

A Rimini Street White Paper

# Five Upgrade Strategies for Oracle® E-Business Suite Customers to Consider

**Rimini Street®**

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#### About Rimini Street, Inc.

Rimini Street is the global leader in providing independent enterprise software support services. The company has redefined enterprise support services since 2005 with an innovative, award-winning program that enables Oracle and SAP licensees to save up to 90 percent on total support costs. Clients can remain on their current software release without any required upgrades for at least 15 years. Over 1000 global, Fortune 500, midmarket, and public sector organizations from a broad range of industries have selected Rimini Street as their trusted, independent support provider.

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## Contents

Introduction .....	2
Staying Current .....	4
Postpone and Evaluate .....	6
Migrate to Oracle Cloud ERP .....	8
Migrate Away .....	10
Stay Put and Monitor.....	11
Conclusion .....	13

## Introduction

Oracle enterprise software has reached a critical inflection point today, as organizations begin to embrace a new generation of applications that are service-oriented, standards-based, and able to be deployed elastically as needed by the business. If you're like many customers, you are evaluating the need to continue to upgrade your applications and trying to determine the value of continuing to pay Oracle software maintenance in order to receive support.

### Who's In Control of Your Upgrade Strategy? – You or Oracle?

Many E-Business Suite (EBS) customers feel they have lost control over their own IT destiny as Oracle has positioned itself to call all the shots – including the timing of upgrades, prioritization of enhancements, and potential increases in annual maintenance fees.

### You Have Options

You can take positive action and take back control. You do not have to feel trapped around the never-ending Oracle upgrade treadmill, there are options. Evaluate the five upgrade strategies outlined here and take the path that is right for you and your business.

This white paper is dedicated to exploring the upgrade strategies available to you. In a nutshell they include:

1. **Stay Current** – Continue to upgrade on a routine basis.
2. **Postpone and Evaluate** – Stay on your current version of EBS with an eye towards a future upgrade when it makes sense.
3. **Migrate to Oracle Cloud ERP** – Move your EBS applications to the Cloud ERP platform formerly known as Fusion, embracing the co-existence strategy.
4. **Migrate Away** – Convert to another application provider.
5. **Stay Put and Monitor** – Maintain your current version of EBS for the long term and monitor new options that may be revealed in the future.

**Upgrade Strategies for EBS Summary**

Strategy	Stay Current	Postpone & Evaluate	Migrate to Cloud ERP	Migrate Away	Stay Put & Monitor
<b>Pros</b>	<ul style="list-style-type: none"> <li>• No Analysis required</li> <li>• Improve Functionality/ Performance</li> <li>• Retire customizations</li> </ul>	<ul style="list-style-type: none"> <li>• Easy</li> <li>• Tech stability</li> <li>• Business stability</li> <li>• Manage costs</li> <li>• Funding for innovation</li> <li>• Flexibility-Realize upgrade benefits when convenient</li> </ul>	<ul style="list-style-type: none"> <li>• User Interface</li> <li>• New Features</li> <li>• Cloud / Savings</li> </ul>	<ul style="list-style-type: none"> <li>• Business needs</li> <li>• Cloud / Savings</li> </ul>	<ul style="list-style-type: none"> <li>• Tech stability</li> <li>• Business stability</li> <li>• Cost avoidance</li> <li>• Funding for innovation</li> <li>• Control / Flexibility</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>• Cost / ROI</li> <li>• Business Disruption</li> </ul>	<ul style="list-style-type: none"> <li>• Delayed upgrade benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Unfinished</li> <li>• Cost / ROI</li> <li>• Business Disruption</li> </ul>	<ul style="list-style-type: none"> <li>• Cost short term</li> <li>• Business Disruption</li> </ul>	<ul style="list-style-type: none"> <li>• No future upgrade benefits from Oracle</li> </ul>
<b>Strategy Execution</b>	<ul style="list-style-type: none"> <li>• Evaluate ROI</li> <li>• Avoid support loss-Upgrade to stay on most current release</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrade to 12.2 when appropriate</li> <li>• Innovate with customizations and 3rd party solutions</li> <li>• Fund innovation-move to independent support</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate ROI</li> <li>• Detail roadmap and coexistence strategy</li> <li>• Move to independent support during transition</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate ROI</li> <li>• Move to independent support during transition</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain stable platform</li> <li>• Upgrade or migrate when appropriate</li> <li>• Innovate with customizations and 3rd party solutions</li> <li>• Fund innovation-move to independent support</li> </ul>

## Staying Current

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Staying current is the easiest decision of the all the options. Simply do what Oracle tells you to do, upgrade. But is it the most effective and can you justify it?

### Pros

- 1. No analysis required** – Simply continue to follow Oracle’s recommendations around what they think is best for you. Throw half your staff at the upgrade project and hire a consultant to help you implement. Analysis not required... until you need budget to fund innovation or make the bottom line. Many observers believe Oracle customers have become too complacent and that they should be questioning this never-ending “change and churn” strategy promoted by Oracle. Today 80 percent of the typical IT budget is going to maintain current operations as opposed to driving new initiatives that support the business.<sup>1</sup>
- 2. Improved functionality & performance** – Improved functionality and performance may be available in a future release, or not. Currently Oracle is pouring vast funds into Cloud ERP with little innovation being built for EBS. It’s unlikely that there will be a new feature in a release in the next 5 years beyond 12.2 that will be critical for your business. If EBS 12.2 has some important new functionality you want, upgrade on your own timeline and when there is a real business need. Check out the “Postpone and Evaluate” strategy in this paper.
- 3. Retire customizations** – At times, a feature might be introduced that may allow you to eliminate a customization. This can be a good thing if the replacement feature truly meets your needs. Note that the new feature was built for the masses and may be a compromise for you. Why do companies want to retire their customizations? Because they are not supported by Oracle and are a constant source of problems, particularly during an upgrade. Read more about getting support for your customizations in the “Postpone & Evaluate” strategy.

### Cons

- 1. Cost/ROI** – Over the past two decades, applying updates and patches and staying current has become a major part of the IT department’s day-to-day support operations – and one of its biggest budget line items. Upgrades are a huge resource drain and are typically over budget and behind schedule. If you are thinking about upgrading to EBS 12.2 plan your budget well in advance. The upgrade will be expensive and time consuming.

<sup>1</sup> Gartner, “Gartner’s Top Predictions for IT Organizations and Users, 2012 and Beyond: Control Slips Away,” November 23, 2011.

- 2. Business Disruption** – Upgrading to EBS 12 in a complicated process that could tie up your IT team for 12–18 months and have unintended consequences for the business. Sometimes an upgrade “backfires,” leading to unpleasant and expensive results. One CIO of a mid-market light fixture company commented around their Oracle upgrade:

*“Long story short, we went through the pain of doing this upgrade only to find that not only there’s **no functionality there that we could use**, but, also in essence, we had to **upgrade our hardware because performance fell back** and we’re still not at the performance we were before!”*

### Strategy Execution

“One of the main reasons businesses upgrade their software to a new release is because support for their older version of software is about to be cut or terminated by the software vendor. No one wants the risk of running business-critical software without support, and so businesses are often forced to take on expensive upgrades, even if they are happy with their current release and see minimal or no functional benefit in the new release.”

– Mark Bartrick, “The Emerging Third-Party Software Support Marketplace: Questions And Answers,” October 2012

Routine upgrades are great if you want to stay on the bleeding edge with the latest and greatest and will also ensure that you are always supported. But before you walk down that path, **you should independently verify the return on investment (ROI)** you anticipate by upgrading. Can you provide your board a solid business case for upgrading that’s based on data and assumptions that don’t come from Oracle? Many customers will struggle to deliver this but it is a crucial analysis that needs to occur.

Oracle-supplied business case models tend to be full of soft costs and very general assumptions. Before moving forward with an upgrade Oracle should be able to demonstrate, in hard dollars and cents, the ROI it is promising. If they can’t there’s good reason to believe your money is better spent elsewhere. Bottom line you don’t have to stay on the upgrade treadmill. At a minimum **consider the next strategy “Postpone and Evaluate”**.

The Forrester logo consists of the word "FORRESTER" in a white, serif, all-caps font, centered within a dark green, horizontally-oriented oval.

## Postpone and Evaluate

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“Postpone and Evaluate” is the de facto strategy standard as evidenced by the fact that many organizations are three, four, or more releases behind the most current version of ERP.

### Pros

“Software vendors will require customers to upgrade to the latest application version by ‘sunsetting’ support for the prior version. In contrast, third party support providers will often support a single version for 10 or 15 years, saving the customers the cost of upgrading every few years.”

– *“Third Party Support: Not the end of software maintenance, but a profound change,” July 2011*

PiperJaffray

1. **Easy** – It’s the path of least resistance, you stay on your current release and continue to mail a check to Oracle for your maintenance and support. (That is until you face de-support and Oracle forces you to upgrade.)
2. **Tech Stability** – You maintain the stability of your existing system which is always a good thing. You avoid the problems that an upgrade always creates, not the least of which is broken integrations and customizations, plus hardware upgrades that are typically needed when you upgrade the software.
3. **Business Stability** – Same user interface, same functionality, no down time, no problems... what’s not to like? Plus by delaying, a future release may actually contain some functionality that the business can really use.
4. **Manage costs** – By postponing an upgrade you can not only avoid significant upgrade costs but you can also schedule the upgrade for a time in the future that makes better financial sense.
5. **Funding for innovation** – Recall that according to Gartner, 80 percent of the average IT budget is dedicated to maintaining current operations leaving little to fuel new initiatives that support the business. By delaying an upgrade until it makes good business sense, funds can be freed up to spend on critical business initiatives. Further savings can be realized by switching from Oracle software maintenance to independent support.
6. **Flexibility-Realize upgrade benefits when convenient** – Upgrades can sometimes offer improved functionality for the business. But both IT and the business usually have other priorities. Perhaps it’s rolling out applications to more locations or driving an important customer related initiative to gain a competitive advantage. You can postpone and implement the upgrade at a time that’s right for you.

### Cons

1. **Delayed upgrade benefits** – If there is a clear business benefit to move to EBS 12.2 that overrides any financial objections, by all means upgrade. (See the ROI caution in “Staying Current”)

“Oracle EBS 11.5.9 is totally solid, and is working fine for our purposes. The applications are full-featured and stable and can support our business operations for many years to come.”

“We try to avoid change and associated costs that the business is not asking for. By switching to Rimini Street, we put ourselves in the driver’s seat of our investment and change schedule in the years ahead.”

– Mark Wickingstad, CIO, UCI International

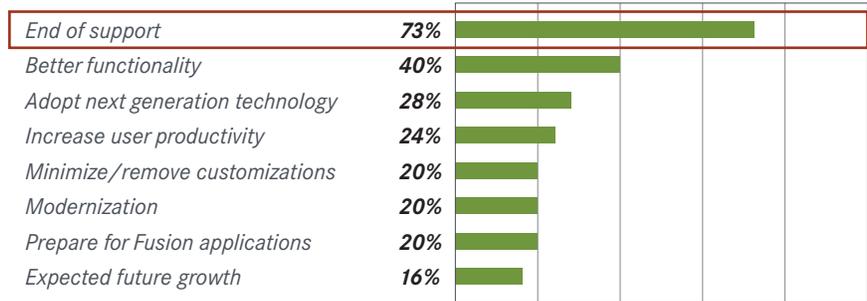


### Strategy Execution

There are many EBS customers still on a release prior to the current 12.2. They’re happy with the stability and functionality with their release and frankly have little motivation to upgrade, except that Oracle is forcing them through support changes. According to OAUG nearly three-quarters of EBS clients upgrade simply to stay supported.<sup>2</sup> EBS 11.5.10 just went into sustaining support which is extremely limited. While you are evaluating the correct time to upgrade to 12.2, many organizations are “parking” their upgrades with independent support and realizing 50% savings on maintenance fees but can still upgrade at a time of their choosing.

With savings from moving to independent support, you can fund new initiatives that directly align with business requirements. It can be as simple as creating new customizations. (Incidentally independent support will support your customizations, something Oracle would never do.) It may entail working with business units on specific best-of-breed software such as payroll, procurement or logistics or could focus on higher level projects such as mobility, big data and cloud. No new budget needed, simply cut your support costs in half.

### Reasons for Oracle ERP Upgrades-OAUG Research



<sup>2</sup>OAUG Research Line, “ERP Upgrades: What’s Your Philosophy? 2012 OAUG Survey on Enterprise Application/ERP Suite Upgrade Strategies,” February, 2012

## Migrate to Oracle Cloud ERP

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Oracle Cloud ERP, formerly known as Fusion, is Oracle's next-generation suite of business applications including financial management, human capital management, customer relationship management, supply chain management, procurement, governance, and project portfolio management. Oracle believes Cloud ERP is the future and that's where their money is invested.

### Pros

- 1. User Interface** – One clear advantage Oracle Cloud ERP has over EBS is usability. The new Cloud ERP look and feel emulates best-of-breed applications and Cloud ERP has allowed Oracle to catch up with these next generation solutions. The user interface has been an objection for new EBS sales but most existing EBS users are quite content with their EBS interface. The usability complaint has also given rise to other solutions that essentially put a new “skin” on the EBS interface. Oracle partners such as Enrich not only present an alternative to Cloud ERP with a more attractive user interface but can also enhance functionality such as searching, along with putting EBS in the cloud.
- 2. New Features** – *If* there is functionality coverage in Cloud ERP, some new features may be available. This is a big if, as there are huge gaps still present in Cloud ERP applications. Precisely the reason Oracle promotes the Cloud ERP co-existence strategy. **Cloud ERP must co-exist with EBS** (or other applications) in order to provide complete functionality to fulfill business requirements.
- 3. Cloud / Savings** – Cloud ERP was developed to be deployed in the cloud. However due to current limitations in many Cloud ERP applications, as of this writing, they can only be deployed on-premise or hosted. This negates the benefits associated with cloud, in particular cost savings.

### Cons

- 1. Unfinished** – According to Forrester Research 54% of Oracle customers stated that “Oracle Cloud ERP Applications weren't mature enough<sup>3</sup>”. Cloud ERP will not fully replicate current EBS capabilities for years, and it may take years for Cloud ERP to become a stable platform. The combination of Cloud ERP's incompleteness and instability has analysts saying it could be 3–8 years before Cloud ERP will be ready for most customers. This is the reason for the Cloud ERP co-existence strategy. Most customers simply cannot run on Cloud ERP alone.
- 2. Cost / ROI** – Cloud ERP will not be free just because you have E-Business Suite licenses. The cost to migrate to Cloud ERP is significant as you are implementing a completely new system.

<sup>3</sup>Forrester Research: *Oracle's Dilemma: Applications Unlimited Versus Oracle Fusion Applications*, Feb 11, 2013

- 3. Business Disruption** – Cloud ERP will essentially be a full reimplementation. ***Everything changes with Cloud ERP:*** everything is being rewritten with a new technology stack, data models, process flows and so on.

### Strategy Execution

The jury is still out on Cloud ERP. Based on Forrester's report, 65% of Oracle customers have no plans to implement Oracle Cloud ERP Applications, and another 24% are undecided.<sup>4</sup> Some clients are using Cloud ERP as a way to eventually consolidate disparate systems across the enterprise. Companies could have EBS along with PeopleSoft and maybe even SAP. A transition to Cloud ERP is a long term project not a replacement for an upgrade. While you may elect to begin a transition to Cloud ERP you will need to run EBS (and other systems) for a number of years more. First, look at an independently verified ROI associated with the long term business benefit before you take the next step. As mentioned earlier be careful to avoid the soft-costs and generalizations touted by Oracle that are unprovable.

Next you'll need a roadmap for your Cloud ERP implementation that outlines the co-existence strategy to run EBS (and if applicable PeopleSoft and JD Edwards) in parallel with Cloud ERP over the years.

If you decide to move forward with Cloud ERP consider independent support for EBS and any other applications that you will need to continue to run during your lengthy transition to Cloud ERP. This will not only save you 50 percent but also avoid the costs and hassles of upgrades during the process.

<sup>4</sup>*Ibid*

## Migrate Away

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Smart organizations are regularly analyzing their alternatives. Maybe you've already planned to move away from EBS to another system. Maybe you have no choice because you've been acquired. Regardless of the reason there are some important strategic considerations.

### Pros

1. **Cloud savings** – Moving to a cloud ERP such as NetSuite or Workday could ultimately provide lower total cost of ownership.
2. **Business Needs** – Oracle is not exactly a nimble organization. Many customers have been waiting years for EBS functionality the business requires with no light at the end of the tunnel. A large number of organizations have already moved some modules away to next generation solutions like Ariba for procurement and Cerdian for payroll. These newer ERP solutions may still be immature in some respects and need to be evaluated based on the scope of your business needs.

### Cons

1. **Cost short term** – Moving to another ERP system can be expensive and time consuming initially.
2. **Business disruption** – Implementing a new system or even moving to an existing system because of an acquisition, requires extensive resources for both IT and the business. Business processes will change, automation changes, and users will have to be trained. If you have a choice, make sure this disruption is justified with a true ROI.

### Strategy Execution

There are many reasons to consider new ERP systems – including savings associated with the cloud, mobility, integration and usability. Many of the arguments here are similar to the Cloud ERP discussion and need to be addressed. Is there an ROI or competitive advantage? Does it offer the functionality required?

As with Cloud ERP, transition time will still be a factor in moving to a new system. However, many companies are adopting a hybrid IT strategy, choosing to put some applications in the cloud while other applications remain on-premise. Regardless of the approach you choose, you will need to support your legacy applications for some time. During your evaluation and implementation, consider independent support to allow you to save money, receive better support than you are currently getting from Oracle, and receive assistance with planning your migration and integration for your hybrid IT strategy.

## Stay Put and Monitor

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You are happy with your current system and if given the choice, you would prefer to avoid the expense and hassles of an upgrade for the foreseeable future. Now you have a choice.

### Pros

“Our current business objective is not to upgrade, it’s to continue to implement EBS 11i as we make acquisitions. We found that we could buy ourselves valuable time, because our licenses permitted us to download whatever we had a legal right to under our licensing agreement. But we can upgrade when it’s right for us. To me, this is very much a value-added component of our relationship with Rimini Street: you don’t have to decide now, under pressure from the vendor, to upgrade. You can download whatever you rightfully own and decide later. That gives us a big advantage.”

– Tom Grooms, CIO, Valspar Corporation

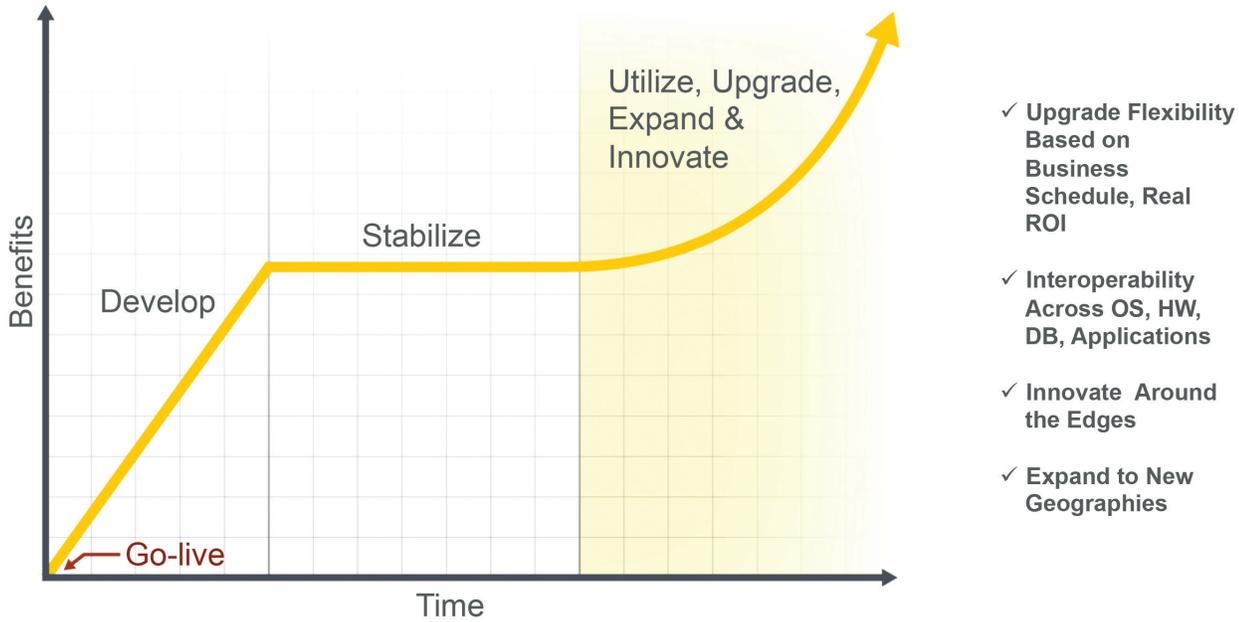


1. **Tech and Business Stability** – As noted earlier, upgrading puts a tremendous stress on your company in an effort to stabilize on a new release. Avoiding the disruptions that ripple through the enterprise is a huge benefit to IT and the business. More time and effort can be placed on the things that matter instead of fixes.
2. **Cost avoidance** – The same delay argument applies to costs. By avoiding two upgrades over the course of ten years, a company with roughly 3,000 users paying \$1,000,000 annual maintenance fees to Oracle currently will save approximately \$400,000 annualized!
3. **Funding for innovation** – Today CIOs are realizing that new initiatives, if there are going to be any, can in fact be funded by saving money by reducing costs on Oracle support and maintenance over time. All that is needed is a deeper understanding of all the elements and a willingness to think outside the controlling box the vendors have built for their ERP environments.
4. **Control / Flexibility** – IT spend is on the decrease in most organizations, CIOs have to do more with less. Software maintenance is an area in which until the mid-2000s there was no option other than vendor annual support. Maintenance is now an area where you can take back control by reducing your support costs – thereby freeing up funds, time and breathing space to chart your own IT and ERP destiny.

### Cons

1. **No future upgrade benefits from Oracle** – While it may be true you will not realize benefits directly from Oracle, ***you can continue to evolve without EBS upgrades.*** There are a host of options outside the Oracle Red Box including third party best-of-breed providers, customizations and interoperability enhancements.

**Evolving without Oracle Upgrades**



**Strategy Execution**

“The vendor’s response to us was always, ‘You need to upgrade.’ But we didn’t think the latest version of the software was worth it. By taking control of our upgrade strategy, SFN Group is able to save millions of dollars in annual support fees and forced upgrade costs. SFN Group is reducing the risk of vendor lock-in, by retaining the flexibility (and funding) to select the best application upgrade road map for our business – on our own time line, when we are ready.”

– Vice President, Information Technology, SFN Group



Maybe you don’t know if you want to upgrade or migrate. By staying put and monitoring your situation and the marketplace, you can make the right decision at the right time for the business. No need to feel pressure from Oracle to upgrade because you fear de-support. With independent support, you can maintain your current platform for 10 or even 15 years from today if you choose. If you take our earlier example of a company paying \$1,000,000 in maintenance, they would save \$400,000 in upgrade avoidance plus \$500,000 in support savings not to mention an additional \$600,000 around internal maintenance and customization FTE support. That’s a total of \$1.5 Million per year savings!

Many companies initially ask “How will I get new functionality if I don’t upgrade?” With the money saved using independent support, companies have invested in further customizations, best-of-breed software for supply chain, payroll, regulatory and planning tools with more robust functionality than Oracle, better fulfilling the needs of the business. Through independent support savings, organizations like Valspar, Embraer and ColorSpot have funded innovation projects that have earned IT professionals, bonuses, promotions and industry recognition.

## Conclusion

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Reviewing these upgrade options will allow you to make a better, well informed decision and not simply business as usual.

If **Postpone and Evaluate**, **Migrate to Cloud ERP**, **Migrate Away**, or **Stay Put and Monitor** make sense for you, Rimini Street can help you accomplish your vision. Rimini Street provides independent support for upgrade flexibility which enables you to:

- Realize significant cost savings
- Avoid business and technology disruptions
- Improve application support
- Discover increased funding for innovation
- Meet critical business needs

Independent support from Rimini Street replaces Oracle annual support for your E-Business Suite, enabling you to save 50 percent on annual support fees and up to 90 percent on your total cost of maintenance, including the avoidance of expensive “forced” upgrades plus we provide support for your customized code. In fact it’s an entirely new support philosophy dedicated to vastly superior client service.

E-Business Suite licensees are choosing independent support from Rimini Street for substantial cost savings, upgrade flexibility, guaranteed ultra-responsive support, premium features, and reduced risk – and because today, hundreds of world-class organizations have already validated that independent support is a proven option.

### Next Steps

Contact Rimini Street to understand how Independent Support can enhance your upgrade strategies and directly impact your business.

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### Additional Resources

[\*Constellation Research: The Positive Pricing Impact of Third-Party Maintenance for Oracle and SAP Customers\*](#)

[\*Buyer’s Guide to Enterprise Software Support\*](#)

[\*Why Oracle E-Business Suite Customers Choose Third-Party Support\*](#)

[\*Forrester Research: Applications Unlimited And Oracle Fusion Applications\*](#)

