HFS Research

Define your ERP transformation objectives and keep them time-bound

Infosys and Thales DIS are fast approaching a single global Oracle system for distributed operations

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Excerpt for Infosys

In 2019, Thales acquired Gemalto and formed Thales DIS (Digital Identity and Security). Gemalto's ERP shift with Infosys from multiple disparate systems to a single Oracle instance was already underway. The goal was to meet its globalization challenges and transform from a product-driven company into a service-driven one, providing end-to-end security services across manufacturing and programming cards, managing an e-passports and software business, and incorporating biometric security. Master data was fragmented and scattered. Localized manufacturing and business processes were not globally aligned or visible, and discrete ERP systems and instances meant wasted workloads of reconciliation, consolidation, and reporting.

Enterprise leaders looking toward their own ERP transformations can take four principal lessons from the Thales DIS-Oracle-Infosys story outlined in this report, for which we spoke with executives from both Infosys and Thales DIS, including Aurelian Kribs, CIO at Thales DIS:

- **Move incrementally:** Especially when faced with hyper-localized systems, incremental movement will get users' buy-in and bring them along on the journey.
- **Don't overreach:** Keep reporting systems that work and users understand—but make sure they integrate with the core ERP system.
- **Define objectives:** For such a move, objectives must be company-wide. For example, if you don't need to transform manufacturing operations, don't, and stick to the global ERP goal, as Thales DIS did.
- **Stay time-bound:** In ERP projects, keeping to a schedule is one way of not falling into the perfectionism trap and going massively over time and over budget.

In a gainshare partnership model with Infosys, Thales DIS is coming to the end of a full migration to a single global Oracle instance alongside an ongoing migration from QAD to Oracle in its manufacturing sites; Thales DIS expects to finish by the end of 2022. Thales DIS has realized IT simplification, finance simplification, and new global visibility and coordination. This report outlines the challenges, benefits, and future of the Infosys-Thales DIS-Oracle story.

The challenges: Thales DIS has operations in 60 countries operating under different rules—it had to harmonize while undergoing a shift to a service-led business model and globalization

Gemalto's—and now Thales DIS'—shift to a services company meant it needed greater global consolidation. It could still manage its product business models on a local level, but it couldn't manage the requirement to marry products and services through localized solutions. The company became more global and needed a global back-end system to match: a global hub for sales, supply chain, finance, and other functions. Integrated supply chain and manufacturing operations require global oversight and management, and site-driven ERPs did not align with the global business anymore. Simplified IT was the goal—legacy systems, customized to each site, were too complex to manage.

By 2015, the business had added more and more bolt-on solutions to the localized and fragmented QAD and Oracle ERP systems as it had evolved through its product-to-service shift. It needed tools to better manage projects and supply chains, but the business also went from being locally driven to having a global footprint with hubs, sales, and manufacturing operations distributed with vast numbers of transfers of production from site to site. KPMG helped prepare the RFPs for ERP firms and integrators; Gemalto knew it wanted a single ERP for its service model and finance operations but didn't want to impact operations. It wanted an "articulated model," where local sites keep local ERPs, but a global system manages everything except shop floor control and localized activities. Experience showed it would have delayed the global transition to Oracle due to local specificities—and although it wasn't the perfect option, it was easy to onboard global functions at every site without the complexity of migrating local manufacturing operations.

Manufacturing control and inventory transactions must synch to Oracle. Now that the global ERP program is finished, Thales DIS is engaging site by site to move everything to Oracle. The manufacturing footprint varies globally, and so does the type of sites: of 56 sites total, only 10 have kept local ERPs—others have already been onboarded due to lighter operations or on account of being R&D centers without manufacturing. This pattern also applied to the personalization sites for smart cards, which incorporate security elements like name and pin-code. Physical card manufacturers kept local ERPs; others' transitions were simpler to manage—but all sites have moved finance and supply chain functions to Oracle.

> *Had manufacturing sites not been given the choice [to move to Oracle or stay with QAD for the time being]—problems would always have defaulted to being technical problems between different ERPs—but now Thales DIS can maintain accountability, and most sites are now excited to move to Oracle—seeing the benefits of their own choice.*
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> **- Aurelian Kribs, CIO, Thales Digital Identify and Security (DIS)**

Thales DIS expects by the end of 2022 for the whole business to be on Oracle—with the whole journey spanning from February 2017 to the end of 2022.

Localized master data sets and reporting methods added additional challenges. Thales DIS incorporated the Oracle standard master data solution for a single data repository, but simultaneously, it sought to minimize the impact on downstream reporting chains. Microsoft BI reporting remains connected to QAD systems. Thales DIS has launched a project to adapt Microsoft BI to be more in line with Oracle and other modified systems, simplifying the mapping and new complexity that had ensured reporting and ERP systems could communicate. Thales DIS could have designed its BI reporting systems and ERP together, but it is happy with its decision to start with ERP. It wouldn't have managed the same timeframe, a critical requirement to bringing global transformation via a service-driven ERP that fits into a service-driven company and can support its globalization. BI design and integration would have pushed the global service-driven Oracle solution back 18 months or more.

Thales DIS plans to stay on Microsoft BI, which has seen good user adoption. It integrates with the broader Microsoft suite for detailed reporting combined with the Oracle dashboard. Thales DIS users have both the options of a high-level dashboard and drilling down; users can carry on doing this without needing to master new systems.

The benefits: IT simplification, finance simplification, and global visibility

The project outset saw scope for millions in savings, and Thales DIS has realized approximately 80% of that so far. It achieved this result via IT simplification, finance simplification through intercompany automation, automations, and shared service center implementation. Improved visibility with vendors led to better financial negotiation driving the purchasing process.

Real-time supply visibility of internal orders for planners—through automatic supply requests to internal or external sites based on customer demand—enabled complex global supply chain scenarios to play out using standard intercompany and manufacturing solutions. Replacing fragmented ERP applications with a new E-Biz instance streamlined business processes across entities. Eliminating duplicate transaction logging while internally sourcing products gained the company new efficiencies—alongside the more efficient management of customer change requests.

Thales DIS can produce, program, and deliver its cards in a matter of days, sometimes less; global management and visibility are key in enabling this. Thales DIS must know it can manufacture, personalize, and sell a product globally with globally sourced components. It wants visibility on the total profitability when transferring between local entities; Oracle fully automates transfer pricing and always traces profits back to the source, previously an inefficient, all-manual process. The Oracle implementation allows Thales DIS to take orders in its delivery centers and see the profitability of operations, companies, geographies, or process steps throughout the supply chain.

Some hard savings have been realized across application software cost, application housing, and support resources—with 20 applications merged into the Oracle business suite for improved maintenance. Other key quantifiable benefits include an 80% reduction in data quality analysis turnaround time, a 90% reduction in manual restatements by revenue controllers, a 60% reduction in intercompany transaction processing time, an 85% effort elimination in systematic revenue recognizing models, and a 25% improvement in period closing timeline.

The future: Oracle in Thales DIS will shift toward cloud and SaaS

For ERP solutions, Thales DIS targets and favors cloud and SaaS technology for their flexibility, availability of software and solutions, and simplification of the infrastructure maintenance. On top of that, Thales DIS will bring new Oracle functions straight onto the cloud and not on-prem. Today, however, Thales DIS doesn't view Oracle as being ready to go full SaaS. Thales DIS' objective is to first move to IaaS (infrastructure-as-a-service). When Oracle is ready for full SaaS, it will progressively move modules to SaaS until it migrates the full solution. The challenge will be for Oracle to link its IaaS and SaaS offer. It will need to maintain visibility of such a modular approach to better plan this progressive transformation.

Why Gemalto first chose Infosys: transparency, gain-share, and an established Oracle force

Gemalto looked at several traditional Oracle system integrators (SIs)—but what convinced the company of Infosys' capability was the early engagement of the people responsible for implementation on the ground and their honesty in identifying the potential pain points and challenges based on experience from similar engagements. There was transparency from the start that it would be hard—but Infosys would set its sights on reaching the objective under a gainshare "skin-in-the-game" pricing model and not focusing on the contract alone. Implementing a gainshare model created a common goal and common timing, critical in bringing business users along in the deployment. Infosys' partnership approach combined with Thales DIS' experts and experience and pushed it to take measured risks.

> *Infosys helped with the tempo of the project and in reassuring management across each go-live stage with workaround solutions and an overall sense of urgency to make the transition. We knew our partnership would meet the project's challenges. This was the first time many of us [in Gemalto/Thales DIS] had seen ERP deployed in an agile manner; at each step, there was improvement, which in turn gave confidence to the leadership—reassuring it of the next step.*
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> **– Aurelian Kribs, CIO, Thales Digital Identify and Security (DIS)**

The Bottom Line: The exact Gemalto/Thales DIS recipe might not work for everyone—but defining ERP objectives and staying time-bound have broad applicability

Defining objectives under a time-bound ERP project is perhaps the most applicable takeaway for other enterprise leaders looking toward a single global system. For such a move, objectives must be company-wide. For example, if you don't need to transform manufacturing operations, don't—as Thales DIS didn't.

Staying time-bound in ERP projects is one way of not falling into the trap of perfectionism and going massively over time and over budget. As any company undertaking such a journey, Gemalto/Thales DIS wanted to bring a nice ERP model with nothing customized—but in deployment realized that targeted, limited customization is also key for meeting business challenges and facilitating the adoption. Gemalto/Thales DIS was prepared to sacrifice some elements of standardization (while still retaining plenty of impactful standardization) as long as the project maintained its global reach and contributed to getting the ERP up and running at pace. By allowing global flexibility in a time-bound project—Gemalto/Thales DIS easily achieved compromises to keep the process moving under the overall aims of the transformation.

HFS Research authors

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Josh Matthews is an Associate Director at HFS, based in Cambridge, UK. Josh graduated from an Engineering and Management master's program at Cambridge University—and before that a Chemical Engineering master's at Loughborough University; his academic research tackled sustainability from multiple angles, as does his work at HFS—alongside energy, utilities, and technology. Josh has consulting experience at Unilever and SMEs in the tech and marketing spaces; he has also worked in the energy industry.

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Don Ryan joined HFS Research in August 2020 as Senior Vice President of Research and Consulting. His recent role was as Director for global research and thought leadership for business and outsourcing services, digital technology, and AI deployment at KPMG LLC. Don brings a broad background in forecasting technology trends, quantifying the market impact of brand experience/ customer loyalty and analyzing the changing nature of business operating models. At HFS Don will lead large research-based advisory engagements and continue his long-standing coverage of technology, media & telecom vertical as well as enterprise application platforms and ecosystems.

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