MARKET SIGNALS™

How Market Forces Are Shaping Enterprise Software Roadmaps

Rimini Street®

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Rimini Street, Inc. (Nasdaq: RMNI) is a global provider of enterprise software products and services, the leading third-party support provider for Oracle and SAP software products and a Salesforce® partner. The company offers premium, ultra-responsive and integrated application management and support services that enable enterprise software licensees to save significant costs, free up resources for innovation and achieve better business outcomes. Global Fortune 500, midmarket, public sector and other organizations from a broad range of industries rely on Rimini Street as their trusted enterprise software products and services provider.

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Executive Summary: How Market Forces are Shaping Enterprise Roadmaps

Every organization needs an IT roadmap, a plan for where and how to invest time, money, and talent that reflects business demands and technology opportunities. This planning process must change significantly as a result of the four forces outlined in this research. Business and technology leaders who ignore these forces, allowing the inertia of past choices to determine their direction, risk disappointing CEOs and boards who want to see information technology translated into innovation and competitive advantage.

For many enterprises, the new CIO mandate is to enable business imperatives such as growth and innovation. A key innovation is digitization that is enabling the business to shake up long-held ways of doing work and allowing business leaders to be more engaged in driving IT roadmaps.

Disruptive technologies such as cloud and mobile, and accelerating technologies such as AI and Blockchain are increasing the need for business leaders to establish a direction for their digital journey. According to Business Insider,[1] although industry-specific use of these technologies is just getting started, "companies will continue pouring billions of dollars into connected devices and automation."

Evolving IT options such as reducing reliance on megasuites and optimizing operations costs via cloud hosting are resulting in hybrid applications environments as CIOs make big platform and infrastructure changes to future-proof the enterprise. New methods and tools such as low-code development and DevOps are setting new expectations for applications governance, compliance, and support.

Some operations and organizational changes are being driven by new tools and new ways of doing the work of IT. Other changes are becoming necessary as enterprises optimize IT services to create capacity for change.

With IT strategies being pulled in every direction and accelerating business agility requirements to address new business models, doing nothing isn't an option. CIOs must examine their enterprise software roadmaps and make adjustments where needed to ensure that IT is doing all it can to support business goals. When developing (or updating) your enterprise software roadmap, assess how each of the following forces should shape your journey (Figure 1).

[1]Dolan, Shelagh "How the Internet of Things will transform consumerism, enterprises, and governments over the next five years," Business Insider 2018

Forces That Will Shape Enterprise Software Roadmaps

Market Force	Key Influencers (not an exhaustive list)
New CIO Mandate	– Becoming a Digital Business – New Business Models – User-Centricity in Applications Decisions – Consumerization of the Enterprise Experience
Disruptive Technologies	– Artificial Intelligence – Internet of Things – "Service as a Software" (Uber, Airbnb, Pandora) – Technology Churn
Evolving IT Options	– Open Source – Application Architecture (Best-in-Class versus Suites) – Hybrid Architecture – Modern Security Architecture – Integration Architecture – Data and Analytics
Operations and Organizations	– New Expectation of the CIO – DevOps for Continuous Change – Shadow IT's Effect on Governance and Compliance – Low Code/No Code — the Future of Development – Unified Support – IT Skills Shortage

Figure 1.

Market Force: The New CIO Mandate — An Impetus for Change

While transactional efficiencies and simplification are still foundational to well-run IT organizations, CEOs and business leaders are giving CIOs a new mandate: chart a course for growth and innovation. The increasing pace at which new information technology is becoming available is opening up new opportunities for CIOs to determine if — and how — they will leverage digital technology to achieve the enterprise's goals. This requires transforming IT's organizational charter from a reactive, ticket-based cost center to an open, agile, and customer-engaged organization that rationalizes technology decisions based on business requirements.

IT's Mission Is Changing. The IT mission is no longer primarily about bits, bytes, and data centers. Supporting innovation to support the business is taking priority over transactional efficiency and standardization. IT must power innovations such as the journey to becoming a digital enterprise by providing nimble, agile applications and infrastructure that support the business vision for competitive advantage and growth. Aligned with this, maintaining older releases of core applications (such as ERP) is becoming less of a risk, and the inability to invest in innovation where it matters is becoming more of a concern. Business and IT leaders must rethink how they look at IT risk and the effect that constant technology churn has on it.

The CIO Role is Changing. The explosion of new technologies is creating challenges for CIOs. They must make a shift from being caretakers of technology to innovators and thought leaders. The IT business model of cost management, tickets and tasks, and transactional efficiency is being replaced by a new management and execution model that is business-driven. The new focus is on enabling outcomes that support the business vision. Interestingly, more CIOs are coming into that role from the business. They are not technologists — many of today's CIOs were revenue generators in their prior roles.

The Enterprise "Application Suite" Approach is Changing. Modern, more nimble, innovative vendors are delivering best-in-class solutions that are not available from the big suite vendors. These solutions can be implemented faster, are a better fit, and provide higher impact to the business. This is the opposite of the "lowest common denominator" offerings of the big suite vendors. As enterprises seek to innovate, they are sourcing applications from multiple vendors rather than a single megasuite vendor and are using a variety of delivery models. The value of the megavendor suite-first approach to satisfying business requirements is fading as it gives way to a portfolio approach. The big ERP vendors are losing mindshare in the data center and losing influence over customers. This is a huge development to watch over the next several years.

Given the large, complex suite solutions in place at most enterprises, the suite-to-portfolio transition will take years. We expect the enterprise's core system of record suite to continue adding value as the anchor for the enterprise application portfolio comprised of internally deployed, hosted, and cloud-based applications and platform elements. The most obvious example of this is ERP at the core with edge applications that provide industry fit or competitive advantage. In many enterprises, IT's current applications model has yet to make this shift.

User-Centricity Is Becoming A Key Driver in Application Decisions.
"Consumerization"[2] is a term coined by Gartner to describe how technologies developed in the consumer space are making their way into enterprises. Consumerization is changing the way users interact with and use technology at work, creating new opportunities for innovations in the way work gets done. As users increasingly expect technology at work to operate similarly to their highly tailorable personal technology, user-centric requirements will appear and become a priority during application selection.

The dark side of this for IT is how to support user-centric solutions. Instead of a one-to-many, standard solution, a user-centric solution can potentially contain as many variations as there are users. For each user-centric solution brought into the application portfolio, assess how support functions such as help desk processes and knowledge, break/fix processes, testing, etc. must adapt to what may seem like an endless variety of customized user interfaces, work flows, data, and security profiles — or any other aspect of what used to be a standard solution shared by a community of users.

The secret sauce for CIO success includes new approaches to creating capacity for change, accelerating innovation, and future-proofing the enterprise. Watch for the following trends to appear in your enterprise so you can get ahead of them and be prepared to adapt at the pace of business change.

Market Force: Disruptive Technologies — CIOs Must Find Ways to Accelerate Innovation

No matter what kind of organization you are in, you are likely under pressure to excel in ways that differentiate your offering, allow you to enter new markets, and/or increase customer share-of-wallet. Relying on monolithic vendors for innovation to make this happen can slow the whole process down. Fortunately, we are seeing many new information technologies enter the market. Technologies such as cloud, mobility, and big data are now sharing the spotlight with accelerating technologies such as AI, Blockchain, predictive analytics, and no-code/low code application development. Although industry-specific uses of these technologies are just getting started, they provide many new growth and innovation opportunities for business leaders.

[2]Gartner "Gartner Glossary – Consumerization"

So many amazing technology options can be overwhelming, and any of them, individually, can be disruptive. Yet, many enterprises are investing. According to Business Insider,[3] "Companies will continue pouring billions of dollars into connected devices and automation." The challenge for some is that the proverbial cart is before the horse. For example, there is urgency in the market for enterprises to become digital or be left behind. Investments in digital are happening, but many organizations haven't fully determined what digital means to their enterprise. In order to control the disruption, business leaders must establish a direction for their digital journey, and any other new technology they intend to adopt.

From IT's perspective, **the business demand for change is happening faster than many IT departments can respond,** given their existing portfolio of complex internally deployed enterprise applications and infrastructure solutions. Yet, CIOs can't afford to wait to innovate. Having the agility to deliver innovation at the speed of the business is causing many CIOs to rethink their technology portfolios and focus on new solutions rather than upgrading or swapping out existing assets — but it's not necessarily a straightforward process.

Some key technologies (e.g., databases) are being commoditized, and the market for new technologies is immature and changing rapidly. Between now and 2025, technology churn — frequent introduction of new technologies such as cloud, social, mobile, and analytics — may cause application leaders to be unsure about if, when, and which technologies to invest in. Before you rush off and buy more software, look at what you already have. Can it be extended with innovative best-in-class solutions?

Some CIOs are building digital platforms in order to speed up innovation. At the same time they are under pressure to keep the lights on with flat IT budgets. One specific strategy that CIOs can adopt is to get out of the data center business and move to hosting strategies in order to free up resources to focus on investing where it matters. Likewise, moving some existing internally-deployed solutions "as is" to an open, unrestricted cloud can create cost or management efficiencies. CIOs that don't adopt hosting strategies may need to look for other ways to free up IT budget for innovation.

The cloud offers new choices and increases flexibility, agility, and speed. CIOs can leverage the cloud to optimize their current applications portfolio, which also frees up resources to focus elsewhere. This often means moving to a hybrid IT environment where some applications reside internally, some are licensed but hosted, and some sit totally in the cloud ... or across multiple clouds. Based on specific user requirements or use cases that can't be addressed with existing solutions, applications can be added to the application portfolio, augmenting (rather than replacing) capabilities. This strategy should focus on making sure those new applications truly impact the bottom line or materially affect the business processes they support.

[3]Dolan, Shelagh "How the Internet of Things will transform consumerism, enterprises, and governments over the next five years," Business Insider 2018

Multivendor solutions will likely become the new normal as CIOs stop adhering to incumbent vendors' rigid support policies that promote lock-in and limit flexibility. For example, investing in an incumbent vendor's complementary products can enable innovation, but it carries a risk of creating lock-in to the vendor's support contract. Instead, balance investments in new products with investments in incumbent vendors' immature new platforms, policies, and support models.

You can also increase agility by reducing support costs and freeing up support staff. This creates capacity for change. By making budget and resources available, you can accelerate the timeline of innovative projects. To gain the most value the soonest, start with a few new investments in high-impact areas.

Market Force: Evolving IT Options— CIOs Must Future-Proof the Enterprise

IT teams, more than any other group in an enterprise are accustomed to change, but they are being pressed to keep up with the speed of innovation as IT options evolve. For example, one-size-fits-all, lowest common denominator suites of products that minimize differentiation are losing wallet share in favor of innovative, faster moving, best-in-class options. For many, the result is eliminating reliance on one vendor's megasuite and moving to a portfolio of dynamic functional and regional ecosystems. This creates a whole new set of platform elements and microservices that need to be covered by a unified approach to support.

Another option, hyper-scalable infrastructure as a service (IaaS), will increase flexibility to respond to changes in the business; but as the number of applications and technologies in the hybrid portfolio increases, so does the need to integrate them and secure them properly. Enterprises that can make navigating the portfolio as seamless and painless as possible, causing all disparate systems to appear as one cohesive system, will be the big winners.

Pressure to adopt **vendor-driven technology options will disrupt existing customers' stable enterprise application landscapes** with little or no perceptible business improvement. This causes unnecessary cost and distraction as enterprises attempt to grow and scale. An example of this is ERP vendors pressuring existing customers to move from their stable solutions to cloud offerings that are in the early stages of the maturity cycle. Locking in to immature new platforms may slow time-to-value and increase risk. For many customers, the move will be prohibitively costly and disruptive, all for little business improvement. Devoting the budget and staff to fill functional, integration, and data gaps in order to achieve parity with existing solutions could stifle the enterprise's ability to invest in initiatives that enable business priorities.

Another aspect of this is that new technology options may not be the best fit or offer the best total cost of ownership (TCO). Most newly introduced technologies are immature and changing rapidly. This technology churn — frequent introduction and the associated evolution of new technologies such as cloud, social, mobile, and analytics — will cause application leaders to be unsure about if, when, and which technologies to invest in. For example, as enterprises build a digital platform (we're not aware of one you can buy yet), constant change in platform-as-a-service (PaaS) technologies will force early adopters to determine whether to keep what they've built or swap out components for new products.

To support growth and innovation, CIOs must put in place a technology foundation with flexibility to **take advantage of future best-in-class solutions and strategies** while extending the life of existing systems. Begin orchestrating a dynamic portfolio of applications that is increasingly user-centric and interconnected. Keys to success in the face of continuous change include easy integration, a modern security architecture, virtualization, the ability to manage data across solutions, new approaches to break/fix, and multivendor change management.

Market Force: Operations and Organizations — CIOs Must Optimize to Create Capacity for Delivering and Supporting Innovation

IT operations and support organizations will be stressed as business leaders increase their demands for technology. Delivering technology innovation for the business can have a hefty price tag both in terms of funding and resources. According to Gartner, 90% of the average IT budget goes to ongoing operations and enhancements while only 10% of that budget is spent on things that really move the needle for your organization, such as business transformation initiatives.[4] Vendor policies are often the primary culprit for this. For example, the planned 2025 end-of-mainstream-maintenance window for SAP ECC 6 and premier and extended support end dates for certain Oracle software are creating an artificial requirement forcing customers into expensive upgrades and migrations that appear to provide little business improvement but can consume a large portion of the IT budget and time.

A potential skills chasm — bigger than a gap and lasting longer — is being created by the introduction of disruptive technologies and transformational business innovation. The technology disruption is exacerbated by enterprises adopting new ways of doing work. On top of changing how the work of the business occurs, concepts such as no-code/low-code development, DevOps, Agile, and social will require substantial amounts of organizational change when new skills, processes, and methodologies are adopted.

It appears the pool of experts is not keeping pace with these new demands. An IT staff shortage is already happening, plus skills and knowledge of existing solutions are being lost as the workforce that supports those solutions ages out. Complicating this is the disproportionate ratio of staff assigned to ongoing operations versus transformation.

[4]Gartner, "Gartner IT Key Metrics Data" December, 2019

Winning the skills challenge will require a multipronged approach, including strategies such as shifting existing staff from operations to innovation, retraining internal staff, and partnering existing business experts with freshly trained technologists. The skills issue will persist for years, so establish an ongoing pipeline to fill critical skills and plan for constant turnover due to skills poaching.

If IT can't deliver innovation, the business will go around it. Shadow IT — where IT resources reside in and report directly to the business — could increasingly bypass IT as the business takes the lead in investing in new technologies and methods, reducing the efficiency and effectiveness of IT operations. CIOs must optimize ongoing operations and enhancements in order to create capacity for change. This means reallocating IT budget and resources so the right investments are made at the right time to enable the enterprise to deploy capabilities that support its business objectives.

Making Sense of All the Market Forces as You Plan IT Investments

Most CIOs believe they are in control of their IT roadmaps. Yet market forces are creating new pressure to change course. Some CIOs are tempted to adopt new technology or new IT methods without a good business case to do so. The business should be driving IT investments, and many CFOs are asking IT to leverage the market forces to accelerate innovation. At the same time, vendors are applying pressure to adopt their roadmaps, but most vendor-dictated roadmaps don't support the kind of transformation that the business is asking for. The vendor-dictated roadmap can also lock customers in to a proprietary technology stack that is not best in class and may not integrate well with other technologies.

In order to accommodate the sometimes conflicting market forces and also be responsive to business demands for innovation, CIOs are adopting a new paradigm for IT planning. A trend we are seeing more frequently is CIOs shifting their IT strategies and investments to be more business-driven. This makes them less willing to adopt new technologies and practices before there is a clear business need and less willing to accept vendor product and platform roadmaps that don't necessarily align with priorities for business growth and innovation. IT strategies are becoming more integrated with business strategies, ensuring that every IT initiative, every dollar, and every resource is allocated to efforts that make a difference for the business.

Business-Driven Roadmaps will set the direction for successful innovation. A Business-Driven Roadmap is a rolling 3- to 10-year plan that translates an enterprise's business strategy into technology initiatives that enable it to achieve its objectives. It creates alignment among stakeholders regarding how IT will ensure technology solutions are in place and ready to support the business strategy.

As you develop a Business-Driven Roadmap to guide your IT strategy and planning, account for market forces to achieve greater success.

See **Is Your Organization Delivering on a Business-Driven Roadmap?** and learn to spot the telltale signs that you're following a technology-dictated roadmap — and how to reverse course.

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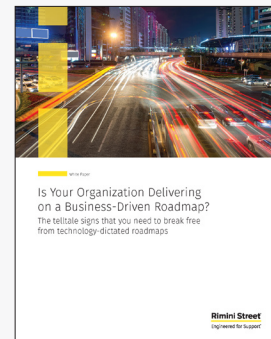
See **The Business-Driven Roadmap Imperative** for more detail on the concept of a Business-Driven Roadmap and why you should follow one.

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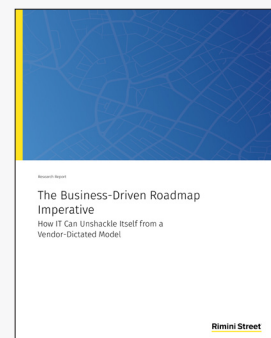
Continue your journey with a Business-Driven Roadmap following these guiding resources:

Four Critical Factors to Consider When Making the 2025 SAP S/4HANA Decision for Your Business

https://www.riministreet.com/sap-s4hana-4factors-ebook?src=MFPaper

Why Enterprises Are Rethinking Their Oracle Relationship and Cloud Strategy

https://www.riministreet.com/enterprises-rethinking-oracle-relationship?src=MFPaper

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