IE 101 | Innovation and Entrepreneurship 101

Author: Ikhlaq Sidhu

IE Silicon Valley Hub | CITRIS | UC Berkeley | Free to use | Downloadable by chapter | Continuously updated

Case Study: Oracle Changes Enterprise Procurement

Top-Down Led Innovation that Changed Supply Chains

Oracle entered business-to-business e-commerce at a time when enterprise purchasing still depended heavily on forms, faxes, requisitions, purchase orders, and slow coordination between companies. The case covers Oracle's early move toward cloud-based software and self-service purchasing, beginning around 1999.

This case dispels the myth that innovation projects in companies are always organically created from the bottom of the firm. In many cases, the start-up within the larger firm is created by the top executive who provides the original idea, political cover, and guidance through the process.

Figure 11. Oracle's enterprise procurement innovation path.

Initial Conditions

Larry Ellison had the concept that purchasing would be better if firms and suppliers could belong to a shared trading community. Any firm could log in and buy from other firms that also had accounts in the system. Since Oracle was a database company, it could host the website and the account and item data.

Because Larry himself had developed the concept and insight around developing a trading community, it automatically provided political cover for the project.

Story

The initial story was the high-level scope of a business model: Oracle would help create a trading community that made purchasing and supply chain management easier through the Internet. Once the team formed, the story evolved quickly into a product demonstration.

The team kept the focus on users and on a real demonstration. The product was tested internally and with selected customers, including GE. Over time, the product line became known as Oracle Exchange and Self Service Purchasing within Oracle's E-Business Suite.

Execution While Learning

Technical issues appeared as soon as the product was tested in live situations. For example, stateful web applications had to handle users pressing the browser back button during a purchase process. The team also learned to show status updates on screens so users always knew where they were in the process.

Customer learning pushed the team toward consumer Internet patterns such as shopping carts and checkout, making enterprise purchasing feel simpler and more familiar.

Behaviors

Open communication mattered. The team communicated continuously across roles and maintained a strong project rhythm. Context leadership was also important. A domain expert needed to understand purchasing, supply chains, retail, and the practical behavior of firms buying goods.

Summary

This is a sample case of top-down innovation led directly from the CEO. It shows that a start-up inside a firm can begin with executive insight, political coverage, a business-scope story, and a prototype that improves through execution.