services delivered by Global IT

Success Criteria:
- Global IT portfolio of services defined & published
- Services are communicated & socialized with GIT customers

Establish Service Level Metrics

- **Service Level Baselines** and **Targets** established for each service in the catalog

- **Performance** against service levels is measured and published on our Global IT Business Intelligence webpage

Objective:
For all services in the catalog, establish **Service Level Metrics**

Success Criteria:
- Service Level Baseline & Targets established for GIT portfolio of services
- Performance against service levels measured & published

Establish Process & Service Governance

- **Governance Roles** Defined & Filled:
  - Process Owners | Process Managers | Service Owners

- **Project Request Evaluation Process** (PREP):
  - Provides project requestors with a roadmap to fulfill their specific need
  - Process which enables PSC governance
  - Allows Global IT to maintain holistic view across the org
  - Allows GIT to work on right projects at right time

- **Portfolio Steering Committee** established and meeting weekly to review, prioritize, and disposition project & work requests

Objective:
Establish ongoing **governance** of the process framework & service lifecycle

Success Criteria:
- Key governance roles established (Process & Service Owners)
- Portfolio Steering Committee in place & prioritizing service efforts

Business Relationship Management

> **Give me the best value for every IT $**
>
> **Demonstrate that you're working on what I care about!**
>
> **Are you resolving my issues appropriately?**
>
> **Are you working effectively with my team?**
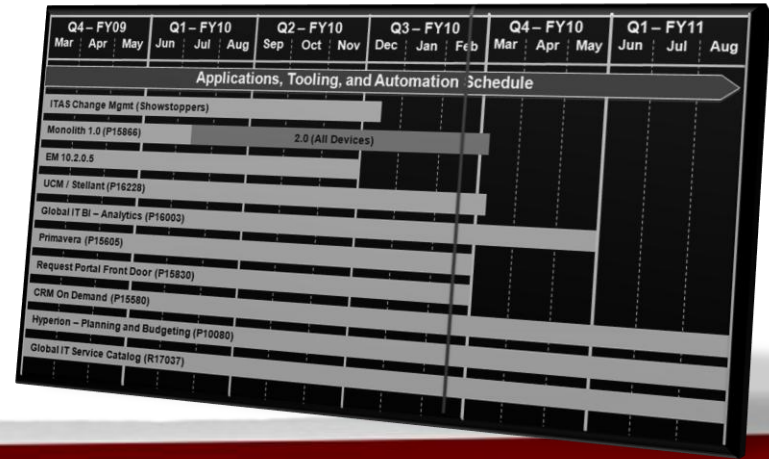
Representing the Voice of the Customer

Objective:
Establishment of **Business Relationship Management**

Success Criteria:
- BRM function & processes in place that enable alignment between customer objectives and Global IT priorities

Produce a Systems Roadmap

- **Generated system requirements for all of the LIFT processes, with a focus on improving efficiency and effectiveness**

- **Systems Roadmap Developed**

- **146 application, tool, and automation requests submitted during LIFT program**

|	Q4 – FY09			Q1 – FY10			Q2 – FY10			Q3 – FY10			Q4 – FY10			Q1 – FY11		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Applications, Tooling, and Automation Schedule																		
ITAS Change Mgmt (Showstoppers)																		
Monolith 1.0 (P15866)					2.0 (All Devices)													
EM 10.2.0.5																		
UCM / Stellant (P16228)																		
Global IT BI – Analytics (P16003)																		
Primavera (P15605)																		
Request Portal Front Door (P15830)																		
CRM On Demand (P15580)																		
Hyperion – Planning and Budgeting (P10080)																		
Global IT Service Catalog (R17037)																		

Objective:
Systems roadmap to align technology to support the process framework & service lifecycle

Success Criteria:
- Prioritized list of approved application, tools, & automation requirements

Establish Continual Service Improvement

- **Established a structured improvement methodology & manage improvements of GIT Services Management Processes & Services**

- **Permanent, full-time Continual Service Improvement team established to drive & execute throughout GIT**

- **Phased operational rollout with an initial focus on ITSM process performance & optimization**
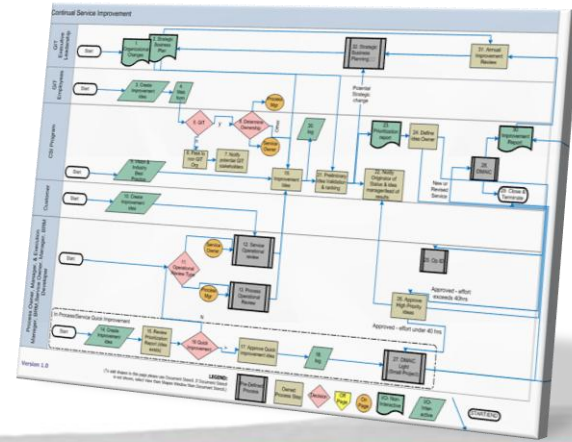
Success Criteria:
- Continuous measurement & analysis of key process metrics to identify opportunities for improvement that deliver business value.

IT Transformation Journey

006 2007 2008 2009 **2010** 2011 2012 2013 201

2010

Transformation Milestones

Project of the Year Award Recipient

*it*SMF

Value Fulfillment Period

Focus LIFT VFP

IT Transformation Journey

2007 2008 2009 2010 **2011** **Transformation Milestones** 2012 2013 2014 201

Adjusted Organization to Increase Span of Control

Direct Focus on Service Desk, Incident, Request, Change & Problem Mgmt

Where We Are

Focus on Service Strategy │ Elevated Service Desk

Service Based Organization

PLAN
> CUSTOMER MANAGEMENT
> SERVICE STRATEGY

BUILD
> SERVICE DESIGN

RUN
> IT FIELD SERVICES
> INCIDENT & REQUEST MGMT
> SERVICE OPERATIONS
> CHANGE & PROBLEM MGMT
> TELCO MANAGEMENT

SUPPORTING ORGS
> RISK MANAGEMENT
> SERVICE MANAGEMENT

ENGAGE WITH STAKEHOLDERS | ARCHITECT & ENGINEER | TRANSITION TO PRODUCTION | OPERATE & SUPPORT
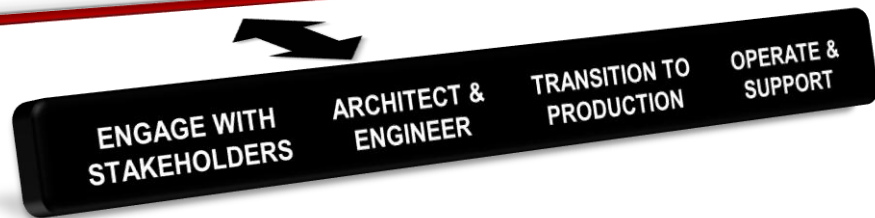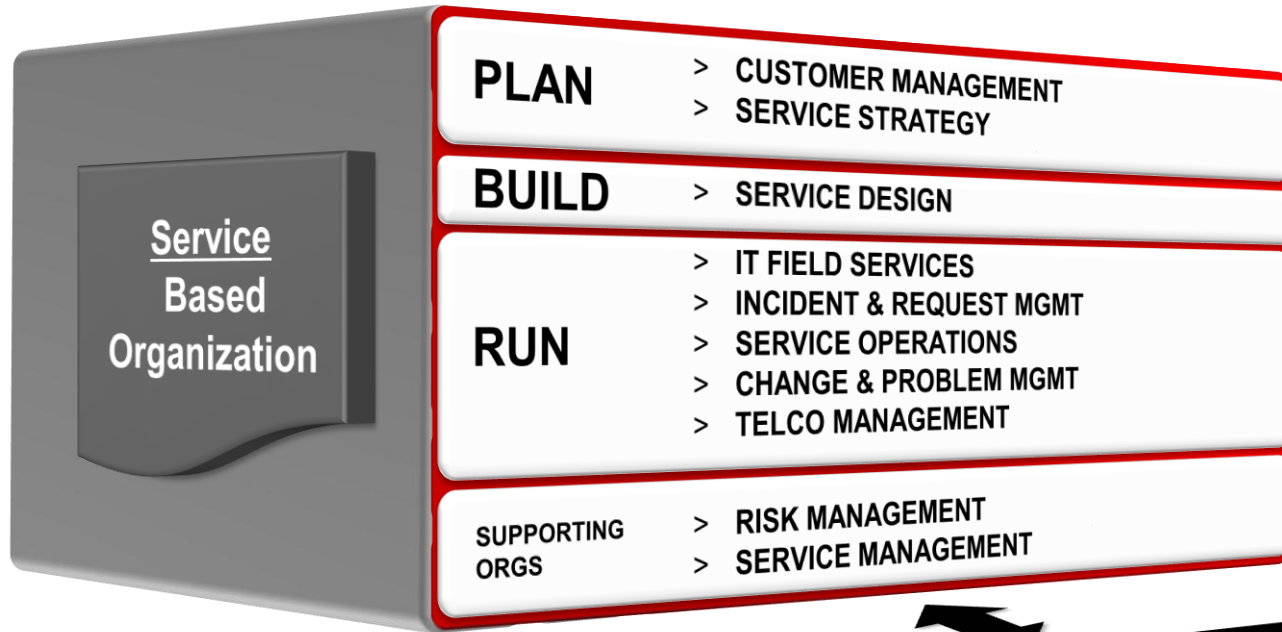
How Oracle IT is a **BENEFACTOR** of this Strategy

Business Intelligence at Oracle Today

Marketing	Sales	Support	Partners	Finance	Ordering & Contacts	IT

- **Marketing**
  - Event Intelligence
  - Marketing Contribution Analysis
  - Segmentation
  - Campaign Intelligence
  - Data Quality Monitoring

- **Sales**
  - Pipeline Intelligence
  - Forecasting
  - Account Analysis
  - White Space Analysis
  - Up-Sell / Cross-Sell Opportunities

- **Support**
  - Executive Dashboards
  - Operational Dashboards
  - Contract Renewal Management
  - Install Base Intelligence

- **Partners**
  - Partner Ordering Analysis
  - Partner Enrollment
  - Partner Analytics

- **Finance**
  - Revenue
  - T&E Analysis
  - Expense Actual vs. Budget
  - Expense by Manager
  - Headcount

- **Ordering & Contacts**
  - Ordering Analysis
  - Ordering Queue Monitoring
  - Quote to Order Flow & Analysis
  - License Contract Intelligence

- **IT**
  - Key Performance Indicators
  - Total Cost Of Ownership
  - Consumption & Utilization
  - Error Free Services

Centralized Data Warehouse

Oracle's Social Network

Being social is more than just talking…

Idea Sharing | Content Mgmt | Web Conference | Blogs

Chat | Tweets | Forums | WebCenter Communities | Twikis | OTube Videos | and more…

Forrester's Four Step Approach to the Social Strategy:

People
Objectives
Strategy
Technology

Cloud Computing at Oracle

ON DEMAND

ORACLE
PRIVATE CLOUD

ORACLE
PUBLIC CLOUD

Oracle Cloud
Strategy

DEVELOPMENT
FARM

ORACLE
UNIVERSITY

Exadata /
Exalogic
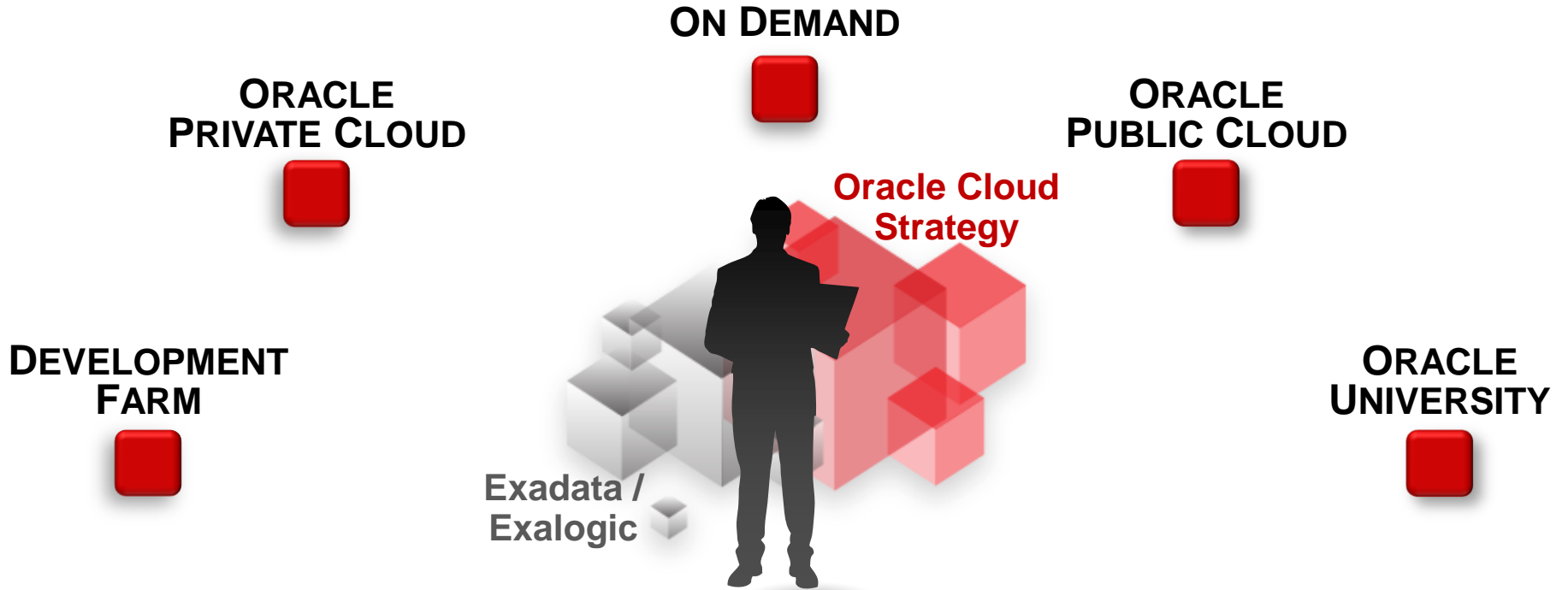
PERVASIVE ACROSS EVERYTHING WE DO

Cloud Computing at Oracle

SaaS
Applications available "on tap"

PaaS
Shared application and data platform

IaaS
Pooled computer resources
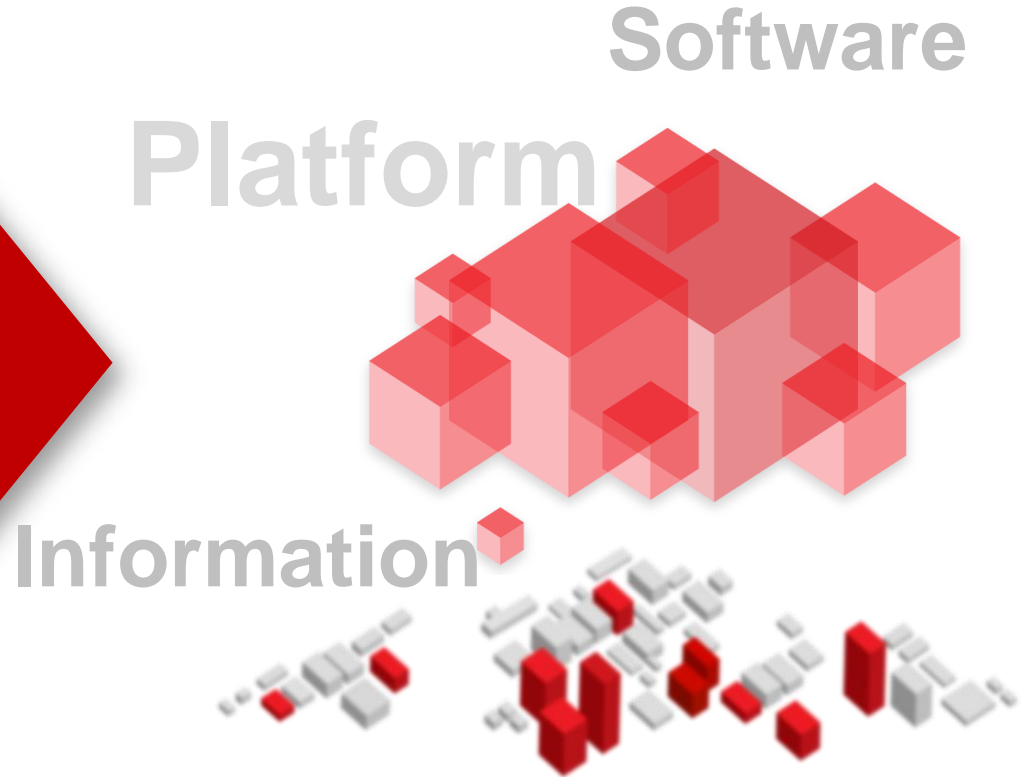
Software

Platform

Information

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Insert Information Protection Policy Classification from Slide 8

Final Thoughts…

LESSONS LEARNED

1. every organization has the IT capability they deserve
2. you can recover from a poor decision, there is no recovery from indecision
3. if something doesn't break, its too heavy
4. if the dog doesn't hunt, don't feed it
5. just because you CAN doesn't mean you SHOULD
6. organizations have cultures, people don't
7. don't tell me about the rock, just the nuggets of gold
8. we don't integrate, we eliminate
9. freedom from choice
10. don't align with the business, be the business

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