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Case Study #7 – Oracle Financials Upgrade

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Audience

- Finance Executives
- IT Executives

Abstract/Executive Summary

According to studies conducted over the last 25 years, major technology and process initiatives fail to meet their schedules and budgets more often than they succeed. In this case study, read how Exertus, Inc.'s specialized service, Confidential Project Recovery (CPR) was used to rehabilitate a trouble project where a critical Finance initiative was in rapidly declining health.

The document has four major sections:

1. Background – what the project was intended to do
2. Issues – early and late trouble indicators
3. Approach – how the CPR methodology was applied
4. Lessons Learned – retrospective key findings

Without appropriate action, time does not help a project in distress. If you have a project or program presenting similar symptoms to what is described in this case study, e-mail or call for a free initial consultation and quote.

help@ConfidentialProjectRecovery.com 24-hour hotline: +1 866 575-2460

Preface

From the point at which it is deployed no software, commercially bought or custom developed is without shortcomings. Those shortcomings manifest themselves as "bugs" (outright errors) or deficiencies in functionality (missing features). Not surprisingly this means throughout the lifecycle of any application there will be repeated need to "patch" portions of the existing implementation to fix the bugs and, upgrade the deployed system to add new functionality.

It is difficult to argue that Finance software applications are not one of the most critical technologies used by companies today. Without exception, the complexities of doing business today demands that financial systems are robust and available around the clock and around the world. Whether the technology is deployed as standalone, "best of breed" instances or as integrated modules to all-encompassing ERP systems, financial operations are the back-bone of all business functions. So when it comes time to patch or upgrade these applications, it is an exercise with serious risk and consequences should something go awry.

This case study describes a large upgrade and deployment initiative, where a number of missteps by a supplier and the company who hired them led to a condition where intervention was needed to save the project.

Background

Company History

Twenty-five years after the Company was founded, revenue was over $1B dollars and expansion was continuing with 10,000+ employees distributed among 60+ countries. Rapid growth through acquisition had created an organization model and technology infrastructure that could be generally described as "federated", but in reality was closer to five different Strategic Business Units (SBUs) of unequal size and influence competing for resources. At the enterprise level, complex regulatory requirements (financial and functional) amplified the difficulty of managing overall operations.

Technology-wise, the company was struggling with an aging, internally developed Project Accounting system barely adequate for the current work volume and sophistication the Company was now offering. Corporate Finance (and IT), straining under the performance and maintenance issues that come with multiple accounting platforms, had recently converted all the systems to Oracle® Financials for core accounting and finance functions. Along with the conversion came a complex set of customizations to handle intra-company and cross-country transactions to both accommodate and leverage a myriad of country-specific tax and operational regulations.

While the adoption of a common application platform helped alleviate some of the stress, it was by no means a panacea. Significant work still lay ahead.

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Project Initiation

With the finance system relatively stable, the Corporate Controller (roughly two years on the job), recommended an attempt to tackle two of the largest issues still facing the company: unmanaged spending and disparate methods of tracking activities, cost, revenue and billing for services performed for and reimbursed by customers. With the CFO's approval it was decided to:

- Upgrade the Oracle Financials system to the most recent version as a prerequisite to …
- Deploy two new Oracle modules to better match and control business operations
  - Procure-to-Pay
  - Project Costing and Billing

After consulting with Oracle, a conclusion was reached that the internal IT and Finance staffs needed assistance from the outside in order to start and complete all phases of the project. Preliminary support was secured from upper management to fund the project and to those ends an RFP was prepared and three Oracle-endorsed candidates were shortlisted for consideration: two domestic (U.S.) and one with headquarters in India. The Indian firm and one of the domestic firms were multi-purpose consultancies, offering a broad range of services appearing to cover what was needed. The other domestic firm was a specialist in upgrading and deploying Oracle e-Business Suite, of which Financials and the two new modules were a part.

When the RFPs were received, the three candidates offered significantly different prices and approaches. The multi-purpose domestic firm had the highest bid, most rigid methodology and the shortest cycle, with non-negotiable provisions to ratchet the pricing should their schedule not be adhered to. The domestic specialist recommended an approach focusing less on the technology and more on the change management aspects of the project; their pricing was in the middle. The Indian firm was the least cost bidder, touting their "follow the sun"* technology methodology and ability to rapidly scale technical resources up and down as needed.

IT was consulted during the RFP process, and the CIO (less than a year on the job) expressed his reluctance to move forward given the scope and cost of the initiative and the readiness of the company. He suggested a staggered vs "big bang" approach to minimize the risk. Over concerns from IT, Finance selected the least-cost partner (the off-shore firm) to handle the entire project, citing cost and speed as the deciding factors. In addition, the supplier suggested refining some of the current functionality as part of the upgrade process. IT agreed to provide a seasoned Project Manager (a Company veteran of 19+ years) to run the project for the Company; a project lead from Finance was chosen (a former controller with about two years with the Company).

The contract was awarded and work began.

*"Follow the sun" refers to a practice where resources at the end of their work-day hand-off work to resources in another time zone whose work-day is just starting.

Issues

Early Warning Signs

Almost immediately there were issues. The first major sign something was wrong was the inability of the supplier to facilitate the very first step to bring the Costing and Billing module on-line – developing a comprehensive work breakdown structure. In-fighting between SBUs delayed coming to closure on a definitive structure from what should have been no more than a 6 month exercise to almost 18 months.

In parallel, the supplier was also having difficulty establishing the suggested refinement requirements while preparing for the base upgrade. This was exacerbated by a material underestimation of the existing system complexity (primarily due to the customizations performed when the system was first deployed) leading to a need for more resources to work on the project. And the benefit from the "follow the sun" development strategy to rapidly turnaround changes and fixes was never realized because high volumes of marginal quality work required ever increasing cycles to fix.

As one would expect, the Procure-to-Pay Module was relatively smooth sailing, except for the fact that the supplier could not deliver the promised customizations accurately or on-time. Signaling increasing frustration with the supplier's performance, a running joke had developed that if the supplier promised functionality on a Monday it would be ready on Monday, just not in the same month.

Not Just Externally Caused Problems

In addition to the intra-SBU squabbles, Finance had issues as well. The group was organized such that Accounts Receivable decisions came primarily from Europe, Accounts Payable decisions came from the U.S., and decisions on everything else (General Ledger, etc.) ping-ponged between Corporate, the SBUs and the regions. This structure retarded progress in a number of ways, not the least of which were delays of critical approvals the supplier needed to move forward.

Late in the project the Company was faced with another large issue: resource allocation. Key resources from the SBUs, IT and Finance had been working on the project, and their day jobs, for the better part of 18 months and were feeling increased pressure to "get back to work".

Conference Room Pilots

To validate functionality and process flows, the supplier orchestrated a "Conference Room Pilot" where representatives from all the stakeholder groups gather in a conference room and walk through the application functionality. These types of pilots are not atypical and provide a useful function … providing what is being piloted has been thoroughly tested and is complete before the pilot takes place. Unfortunately "CRP-One" was an outright failure; users could not initially access the application and when they did, only a fraction of the functionality appeared to be working properly.

Several months later CRP-Two was heralded as being the final conference room pilot. While technically better than CRP-One, Two was not without material flaws. With pressure and costs continuing to rise, and despite the unresolved problems, the decision to schedule a go-live date was made: they would attempt to shoehorn the deployment before the next quarter end. As one might expect, the cutover was scrubbed a week before its appointed date with too many unaddressed technical and open process issues. The final go-live was re-scheduled for 6 months later …

The Last Straw

… after missing the 2nd go-live date and with no indication things would improve anytime soon, the Controller knew she needed to take decisive action. With roots in the "big" accounting and consulting world, she considered turning to them for help. But she also knew bringing in a big team would be both expensive and very visible; sending a potentially dangerous message to the organization and possibly creating a cure worse than the illness. The thought of swapping out her main supplier for a similar one was also an option, but she didn't know if it would work technically or whether it was the right thing to do timing-wise. What she needed was an independent resource that could quickly and quietly determine exactly what was wrong and do what was necessary to put the IT-managed project back on track.

Through the grapevine she had heard there actually was a small firm that was highly skilled in performing just the kind of confidential recovery work she needed. After a short call with Exertus (Latin for trusted advisor) about their Confidential Project Recovery service (CPR), she was convinced they could deliver exactly what she was looking for.

Approach

Overview

CPR consists of a 4-step methodology using the time-tested model of medical care to treat ailing projects. In a back-to-basics approach, the steps are rapidly performed in sequence, each building on a previous foundation. Please note: for brevity, not all elements or findings of each step are described.

Step 1 - Diagnostic

Facing potential resistance from the Finance-IT tag-team project management resources from the very start, the initial discovery work was dependent on their cooperation to fully understand and expose the root causes of the delays, budget overruns, process and resource issues and failed go-live attempts. One-on-one interviews were held with the key stakeholders reassuring them the sole purpose of the "intervention" was to help try and put the project back on track. Using the information collected from the private interviews, group meetings were held to validate the accuracy of the findings.

The diagnostic revealed that while the general perception pegged the major cause for the missed go-live dates on the Supplier's incompetence, the reality was the Company had failed to gain proper buy-in and commitment from the SBUs before engaging the Supplier. This lack of buy-in manifested itself primarily with shifting requirements and lengthy approval cycles which, when combined with the Supplier's actual inexperience dealing with projects of the size and scope in front of them, resulted in rushed, marginal work, delivered late and over budget.

Step 2 – Prognosis

Once the root causes were identified, acknowledged and accepted, a realistic assessment of the available options was performed. This included, among other things, a comprehensive review of key project artifacts including the original proposal, service contract, approved, pending and rejected change orders, and the statement of work governing the relationship between the Company and the Supplier. Preparing the prognosis also included determining whether an option of scrapping the project and cutting losses was viable.

Working with internal resources closest to the project, plus targeted assistance from the Company's legal and procurement departments, a number of different alternatives were developed with cost, timing and impact analysis included in the deliverable. The alternatives were presented to the Controller, CFO and key team members for their review and go-forward decision. Of the options presented, the direction chosen was to fashion a plan that would allow the project to complete, holding the Supplier and current internal resources accountable for the success of the effort.

Step 3 – Treatment Plan

The selected course of action started with a painful but necessary line-by-line review and analysis of the existing project plan with the Supplier and key Company resources. The review uncovered many arbitrary and incorrect constraints, missing and inappropriate dependencies, completed items that were actually incomplete (and vice versa) and a general lack of understanding of basic planning and control concepts. While the Supplier was initially responsible for creating the plan and needed to be held accountable for its content and accuracy, going forward the revised plan would be maintained by the Company.

The intensive review also uncovered a major gap: there was no provision for managing the testing and validation effort. The statement of work was clear on the topic - integrated testing was the Company's responsibility. When the calculations were performed taking into account the five SBUs, 65 countries and 30 odd custom interfaces, roughly 15,000 hours of integrated testing would be needed. This estimate did not include time needed to prepare and validate test cases.

At the conclusion of the review, and with integrated testing provisions now included, both the Supplier and Company teams were satisfied that the plan was sound and achievable given the current project state and available resources. Unfortunately, the completion timeline was pushed out another 10 months and placed the cutover at an inconvenient date. However, now armed with an accurate model an earlier cutover was

realistically negotiated. The Supplier agreed to add additional resources to help with the testing and the Company deferred some non-key features and functionality until after the go-live. This combination reduced the remaining work and bought the time and resources needed to hit the target date.

Step 4 – Managed Care

Even though none of the alternatives presented to Finance in the Prognosis step included recommendations for augmenting the current project leadership, the Controller decided to engage an Exertus senior full time project manager to bring a fresh perspective and increased rigor to the project. Their role was to lead the final push, closely monitor the Supplier, and work side-by-side with the IT and business project managers, while providing the Controller a critical, unbiased perspective on the project's health.

In addition to driving the project, Exertus also designed and delivered a test management application along with an automated process to track, generate and collect validated test plans and data. This solution provided the necessary management and auditing functionality for the 10,000 plus integrated test cases distributed among 250+ testers across the world needed to meet the compressed schedule.

Outcome

A Strategy for Success

Fully employed, the CPR service gave the Controller the critical information she needed to make an informed decision as well as on-the-ground support to help stabilize a deteriorating situation. With world-wide testers poised for final validation checks, all interfaces tested and ready, and business users fully engaged, the cut-over was successful. While there was no arguing the project was late and over budget, the project did complete, successfully bringing new, much needed functionality to the Company. And despite the many obstacles, at the end of the day it was considered by the executive team to be a success.

Lessons Learned

When things go wrong there usually are many dimensions involved. Here are the key elements that could have made a difference if they were addressed before things got out of hand:

- Pick your partner based on performance first, price last.
    - While there was no guarantee IT's choice for a qualified vendor would have changed the initial outcome, critical shortcomings of the selected supplier were visible from before the start.
- Don't underestimate the necessity for formal change management planning and execution.

  - Adopting new processes in a multi-national, multi-functional enterprise is not a casual exercise, even with stable technology platforms and well-established organizational structures.
- Make sure all the key stakeholders are ready.
  - Performing the proper groundwork to get everyone aligned helps avoid excessive and costly delays.
- Recognize that "follow the sun" strategies for working across time zones are often theoretical.
  - Synchronizing distributed teams across multiple time zones, be they supplier or internal stakeholders, is easy to say but difficult to achieve. This strategy requires a well-oiled process discipline that needs to be established and tested far in advance of the project it will be used for.
- Don't ignore the warning signs.
  - Tell-tale indicators of a project in decline present themselves in a number of ways early in its life. Left unchecked, minor delays and cost overruns can rapidly spiral out of control. Taking quick and decisive action at the first sign of trouble can prevent small issues from becoming large problems.

Note: Oracle is a registered trademark of Oracle Corporation.

About CPR

Confidential Project Recovery (CPR) is a boutique service designed specifically for large mid-cap firms to discreetly bring runaway, lost or failing projects and programs to appropriate conclusions. Based on a virtual core team comprised of seasoned resources, each with 20+ years of experience, CPR uses proven techniques to deliver rapid, focused, high quality results without the overhead, administrative burden or underlying agendas of large, general-purpose consultancies. If you find yourself in a place where the health of your initiative is in question, CPR can quickly and efficiently provide assistance from diagnosis through managed care to restore the effort back to a stable, if not improved condition.

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