

HOW TO SPEAK TO YOUR CFO ABOUT AN ORACLE INFRASTRUCTURE UPGRADE

EXECUTIVE SUMMARY

IT managers have a difficult time explaining the business benefits of technology investments to their counterparts on the business side. However, rising competitive pressures and an ever-increasing pace of business necessitate strategic upgrades, even when the economy is down. The key is for IT to quantify the benefits of lower energy costs, increased automation, productivity gains, process improvements, and increased flexibility, and then to communicate these benefits in a way that business managers understand.

Whole-lifecycle financing helps these efforts tremendously, as companies can spread the costs

of an upgrade across several years, thus minimizing up-front expenditures and adopting a predictable payment schedule that streamlines budgeting and forecasting processes.

IBM and Oracle have been working together for over 20 years to help companies of every size optimize their operations. IBM has deep Oracle expertise, with server and storage technology optimized for Oracle, to help clients plan deployments, size their solutions, acquire equipment, and manage it throughout the lifecycle. Even in today's tough climate, the power and reliability of IBM and Oracle make a compelling case for IT investment.

There's no question that strategic investment in IT can enhance a company's operational efficiency and competitive position in the market. If you have the tools to do more, with greater accuracy, in less time, it stands to reason that your organization will benefit.

So why do IT professionals have such a hard time securing approval for purchases?

The short answer is, "It's the economy, stupid." In a market where companies are compelled to cut costs as sharply as possible, every expenditure must be scrutinized carefully. The longer answer is, CFOs and business leaders don't always understand the benefits of IT investments, especially when they create incremental value and improve revenues over time, across several operational fronts.

This informational disconnect is borne out in a recent research report from PriceWaterhouseCoopers and the IT Governance Institute. According to the survey of 255 companies around the world, nearly 75 percent of business leaders believe IT investments create value, but more than half say that various barriers—including implementation difficulties, corporate culture, and a lack of skills—prevent their companies from realizing a full return on IT investments.

Another problem highlighted by the survey is that IT does not, generally speaking, communicate the business value of new technologies to the appropriate executive parties. In fact, only one-third of the companies surveyed can count on their IT department to provide this type of information—information that could create a

competitive advantage. "Implied in this is a call to action for IT management to better communicate and align IT's capabilities to enhance business growth through innovation," the report states.

Other industry experts agree: The best way to get a CFO or other executive manager's attention is by making a strong business case for the technology investment.

Peter Blatman, a principal with Deloitte Consulting, cites four primary components of IT-enabled business value in a March 2009 CIO Insight article:

- Increasing/preserving/accelerating revenue
- Decreasing/avoiding/delaying cost
- Reducing business risk
- Enhancing business capabilities.

"Maintaining a clear line of sight between IT spending and its business value can help reinforce IT's position as an informed and trusted business partner," Blatman says.

In the same issue, CIO Albert Lulushi of L-3 Communications writes about sitting down with management to hash out budget strategy. "The mission of my organization is to enhance the competitive posture of the business, drive down costs, support an increasing number of employees with the same level of IT dollars and roll out new services that replace old, antiquated technology," he says. "Keeping those [budget] meetings on business—not technology—terms is a must. I never go too deep in explaining the nuts and bolts of a technology... Instead, the review board meetings are focused on business requirements and how well IT investments support these requirements."

This kind of expert guidance is helpful, but how do you apply it to your situation? In this white paper, we'll discuss ways to convince the CFO and other executive-level managers of the importance and necessity of upgrading your company's Oracle database infrastructure to meet the challenges and opportunities of today's business environment.

WHY UPGRADE?

As CIO Lulushi indicated, equipment and technologies that are reaching the end of their useful lifecycle can become a liability, rather than an asset, to companies. In addition, as the pace and scope of business is accelerated by global competition, businesses need cutting-edge

solutions to stay ahead. If a competitor has a faster, better-integrated database environment that feeds its ERP, CRM, and strategic analytics tools, it will win more business by attracting and retaining more customers, and boost profits by operating more efficiently.

In many cases, benefits delivered by new equipment and upgraded applications pay for themselves quickly, and showing how a short-term investment helps the organization save money in the medium and longer terms is a good way to justify the expenditure. In fact, a March 2009 research report from CIO Insight found that companies interested in cutting costs are increasing their IT spending. Research Director Guy Currier writes, "IT budgets are expected to rise by 5 percent in 2009 in cost-cutting companies... In other words, companies that are now battering down the hatches are increasing their IT investments to help them do it."

Lower energy costs are easy to show, as more efficient and consolidated IT equipment will deliver increased performance and consume less power. Plotted over time, you can illustrate the cost savings over three years against the cost for acquiring and managing the technology to determine when ROI will be achieved.

Another important benefit is increased automation—letting software handle routine IT management tasks instead of requiring human intervention. This frees IT staff to work on more business-oriented innovations, and it could help reduce headcount. Depending on the size of your organization, this can result in tens of thousands of dollars in savings per year.

Though it may be harder to quantify, it is also worthwhile to measure productivity gains—in terms of a percentage of time saved multiplied by the dollar value of that time, or in terms of additional business transacted—delivered by new technology. Collaboration among workgroups and partners may be improved, and work processes may be accelerated or streamlined, which can also bring an uptick in revenues.

Related to these 'softer' values is the benefit of increased flexibility and business agility. New tools are designed to speed time-to-market and responsiveness to changing conditions. If an old system required, say, several weeks or months to integrate a new branch office or launch a new line of business, and a more powerful and open solution can get the job done in a matter of days, companies are better

positioned to react to customer demands, take advantage of new opportunities, and stay ahead of the competition.

ADDRESSING CFO CONCERNS

Once you can demonstrate, in terms of dollars and cents and specific business activities, how IT investments will help the company, you can move on to more specific concerns and objections that may be raised.

If the CFO is concerned about heavy initial costs and overbuying, you must conduct thorough assessments, inventories, and gap analyses, plus work with vendors (who may help with these tasks free of charge) to map out total cost of ownership (TCO) estimates for whatever you purchase. These TCO estimates must include initial purchase price plus the costs of updating and maintaining the equipment each year. The goal is to ensure the correct balance of hardware, software, and services that will meet immediate needs and position the IT department for growth and scalability. The best way to accomplish this is to choose vendors whose platforms and solutions are designed with growth in mind.

Training and transition costs are also important to factor in. Many managers trim training budgets first, but it's unreasonable for them to expect new technologies to work without adequate staff training. In CIO Insight, Lulushi writes that business partners were far more agreeable to greenlighting an investment after they agreed to stretch training dollars to the maximum by utilizing free vendor resources, leveraging conferences and seminars over on-site training, hand-picking which staffers took which courses to maximize attendance, and factoring training costs into TCO estimates, both to prove ROI and to elicit discounts from vendors.

Another CFO concern may be that any short-term expenditures—across the board—are on hold. Perhaps a moratorium on spending has been declared. In this case, you'll need to demonstrate that the savings and value of an upgrade project make it more cost-effective than maintaining current systems.

Utilizing ROI projections can help in this regard, but some vendors make the process even easier by offering customized financing options. By spreading the cost of an upgrade across the lifecycle of the equipment, companies can minimize up-front costs and leverage a predictable payment schedule that makes budgeting and forecasting easy.

Using a financing program this way, costs stay manageable and the ROI of the upgrade can be measured more accurately, as companies track the increased revenue and efficiency in line with the technology upgrade.

IBM AS YOUR TECHNOLOGY AND FINANCIAL PARTNER

Upgrading is not always an easy or straightforward process, and it can be especially daunting when your company is looking to control costs. Working with IBM, however, to manage and upgrade Oracle environments makes the entire process easier. IBM helps you strategize and plan deployments, size the solution to meet your organization's needs, purchase exactly what's needed, and finance the entire project with favorable terms and rates.

IBM and Oracle have been working together for more than two decades to solve complex business problems, and more than 19,000 organizations of all sizes are enjoying increased efficiency and robust operations thanks to the synergies of these two business IT giants. The entire IBM Systems portfolio is certified and optimized for Oracle database and other Oracle applications.

When the CFO is worried about right-sizing the project and maximizing resource utilization, you can point to the IBM Oracle International Competency Center, which features a comprehensive collection of sizing tools for Oracle applications and technologies. The Center's tools help companies develop an appropriate architecture and specifies the platforms and configurations for a company's unique infrastructure environment. The information is updated with every version release of Oracle applications, and it enables you to determine exactly how many servers, storage units, and other equipment you'll need to support the latest Oracle technology.

IBM helps customize your IT equipment plan, then assists with acquisition, management, and even retiring of older equipment.

On the financing end, IBM offers competitive rates for purchasing or leasing hardware, software, and services. It also provides tools to help you manage your company's complete portfolio of IT assets online. As demands change, IBM facilitates upgrades and migrations throughout the lifecycle as well.

And when equipment reaches the end of its useful life, IBM provides disk overwrite services and secure,

environmentally friendly disposal of assets. These services can also help your company recoup some cash value from retired IT equipment.

TIGHT INTEGRATION WITH ORACLE

In today's economy, few organizations can spare the resources to optimize applications based on their environments. More and more companies are choosing to partner with IBM Global Services and its extensive network of System Integrator Business Partners for customizing and implementing their Oracle applications.

IBM Global Business Services is allied with Oracle to deliver business solutions, industry expertise, and measurable benefits to customers. Through packaged or customized applications, and with on-site or off-site consulting and training, IBM Global Business Services provides world-class expertise and solutions at substantial cost savings for clients.

The IBM Oracle Consulting Practice, part of IBM Global Business Services, is the largest and most skilled Oracle practice in the world. It comprises more than 2,500 consultants dedicated to and 5,000 consultants skilled in installing Oracle, PeopleSoft, and JD Edwards solutions.

IBM can help make your Oracle investments work smarter, company-wide or for specific processes and departmental needs. With powerful hardware and support systems, IBM can help Oracle applications use real-time information to better gauge demand, improve the accuracy of forecasts,

and identify new business opportunities. And investing in the right solution now enables your operation to scale up—increasing capacity and improving performance—without increasing costs.

Additionally, companies benefit from IBM's efforts in other areas including its innovations in virtualization, green computing, high performance computing, and systems management. These efforts cut across IBM's entire product portfolio.

IBM has thousands of consultants with broad industry and process expertise who are skilled in Oracle applications and have deep experience amassed from more than 5,000 consulting engagements. Combined with unparalleled technology performance leadership, you can trust IBM as a strategic partner for your upgrade and business improvement initiatives.

CONCLUSION

Justifying IT investments in an economic downturn is a challenge, but by demonstrating ROI and ascribing business benefits to specific initiatives, IT managers can make a strong case for expanding and upgrading their Oracle environments. IBM Systems and Technology and Global Business Services team—along with IBM's extensive network of Business Partners—can help, with attractive leasing and financing rates that amortize costs over the entire equipment lifecycle and with unparalleled expertise in customizing and deploying Oracle solutions. ■



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