

Oracle Extends SOD Analysis Offering With LogicalApps Buy

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The LogicalApps acquisition will strengthen Oracle's segregation of duties and its governance, risk and compliance application control capabilities. But Oracle must deliver more compelling cross-platform capabilities.

NEWS ANALYSIS

Event

On 9 October 2007, Oracle announced that it has agreed to acquire LogicalApps, a provider of governance, risk and compliance (GRC) automation and monitoring technologies. Oracle expects to close the transaction by November 2007.

Analysis

The acquisition of LogicalApps — best-known for its segregation of duties (SOD) and application control capabilities for Oracle's financial and PeopleSoft applications — strengthens Oracle's marginal capabilities in the tactical market for enterprise resource planning (ERP) SOD and in the broader GRC market. The LogicalApps acquisition will make Oracle's offering more comparable to that of SAP, which made a similar acquisition, of Virsa Systems, in 2006.

LogicalApps provides detective and preventative controls within Oracle's E-Business Suite and PeopleSoft applications. The LogicalApps solution uses embedded agents that modify the Oracle platform's behavior at runtime, restricting the options visible to users and administrators, including the ability to proactively block creation of noncompliant users and roles. The February 2007 acquisition of Applimation extended LogicalApps' capabilities to PeopleSoft, but its tightly integrated architecture limits its ability to extend preventative functions easily to other platforms, such as SAP's.

Oracle's past reluctance, based on legal concerns, to include out-of-the-box business rules for SOD analysis — used to support detective and preventative controls — has been a significant strategic weakness of its Internal Controls Manager offering. (Customers have until now been directed to third-party integrators for rule definitions.) The acquisition of LogicalApps, which includes its own rules base, addresses this issue, and signals that Oracle, like SAP, is prepared to offer its customers the capable set of rules they have been requesting.

LogicalApps is comparatively weak in the reactive area of transaction analysis, but its technology could eventually give Oracle a platform for a more general authorization management solution delivering fine-grained control of application functionality within an Oracle Fusion middleware-centric environment — even for an enterprise's own, internally developed applications. To enable this, Oracle must open up the architecture and develop a viable ecosystem of third-party connectors and rules for non-Oracle systems.

RECOMMENDATIONS

- **Enterprises using Oracle E-business suite and PeopleSoft:** Consider the new SOD rules and preventative application controls functions provided by LogicalApps.
- **Oracle-centric enterprises with light-cross platform requirements on Hyperion, JD Edwards, Siebel, SAP or legacy applications:** Consider the detective functions of LogicalApps' products, but recognize that their out-of-the-box rules connectors and rules currently offer direct support only for Oracle E-Business Suite and PeopleSoft.
- **SAP-centric enterprises:** Do not consider these products.
- **Enterprises seeking transaction analysis on the Oracle platform:** Consider ACL Services or Oversight Systems solutions.

- **Enterprises using Oracle Internal Controls Manager:** Expect Oracle to rationalize the overlap with LogicalApps' products and to transition to and finally merge with the LogicalApps engine, rules and capabilities over the next several releases. Clarify your support options under Oracle's "Applications Unlimited" support program during the migration.

RECOMMENDED READING

- "MarketScope for Segregation of Duties Controls Within ERP, 2007" — A variety of stand-alone and embedded SOD controls capabilities for ERP systems are available from nine vendors. **By Paul Proctor, Jay Heiser and Neil MacDonald**
- "Best Practices for Role-Based Separation of Duties in ERP" — The best practice in this area is through process and design discipline and the use of specialty add-on products. **By Jay Heiser and Neil MacDonald**

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