

Enterprise systems are being replaced what's driving it and what to expect

Demand for organisations to refresh their enterprise systems has built to bursting point. And it's going to create a wave of new enterprise software investment in the next one-to-two years, according to the recently released **IBRS State of Enterprise Software Report 2019**.

"Organisations have withheld investment in ageing enterprise solutions because they've either adopted a 'wait and see' approach to cloud-delivered solutions, or they have been waiting for the vendors of their existing solutions to deliver functional parity with new web-enabled or cloud-based versions," **Dr Joe Sweeney**, author of the report said.

"Enterprise software is often business critical — organisations can't afford to sacrifice functionality, or it impacts service delivery."

However, the research found that most businesses agree they can't wait any longer. 2019-2020 represents a tidal wave of change, with a shift in both buying power and propensity not seen before.

Julie Ember, SaaS Transition Specialist at TechnologyOne, said this demand has been driven by rapidly evolving employee expectations.

"Mobile devices have revolutionised how we both live and work. Flexible workplace policies require business systems to be easy to access from a multitude of locations, and available outside traditional working hours. Employees need to perform their jobs from anywhere, and on any device," she said.

The State of Enterprise Software 2019

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What happens when you hold back —— upgrades?

Until this point, many organisations have held back enterprise solution upgrades or replacements — a trend that the study found to be especially prevalent among Local Government organisations.

Sweeney highlighted five problems that can emerge if organisations wait too long to upgrade:

- They will remain focused on running systems, not on their business and delivering quality services to their customers.
- Not taking advantage of new technology and associated efficiencies (also linked to businesses' ability to deliver better services for customers).
- The risk associated with running business-critical systems that no-one supports anymore.
- The need to invest in lengthy workarounds or heavy customisations of the software — which is IT resource-intensive — rather than outsourcing ongoing innovation to the experts: the software vendors.
- It may get to a point where the cost to upgrade is the same if not more than implementing new software.

Ember added that waiting too long to upgrade can hold the entire organisation back from being efficient and competitive.

However, that may be about to change, according to the IBRS report, as most organisations are now either satisfied that upgrading to cloud-based enterprise solutions is feasible, or that they can no longer continue holding onto outdated on-premise versions of their enterprise solutions.

How does your sector — stack up?

The extent of change varies significantly across sectors:

Education institutions are facing increasing pressure to treat students more like customers, particularly in Australia where changes in government funding are forcing them to focus on student outcomes. This is driving tertiary institutions to reinvest in multiple educational enterprise capabilities across many domains, including student outreach and marketing, student information systems, enterprise reporting, analytics, next-generation learning management, as well as upgrades to student support, finance and administrative solutions. **72 per cent of educational institutions are planning to replace or adopt new enterprise solutions in 2019.** A further 31 per cent of educational institutions are also upgrading existing solutions.

Aged, Disability and Community Care is undergoing significant disruption due to the introduction of the NDIS and the recent Royal Commission, leading to significant acquisition and merger activity that is driving a need for new, consolidated or updated enterprise systems. **Three-quarters of organisations in this category will replace or adopt entirely new enterprise solutions in 2019.** A further 11 per cent are upgrading existing solutions.

State and Federal Government have a lower - though still significant - investment profile for 2019, with slightly stronger plans for 2020 and 2021. Approximately **31 per cent of state and federal government organisations plan to adopt new enterprise solutions**, while a further 33 per cent will be upgrading existing solutions. The driver for this renewal is largely a periodic refresh cycle.

Local Government is known for being slower to adopt enterprise solution updates, however this will change in 2019, with nearly 58 per cent looking to upgrade existing enterprise solutions. **Close to 50 per cent will be looking to procure entirely new solutions.** Local Government's appetite for enterprise solutions is based on a realisation that new enterprise solution delivery models are now mature. The report reveals that executives also see cloud services as being essential for the delivery of greater citizen engagement — particularly in a context where they are looking to provide their citizens with the ability to engage in self-service and reporting civic issues.

Utilities, Water, Ports & Airports have the highest propensity for both on-premise and managed services, yet **92 per cent are planning to replace ageing or buy new enterprise solutions within the next two years.** While these asset intensive sectors represent complex, highly-specialised, asset-rich environments who have traditionally held back new IT investments, this looks set to change. These organisations have a stronger requirement for capital expenditure, so their preferences are based at least in part on their accounting model, rather than technology and applications available.

Financial services are **trailblazing in the adoption of new enterprise solutions** with the majority of financial institutions saying their enterprise solutions are up to date. The report said it is no surprise to see that the majority of these organisations are not planning significant upgrades or replacements in the coming year.

Find out more

Download the full report or register to attend Showcase 2019 to find out more about how your sector stacks up when it comes to enterprise software investment and what this means for your business.