

DECIDING NOW

Defining the Future Path for Your JD Edwards Software



EXCELLENCE IN GLOBAL SUPPORT AND CONSULTING

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THE CURRENT STATE OF JD EDWARDS SUPPORT SERVICES

All technology becomes obsolete at some point. With enterprise technology, this phenomenon arises when business requirements change, and/or the technology no longer aligns with the business needs – a self-selected or true obsolescence. But when hardware or software manufacturers establish a pre-determined “end-of-support” date for a product (the “support” euphemism is the industry’s operative term for maintenance), obsolescence is the result of vendor choice – a forced or perceived obsolescence. Either way, the business is compelled to invest in new technology.

In an example of forced obsolescence, Oracle has recently clarified details relating to the end of Premier and Extended Support for select releases of JD Edwards enterprise resource planning (ERP) software, the end of selling IBM technology components (Blue Stack) and the relevance of Oracle Fusion Applications for midmarket companies using JD Edwards. Gartner suggests in a recent research note⁽¹⁾ that Fusion Applications will have limited relevance for most companies to serve as a complete ERP suite for the next few years. The current state of Fusion readiness creates a gap that must be bridged due to Oracle’s decision to end Premier Support for older releases of JD Edwards by December 2013.

The Situation

During 2012 and 2013, full support for some older JD Edwards releases ends (Xe, 8.0, 8.9, 8.10, 8.11, A7.3, A8.1). That leaves businesses running older versions of JD Edwards facing a decision point now.

The future of JD Edwards applications under Oracle’s Applications Unlimited strategy remains unchanged: only later releases of JD Edwards software (World A9.x or EnterpriseOne 9.x) will continue to receive updates and enhancements. Only these releases of JD Edwards software will have a direct migration path to the promised Fusion Application suite.

Oracle recommends that companies upgrade to either World A9.x or EnterpriseOne 9.x to ensure uninterrupted Oracle support through 2014 and a direct migration path to Fusion. Oracle’s “9.x” strategy may be a viable approach for organizations able to absorb the investment impact of two major ERP upgrades over the next five years. But for many, this strategy just isn’t feasible.

Future releases of JD Edwards are planned, but the business value they provide may be far outweighed by the costs of a forced upgrade path. For some users, maintaining versions already in place may drive more value.

Oracle Fusion Applications have been tested by customers and partners, but primarily by large enterprises. This underlines the limited relevance of Oracle Fusion Applications for most companies to serve as a complete ERP suite for the next few years.

The Problem

Many companies using older versions of JD Edwards software have not defined a strategy for dealing with the pending end of support. Some have acquiesced to Oracle’s recommended 9.x upgrade approach, believing they have no other choice than allowing Oracle to dictate their business system strategy.

A complicit Oracle Partner community further aggravates the problem. Partners whose company bottom lines are driven almost solely by Oracle software resale, implementation, or third-party maintenance services are incented to recommend solutions that might not be the best fit for the customer’s real business needs.

The Implication

Deciding at the last minute, without objective consideration of all viable solutions to the problem at hand, could find an enterprise squandering sparse investment monies on a 9.x upgrade strategy or a solution migration without realizing a justifiable return on the investment.

Some companies believe Oracle may extend support coverage, while others assume self-support is the only alternative solution; either is a risky and expensive assumption. However, there are other options.

The Need

JD Edwards customers need fact-based information upon which to plan and act, based on their company's unique business environment and requirements. They need answers to five simple questions:

1. What is the end of support date for my version of JD Edwards?
2. How much time do I have to make a decision?
3. Which decision-making process should I follow?
4. What options do I have and what are the implications of each?
5. Where can I find objective analysis and guidance to help me decide?

STRAIGHTFORWARD ANSWERS

When does my Oracle support end?

Oracle's Lifetime Support Policy provides access to technical experts for as long as companies license their Oracle products. It consists of three support stages: Premier Support, Extended Support, and Sustaining Support. Premier Support provides a standard five-year support policy for Oracle Technology and Oracle Applications products. For a fee, companies can extend support for an additional three years with Extended Support for specific releases. Or, they can receive indefinite technical support with Sustaining Support⁽²⁾.

Although all releases provide for Sustaining Support, the service does not provide fundamental protections companies have come to expect under Premier and Extended Support services. Annual maintenance fees for Sustaining Support do not include coverage for:

- New updates, fixes, security alerts, data fixes, and critical patch updates
- New tax, legal, and regulatory updates
- New upgrade scripts
- Certification with new third-party products/versions
- Certification with new Oracle products

As such, Oracle recommends that it only makes sense to upgrade to the latest release of JD Edwards. This recommendation is targeted to companies running older releases. Extended support will be available for EnterpriseOne 8.12 until April 2014. But, support for most older versions of JD Edwards World, OneWorld, and EnterpriseOne is scheduled to end during 2012 and 2013. Table 1 lists the versions affected and the end-date for support.

TABLE 1:
End of Premier and Extended Support for Select Releases of JD Edwards Software

| VERSION | EXTENDED SUPPORT END DATES | COMMENTS |
|---------|----------------------------|--|
| Xe | December 2013 | Sustaining Support only after this date |
| 8.0 | December 2013 | Sustaining Support only after this date |
| 8.9 | Ended | Sustaining Support only |
| 8.10 | Ended | Sustaining Support only |
| 8.11 | December 2012 | Sustaining Support only after this date |
| 8.12 | April 2012/Premier | Extended Support is available until April 2014 |
| A7.3 | December 2013 | Sustaining Support only after this date |
| A8.1 | December 2013 | Sustaining Support only after this date |

How much time do I have to make these decisions?

Independent of organizational size or complexity, the decision-making process will have to consider technology and business needs, solution alternatives, and implementation lifecycle. It is Spinnaker Support's experience that the typical decision lifecycle for affecting significant change to a major business system ranges between 18 and 24 months.

The activities associated with implementing the decision are often viewed as the most time consuming step in a project's lifecycle. But, Spinnaker Support finds that top organizations benefit from investing in problem analysis and solution development to ensure organizational alignment and buy-in for intended solutions.

While the level of effort necessary to implement a solution can be estimated based on prior experience, it is important to not minimize the time and energy impact problem definition and solution analysis have on the decision horizon.

If a company requires 12 months to define the problem, analyze, select, budget and plan the solution; AND, knows by experience that solution implementation will take 6-12 months; they should begin their decision process now.

Which decision-making process should I follow?

Problem analysis and decision making are completely separate concepts, and it is important to differentiate between them. First, analyze the problem; then use the information gathered in the process towards decision making.⁽³⁾

A problem is an obstacle, impediment, difficulty or challenge. Put another way, a problem is a situation that invites resolution; the resolution of which is recognized as a solution or contribution toward a known purpose or goal. A problem implies a desired outcome coupled with an apparent deficiency, doubt or inconsistency that prevents the outcome from taking place. Viewed through this lens, Oracle's decision to end support is not the problem, it is the cause.

A thorough analysis of the problems caused by the end of support will help companies proceed down the proper decision making path. Organizations should apply the steps of the decision making process to the information gleaned through problem analysis to create a decision model that can be used to determine an optimal plan of action for their business.

Problem Analysis

- Problems must be precisely identified and described
- Problems are caused by some change from a distinctive feature
- Problems are deviations from performance standards
- Analyze desired performance results should be against actual results
- Distinguish between what has and hasn't been affected by a cause
- Causes to problems can be deducted from relevant changes found in analyzing the problem

Decision Making

- Establish objectives
- Classify objectives in order of importance
- Develop alternative actions
- Evaluate alternative actions against all objectives
- Choose the tentative decision based on the alternative that achieves all the objectives
- Evaluate the tentative decision for possible consequences

What options do I have and what are their implications?

Fortunately, wherever a company falls on the ERP decision-continuum they have options. They can:

1. Do nothing
2. Upgrade to a supported release like 9.x
3. Migrate to an ERP system from another vendor

Understanding the specific implications of each path will help facilitate the decision making process. Below is an exploration of each option, presenting possible solution alternatives and the salient implications of selecting that path.

Do Nothing

“Do nothing” is not the same thing as making no decision. This option might be more aptly named “Don’t Upgrade or Migrate”. There is a large segment of the JD Edwards install base for which there is little business or technological benefit to justify the investment in either. And in today’s economic environment, many businesses simply lack the financial or human capital to invest in an upgrade effort. Even with the “do nothing” option, there are decisions to be made:

Keep the current release and continue to pay for Oracle Sustaining Support – Sustaining Support is available for as long as companies license their Oracle products. With Sustaining Support, companies receive technical support, including access to Oracle’s online support tools, knowledge bases, and technical support experts. They benefit from:

- Major product and technology releases
- Technical support
- Access to My Oracle Support Portal
- Fixes, updates, and critical patch updates **created during the Premier Support stage**
- Upgrade scripts **created during the Premier Support stage**

An organization’s short-term and long-term JD Edwards strategies will determine whether there is business and economic value in continuing to pay Oracle for support – an industry estimated 22% annual maintenance expenditure for the support services described above.

Depending on a company’s use of JD Edwards and the countries in which they operate, companies may also have the added cost burden of updating tax and regulatory reporting on an annual basis.

For companies that operate in more stable environments and have upgrade cycles greater than 36 months, or those operating a highly modified software version that makes it difficult to easily take advantage of software patches or fixes, the total cost of ownership (TCO) of staying with an OEM software vendor's maintenance program has much weaker economic utility.

For many companies, the current cost of ERP software maintenance greatly exceeds its value. Fortunately, this isn't an organization's only alternative for "Do Nothing".

Keep the current release and move to third-party maintenance – Analysts and industry media report that third-party software support providers offer a cost-effective, personalized model that costs nearly half what OEM vendors exact, and should be considered a viable alternative to the traditional software support models.

The dictionary definition of maintenance – “the work of keeping something in proper order” – does not necessarily fit for software. Software maintenance is different from hardware maintenance in that software doesn't physically wear out, but simply gets less useful with age. Software maintenance is more accurately described as a software vendor's incremental service of providing software updates and product support to their licensed users.

According to a Ray Wang of the Altimeter Group⁽⁴⁾, interest in third-party maintenance (3PM) services from Q3 2009 to Q1 2010, grew 113.8% in one quarter alone. Top factors driving that interest include:

- Continuing cost pressures
- Gaining minimal value in maintenance services
- Declining plans to upgrade
- Expecting better service
- Slowing pace of vendor innovation
- Disliking the vendor
- Delivering self support

Every CIO knows that ERP software annual maintenance fees generally range from 18% to 22% of the initial license charges –a significant annuity stream for companies such as SAP, Oracle and Microsoft. Citigroup Global Markets reported in its April 2010 market analysis of Oracle Corporation (ORCL) that software maintenance accounted for over 53% of Oracle's total revenues delivering a contribution margin in excess of 93%. Citigroup further reports that Oracle built this annuity stream largely through acquisitions, with PeopleSoft (including its JD Edwards product family) and Siebel being the most significant contributors to Oracle's maintenance revenues.⁽⁵⁾

Third-party maintenance providers have entered the ERP software market to provide a reliable, economical support option. These providers offer a personalized, proactive, and highly technical support model at lower costs than traditional software vendors. In a nutshell, third-party software support vendors help enterprises on stable platforms maintain their current software versions at top performance.

Keep the current release and self support – This is a reasonable option for those companies that have a highly static JD Edwards environment and stable infrastructure, require no annual tax and regulatory support, and have expert JD Edwards staff to support both break/fix activities as well as ongoing operational changes.

But, if the preceding JD Edwards support attributes do not exist, this approach is a high risk to business continuance, with the added cost burden of engaging the required subject matter experts to resolve unplanned system problems. In this scenario, the unexpected can be costly.

Upgrade to World A9.x or EnterpriseOne 9.x

Oracle's answer to end-of-support questions is, "Upgrade to 9.x". The company recommends upgrading to either World A9.x or EnterpriseOne 9.x to ensure uninterrupted Oracle support through 2014 and a direct migration path to Fusion. For many, an upgrade would be a wise business decision.

The JD Edwards product family has expanded significantly over the past several years, providing tremendous net change benefits at both the business process and technology layers. For example, there are more than 1,400 net changes between A7.3 and A9.2. The net change between OneWorld Xe and EnterpriseOne 9.0 is even greater, with more than 1,800 improvements at the business process layer and in the technology stack.

Equally important for those companies planning to migrate to Fusion is that 9.x versions of World and EnterpriseOne will have direct migration paths.

Because Fusion Applications are built upon the Fusion middleware, it is important to implement a JD Edwards 9.x application and tools that are fully compatible with Fusion, ensuring upgrade scripts, programs, and tools for upgrading to Fusion are readily available. For most companies, Fusion Applications may have limited appeal as a complete ERP suite for the next few years. Still, Spinnaker Support believes these application and technology suites do offer a great deal of potential value.

It is worth taking a brief look at Oracle Fusion as a business system solution. Oracle Fusion is two solutions, a technology stack (middleware) and a business application suite (software):

Oracle Fusion Middleware (OFM) consists of several software products from Oracle Corporation. OFM spans multiple services, including Java EE and developer tools, integration services, business intelligence, collaboration, and content management. OFM depends on open standards such as BPEL, SOAP, XML and JMS.

OFM provides software for the development, deployment and management of service-oriented architecture. It includes what Oracle calls "hot-pluggable" architecture, designed to facilitate integration with existing applications and systems from other software vendors such as IBM, Microsoft, and SAP. OFM 11g is the only middleware available from any vendor that offers the following unique design principles:

- Complete: Work with a single, strategic partner for all middleware requirements
- Integrated: Certified integrations with Oracle Fusion Middleware, Oracle Database, and Oracle Applications provide confidence and reduce costs
- Hot-Pluggable: Enhance existing infrastructure and applications with interoperability that goes beyond industry standards
- Best-of-Breed: Choose from best-of-breed offerings across every product line

Oracle Fusion Applications is a software product completely architected from the ground up on OFM – with a service-oriented architecture, allowing it to interoperate with existing Oracle applications as well as third-party applications and even custom systems, as long as they adhere to open standards. Fusion applications also incorporate role-based design, embedded analytics, and unified communications features such as chat.

However, initial Fusion releases will not to be a comprehensive successor for Oracle’s existing products. According to Oracle, when Fusion first reaches general availability, it will only address the following horizontal functions:

- Financial Management
- Governance, Risk and Compliance
- Procurement
- Supply Chain Management
- Human Capital Management
- Customer Relationship Management
- Project Portfolio Management

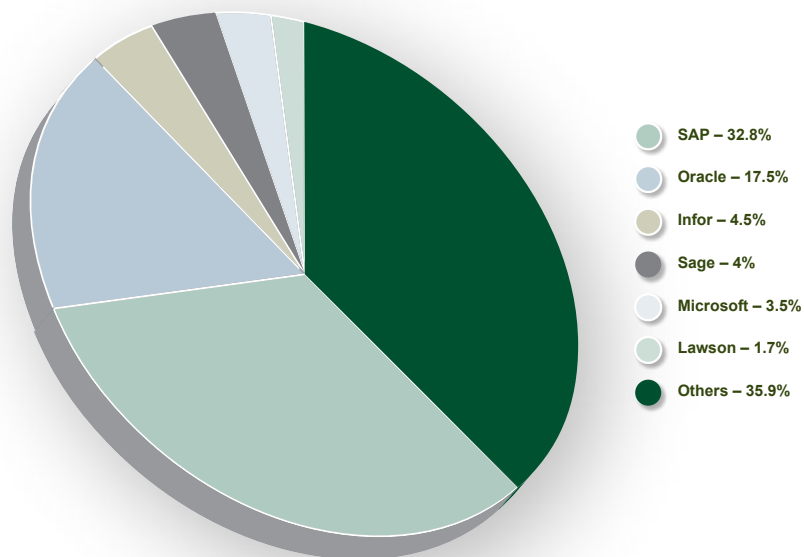
The implications of selecting this path are a significant investment in human and financial capital. This strategy may be viable for organizations able to absorb the investment impact of two major ERP upgrades over the next five years, but for many this strategy isn’t feasible.

Migrate to a Non-JD Edwards Solution

In the 1990s there were dozens of ERP vendors in the market, most of which prospered and grew at an impressive rate in a buoyant market.

Today the ERP vendor landscape has changed dramatically. As shown below, six vendors account for almost two thirds of global ERP sales and SAP and Oracle alone own 50% of the global market by revenue. Two of the top six vendors, Infor and Microsoft, did not have an ERP presence at all in 2000.⁽⁶⁾

FIGURE 1: PERCENTAGE OF GLOBAL ERP REVENUE BY VENDOR (2008)



BSM Consulting comments in the article noted above that, “One important point to make about the competitive landscape for ERP products is that the neat delineations suggested by the market segments and verticals just described do not always translate into a logical choice of ERP product. For example, most ERP vendors will be able to point to customers outside of their primary target market segment who are successfully using one of their products. Sometimes, organizations will choose a generic ERP product rather than one tailored for their industry vertical, often because of concerns about the longevity of the tailored product or of the organization that supports it.”⁽⁶⁾

Migrating off of JD Edwards is likely the most costly alternative of all. The significant human and financial capital investments associated with a JD Edwards upgrade are further compounded by the addition of an application selection process and all it entails.

Although a migration strategy may very well be the best path for some companies to follow, they should not take a step down this path lightly or without thoughtful consideration.

HOW SPINNAKER SUPPORT HELPS COMPANIES DECIDE NOW

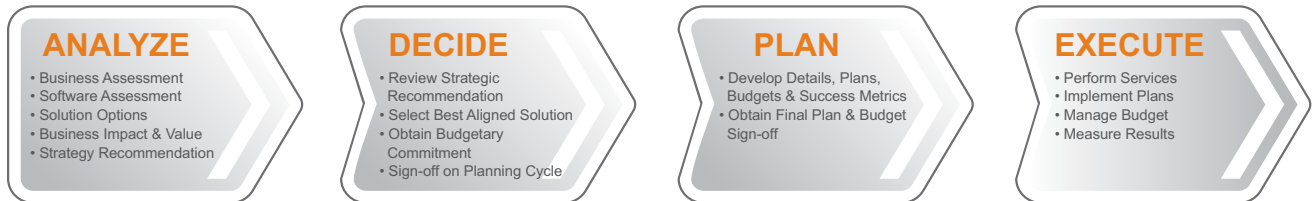
Objective Analysis and Guidance

Whether a company follows Oracle’s advice to upgrade to 9.x, migrates to a non-JD Edwards solution, or decides to do nothing, Spinnaker Support can provide truly objective JD Edwards advice. There is no hidden agenda regarding a JD Edwards long-term strategic direction, just support solutions.

As a company’s installed ERP system ages it is natural for management to be concerned with obsolescence. However, true obsolescence occurs when the ERP system no longer supports the business needs of the company. ERP systems like JD Edwards World, OneWorld, and EnterpriseOne seldom reach true obsolescence. Most often they reach a point of perceived obsolescence, which is the case today with older releases of JD Edwards.

Spinnaker Support’s JD Edwards Strategic Business Assessment provides organizations with the knowledge needed to make an informed decision regarding their JD Edwards path. The goal is to guide businesses to achieving their desired results by:

- Gaining organizational alignment and buy-off on software direction
- Designing the strategy for delivering software value to the business
- Establishing budgetary estimates in which companies have confidence
- Creating the go forward plan



JD Edwards Strategic Business Assessment

Spinnaker Support's "JD Edwards Strategic Business Assessment" is a formal process for evaluating options and defining strategies for a company's long term JD Edwards software investments.

The goal of the assessment is to deliver fact-based findings and recommendations upon which businesses can plan and act. Spinnaker Support's approach assesses business need and expectations, as well as technology options that must be considered in developing a long-term JD Edwards strategy.

Information gathered via the business and software assessments is used to develop a JD Edwards Strategic Recommendation report, as summarized below:

Business Assessment

Spinnaker Support's business assessment is the foundational activity. The goal is a thorough assessment of the business environment, stakeholder expectations and operational objectives for an organization's core business software. The approach also educates the stakeholders on the decision points they are facing, the options and the implications of each. The business assessment typically includes the following activities:

1. Defining Business Drivers – which business issues are motivating action
2. Identifying Stakeholders – who is investing in the solution and who will benefit
3. Determining Business Objectives – the specific objectives and expectations that must be met by the operational software to achieve success

Software Assessment

The second strategic activity is a detailed assessment of the software's ability to enable success as defined in the business assessment. Software assessment activities typically include:

1. Functional Review – identify business requirements for system alignment and gap closure
2. Technical Review – assess current and desired state infrastructure requirements and gaps
3. Resources Review – assess the organizational capacity to support a change initiative
4. Program Review – analyze migration/upgrade risks, constraints, and assumptions

Assessment Deliverable

Upon completion of assessments activities Spinnaker Support prepares the JD Edwards Strategic Recommendation, an extensive report presenting detailed findings and recommendations related to a company's JD Edwards investment options – Do Nothing, Go 9's, ERP Platform Migration. The report will include:

1. Business assessment findings and recommendations
2. Software assessment findings and recommendations
3. Current and desired state definition
4. Company-specific software path recommendation
5. High-level plan(s) and budgetary estimate(s) for recommended path
6. Statement of value – high level ROI for recommended path

Maximize the Life of Your JD Edwards System With Spinnaker Support

We are here to help companies drive performance and value with their JD Edwards ERP applications. It's what we do.

We deliver comprehensive support, consulting and Co-Sourced™ services to the global JD Edwards user community across all software support and consulting disciplines – from helpdesk and software maintenance to project management, technology, technical development and functional consulting for the JD Edwards' suite of collaborative software.

Find out how easy it can be with a support and maintenance partner you can trust. Call us toll-free at (866) 269-4878 or email info@spinnakersupport.com today.

NOTES

- (1) Gartner RAS Core Research Note G00210158, JD Edwards Users: Don't Wait for Oracle Fusion Applications; Plan Your Upgrade Strategy Now – January 31, 2011
- (2) Lifetime Support Policy, Coverage for Oracle Applications – September, 2011
- (3) Kepner, Charles H.; Tregoe, Benjamin B. (1965). The Rational Manager: A Systematic Approach to Problem Solving and Decision-Making. McGraw-Hill.
- (4) Apps Users Seek Third Party Maintenance For Cost, Value, and Service, blog posting by Ray Wang of the Altimeter Group
- (5) Citigroup Global Markets report – Oracle Corporation, April 21, 2010
- (6) The ERP Marketplace 2010, <http://www.articlesbase.com/information-technology-articles/the-erp-marketplace-2010-2650426.html>, Posted: Jun 16, 2010

Spinnaker Support, the market leader in JD Edwards consulting and third party support solutions, enables companies to maximize the life of their JD Edwards software investment. Hundreds of global companies trust Spinnaker Support to deliver cost effective and value driven consulting and support services. Headquartered in Denver, Colorado; Spinnaker Support services are delivered globally from our Support Operation Centers located in North America, London and Singapore.

