

**NETWORKWORLD**<sup>®</sup> 2007

# Buyers' Insights

## **MANAGING APPLICATIONS**

### **Buyers' Insights into Purchase Trends and Challenges**

**Conducted by: Research Concepts LLC**

**Conducted for: Network World Inc.**

**Date: February 2007**

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## KEY INSIGHTS

This research investigates key issues associated with managing enterprise software, including challenges, the role of open source, use of service-oriented architectures (SOA) and how organizations are making decisions to purchase software. An online survey was sent to members of Network World's research panel, and results are based on 376 respondents involved with the purchase of software for their organization.

### Top Challenges

- Based on the results of this research, the top two challenges in managing applications are securing them and enabling them to work with handheld devices.

### Network Management Tools

- The status of 8 different tools was investigated, and all are being used by at least 6 out of 10 respondents. At least 80% are using systems management, desktop management and network performance management tools.
- While usage is high, there is room to improve satisfaction with the tools. At least half of respondents were either "Very satisfied" or "Satisfied" with only 3 of the 8 tools – systems management, network performance management and desktop management.

### Open Source

- When an organization invests in proprietary software, it is generally a given that the software will be supported and updated by the vendor. With open source, there is no guarantee that the software will be actively developed and improved. Therefore, migrating enterprise applications to run on open-source platforms brings a certain level of risk. In this study, 45% of respondents indicated their organization runs enterprise applications on open-source platforms, while 55% are not using open source.
- Based on this research, the top benefits and concerns with deploying open source are summarized below:

TOP BENEFITS	INHIBITORS
No/nominal licensing costs	IT staff has limited knowledge of open source
Not locked into one vendor	Integrating open source into infrastructure

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### Service-Oriented Architecture (SOA)

- The idea behind SOA is to build an infrastructure that enables compositions of loosely coupled software services to exchange data or coordinate a business function. Industry observers expect companies to become sold on the SOA model because it offers flexibility. And vendors are taking note as more are introducing SOA testing and validation tools, policy management and enforcement software, and XML processing and security appliances. In this research, two-thirds of respondents indicated some level of familiarity with SOA, but only one-third have a good level of familiarity. In terms of actually deploying SOA, only 21% have done so already, with another 7% planning and 21% considering. That leaves just over half of respondents (51%) with no plans to use SOA or unsure about its use.
- Among those who have deployed SOA or have definite plans to deploy, the top challenges are lack of standards, unresolved security issues, and the introduction or more — not less — complexity into the IT infrastructure.
- Based on this research, the top benefits and challenges of deploying SOA are summarized below:

TOP BENEFITS	INHIBITORS
Better usage of IT resources	No business need
Greater adaptability of applications	
Improved re-use of application components	

### Software-as-a-Service

- Based on the results of this research, there is little interest in shifting away from software licenses in favor of software-as-a-service. Only 4% of respondents have done this, and another 20% are likely to do so in 12 months. Respondents indicated they do not want to give up control of their software.

### Insights into the Software Purchase Process

- On average, it takes respondents just over seven months to make an enterprise application purchase.
- The purchase process is very similar to other technology areas we have investigated (e.g., security, storage and wireless), in which the Networking/IT Department has the most influence on all steps, with the exception of approving the budget. When it comes to approving the software budget, Executive Management has the most influence.

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## PURPOSE AND METHODOLOGY

### Purpose

The objective of this research was to investigate key issues surrounding the challenges organizations face managing their applications and discover how they make software buying decisions. Specifically, the following insights are provided:

#### Managing Software:

- Challenges
- Network management tools

#### The Role of Open Source:

- Enterprise applications use
- Benefits and barriers to adoption

#### Service-Oriented Architecture:

- Familiarity and usage
- Benefits, challenges and inhibitors to deployment

#### Software-as-a-Service:

- Usage
- Reasons for using or avoiding

#### Software Purchases:

- Involvement of different functions in the purchase process
- Length of time to make a software purchase decision
- Feedback for vendors on how the purchase process can be improved

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## Methodology

An e-mail blast was sent to members of Network World’s research panel in December 2006 asking for their participation in a survey related to managing software. There were 376 qualified respondents who are involved in the purchase of software and work in organizations with at least 50 employees. All results of this survey are based on 376 respondents unless otherwise indicated. Some percentages may not add up to exactly 100% due to rounding.

The specific ways in which respondents are involved with the purchase of enterprise applications at their organization are outlined below:

RESPONDENTS' ROLE IN PURCHASE OF ENTERPRISE APPLICATIONS AT THEIR ORGANIZATION	% RESPONDING
Evaluate or specify applications for purchase	78%
Determine the technology solution to the business need	77%
Determine features needed or specify technical requirements	74%
Select brands or vendors	70%
Responsible for implementation	68%
Determine the business need for enterprise applications	62%
Evaluate or specify where to buy	59%
Authorize or approve expenditures	38%

*Multiple Responses Permitted*

The majority of respondents (68%) have a Network/IT job function. Fourteen percent are Independent Consultants and 7% are Corporate Management (the remaining 11% are classified as “Other”). Respondents represent a range of industries. Those mentioned by more than 4% include Manufacturing (12%); Web Hosting/ISP (11%); ASP/SSP (10%); Business Services (8%); Insurance/Real Estate/Legal (7%); Carriers/Voice/Data/ISP (6%); Utilities (6%); Travel/Hospitality/Entertainment/Recreation (5%); Aerospace (5%); Process Industries (5%); Health Care Services (4%); Retail/Wholesale Trade (4%); and Government (4%).

Specific company sizes represented in this research:

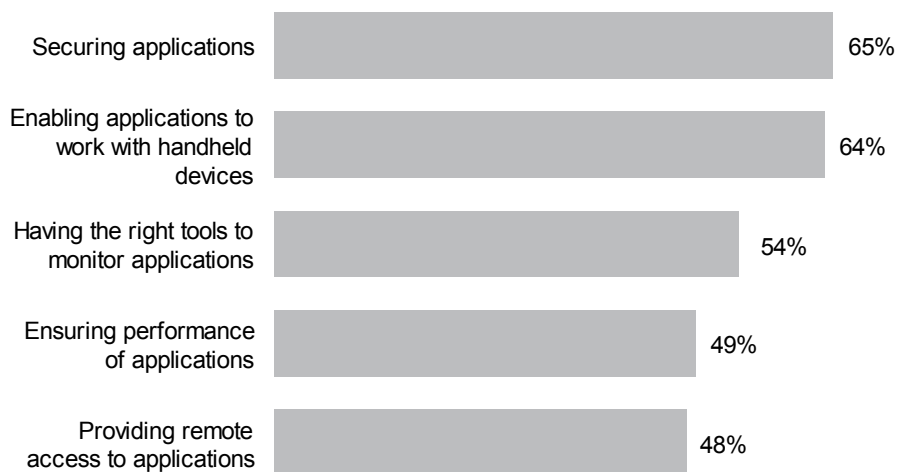
COMPANY SIZE	% RESPONDING
1,000 or more employees	31%
100 to 999 employees	44%
50 to 99 employees	25%

## MANAGING SOFTWARE: CHALLENGES AND TOOLS

### Challenges Managing Enterprise Applications

Respondents were asked to rate how challenging they find five issues associated with managing enterprise applications (1 = Not at all challenging to 5 = Very challenging). The percentage of respondents who find the issues either “Very challenging” or “Challenging” is shown in Figure 1 below. The top two challenges are securing applications and enabling them to work with handheld devices.

**Figure 1: Enterprise Applications Challenges**  
(% Indicating “Very challenging” or “Challenging”)



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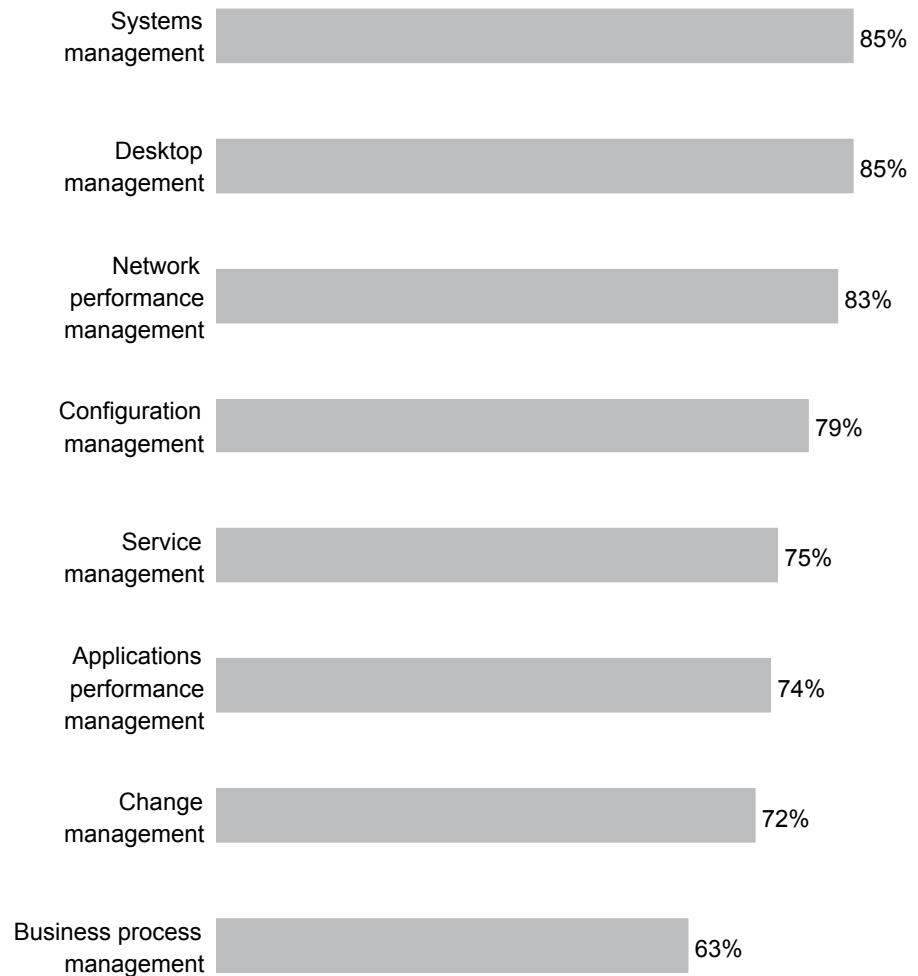
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## Usage of Network Management Tools

**Figure 2** shows the percentage of respondents that indicated their organization is using the network management tools outlined below. All tools are being used by at least 6 out of 10 respondents. The three tools most likely to be used are systems management, desktop management and network performance management.

**Figure 2:** Usage of Network Management Tools



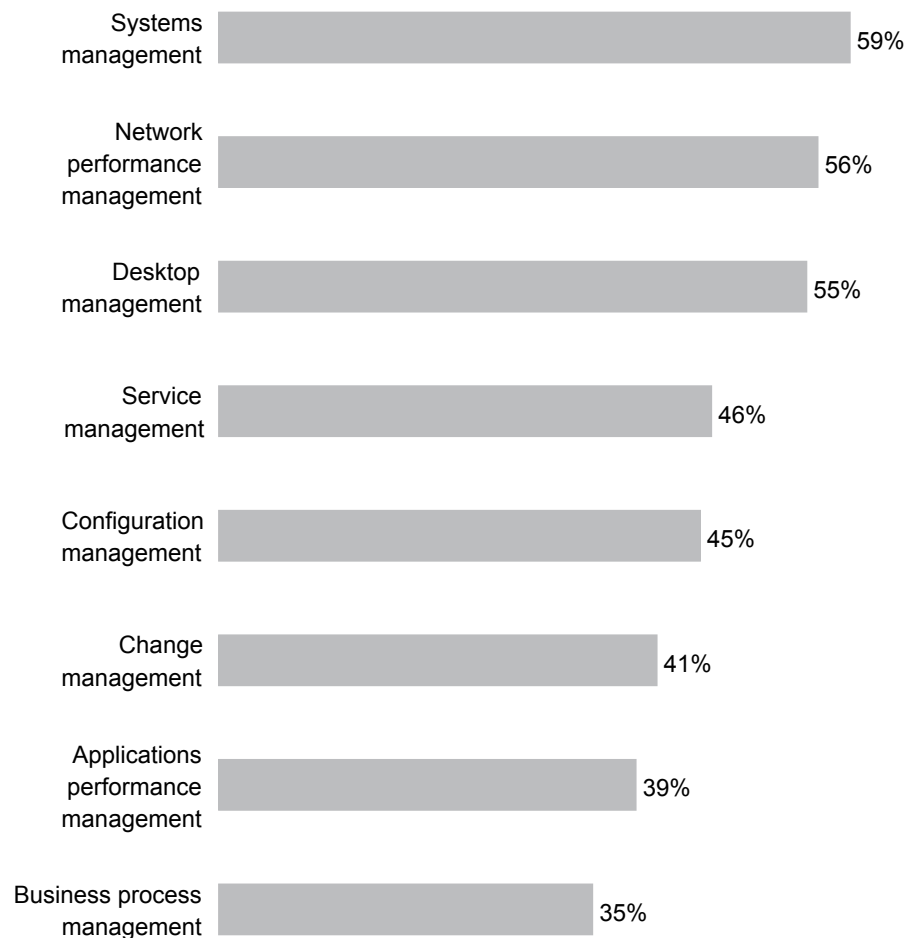
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## Satisfaction with Network Management Tools

Respondents were asked to indicate their satisfaction with different network management tools using a scale of 1 to 5, in which 5 = Very satisfied. The percentage of respondents who were either “Very satisfied” or “Satisfied” is shown in Figure 3 below. At least half of respondents are satisfied with three of the tools investigated – systems management, network performance management and desktop management.

**Figure 3: Satisfaction with Network Management Tools**  
(% Indicating “Very satisfied” or “Satisfied”)



(Among respondents who are using the tool)

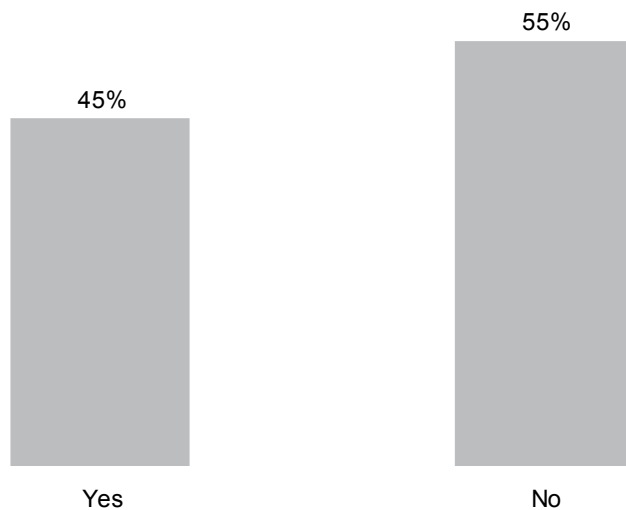
## OPEN-SOURCE SOFTWARE IN THE ENTERPRISE

### Use of Open-Source Platforms for Enterprise Applications

While there has been a lot of buzz surrounding open source, is it appropriate for important corporate applications? Industry observers have noted that open-source software is a viable alternative to proprietary software only if products are under active development and are being regularly maintained to address security and interoperability issues. Some big-name commercial vendors are releasing formerly proprietary code into the open-source community, and the number of applications that can run on open-source platforms has increased.

Respondents were asked if any of their enterprise applications run on open-source platforms. The results indicate that open source is being used for enterprise applications by just under half of respondents (45%).

**Figure 4:** Use of Open-Source Platforms for Enterprise Applications



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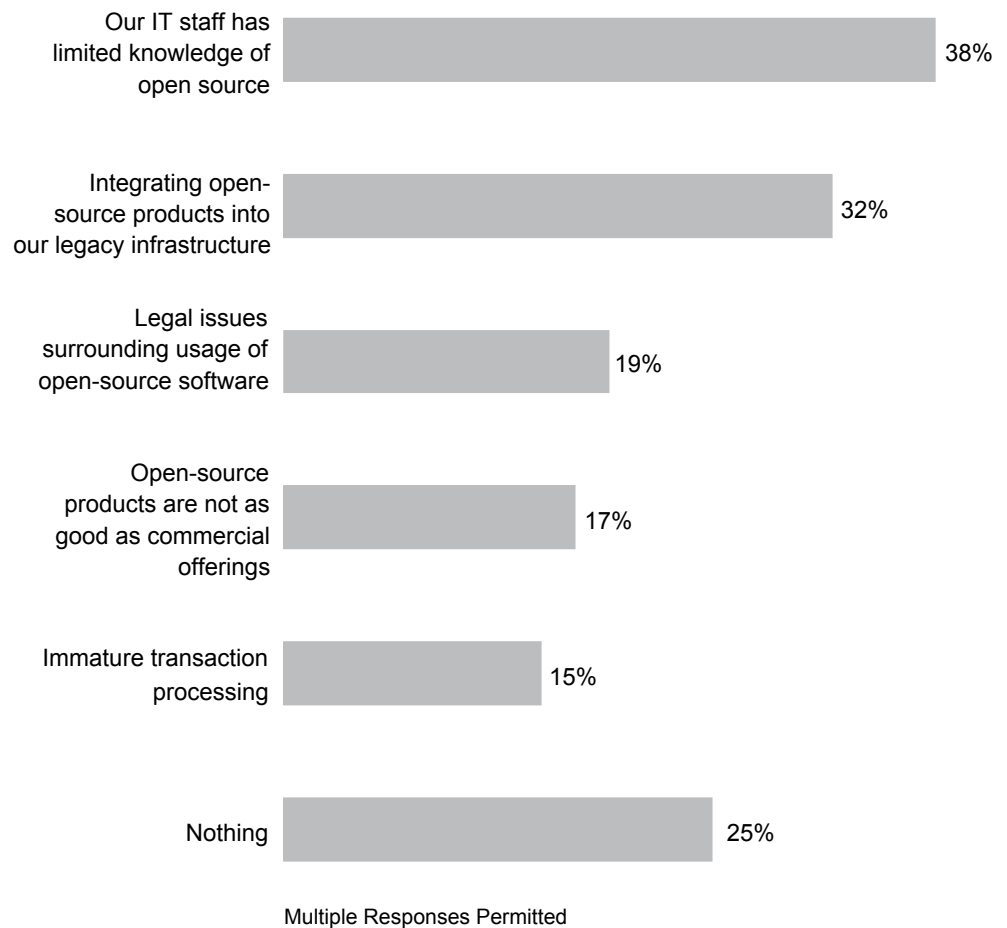
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## Factors Holding Back Adoption

Respondents were asked if any of the factors listed in Figure 5 were inhibiting the adoption of open-source software at their organization. While no factor was mentioned by more than 4 out of 10 respondents, limited knowledge of open source and integrating open source into the legacy infrastructure are holding back most organizations.

**Figure 5: Factors Holding Back Open Source Adoption**



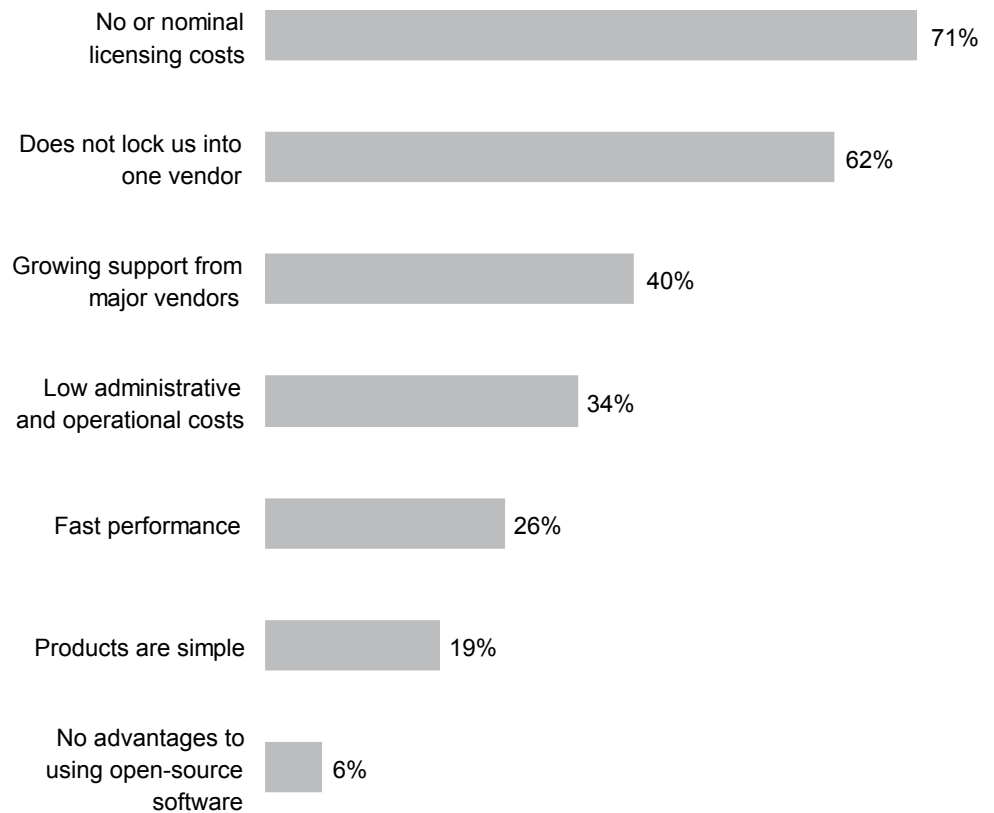
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## Advantages of Open-Source Software

In order to provide insight into the drivers for deploying open source, respondents were asked what they see as the major advantages of using open-source software. Two advantages were cited most – lower (or no) costs and the fact the organization is not locked into one vendor (see Figure 6). Forty percent cited growing support from major vendors. It is interesting to note that only 19% said the products are simple. This could become more of a perceived advantage as familiarity with open-source increases.

*Figure 6: Advantages of Using Open-Source Software*



Multiple Responses Permitted

## SERVICE-ORIENTED ARCHITECTURE

### Familiarity with Service-Oriented Architecture

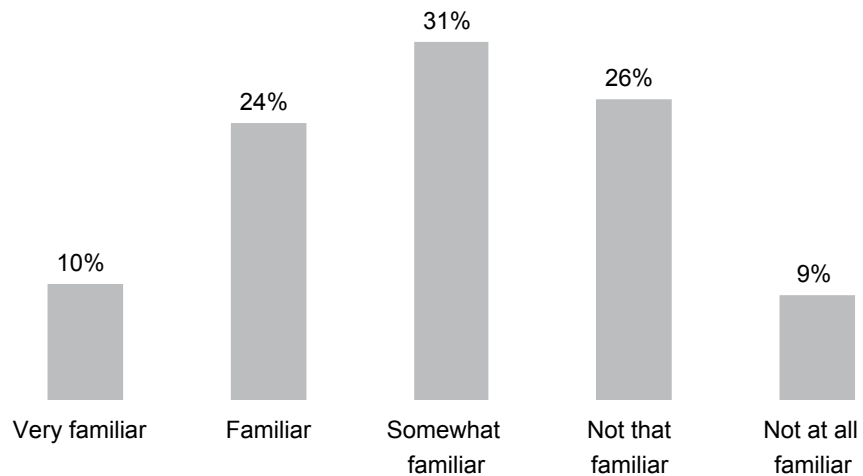
Respondents were asked how familiar they are with service-oriented architecture (SOA) after seeing this definition:

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*A service-oriented architecture is a way of connecting applications across a network via a common communications protocol. In theory, this lets developers treat applications as network services that can be chained together to create a complex business process more quickly.*

As seen in **Figure 7**, 65% indicated some level of familiarity, but only 34% are “Very familiar” or “Familiar.”

*Figure 7: Familiarity with Service-Oriented Architecture (SOA)*



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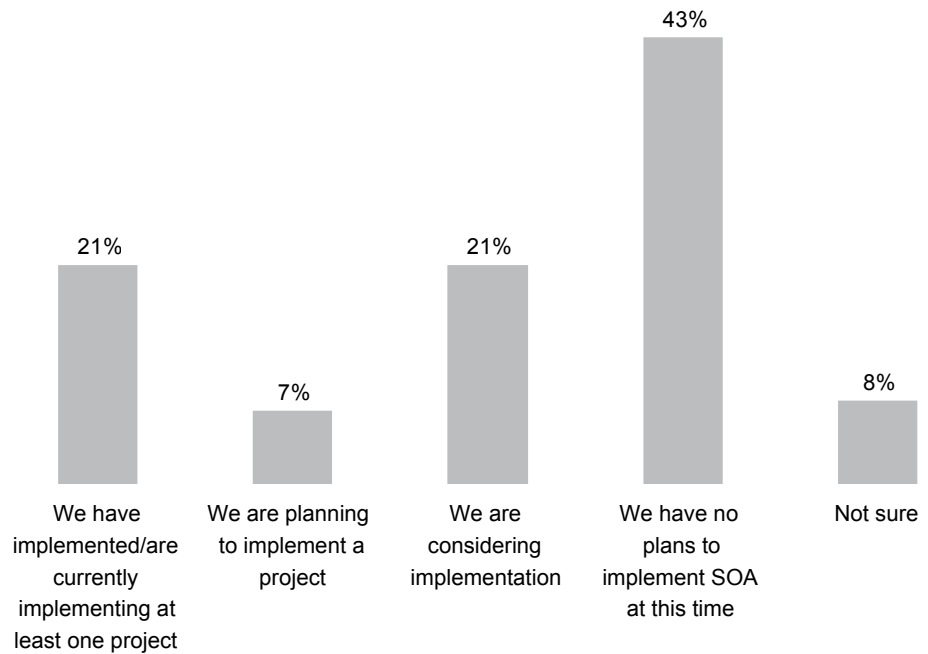
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## Status of SOA

**Figure 8** shows where respondents are with SOA deployment. They are almost equally split as to whether they will use SOA. Forty-nine percent indicated they have implemented (21%), are planning to implement (7%) or considering implementation (21%), while 43% have no plans for SOA.

*Figure 8: Status of SOA*



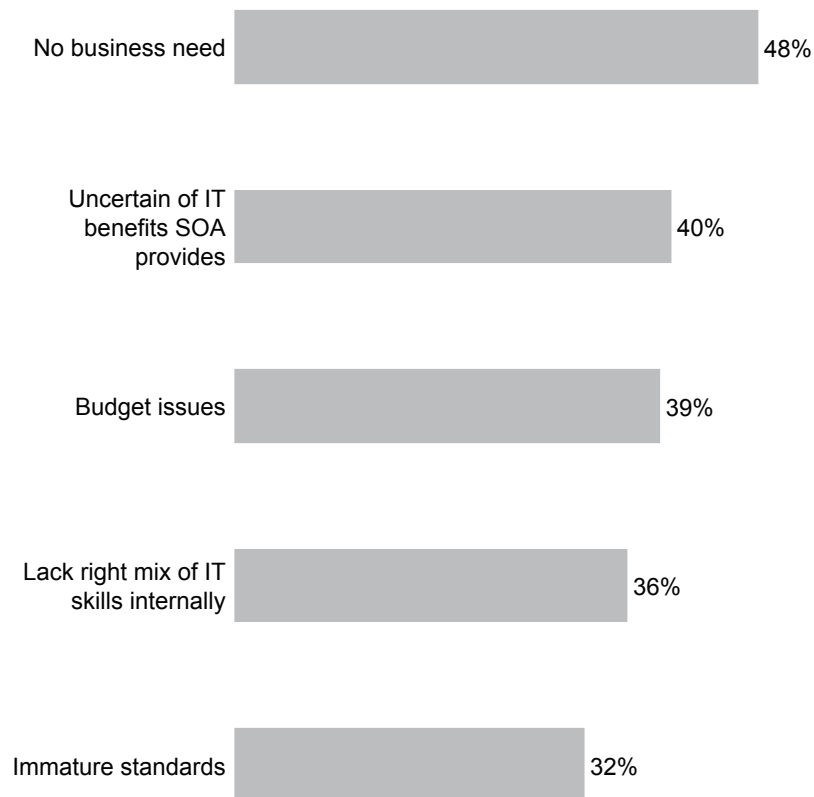
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## Inhibitors to Deployment

Respondents with no definite plans for SOA were asked to rate the impact of different factors holding back their organization from using the technology. The top mention was lack of a business need, but this may become less of an obstacle as familiarity with SOA increases.

*Figure 9: Factors Holding Back SOA Deployment  
(% Indicating "4" or "5," in which 5 = "A lot of impact")*



(Among respondents who are not using SOA)

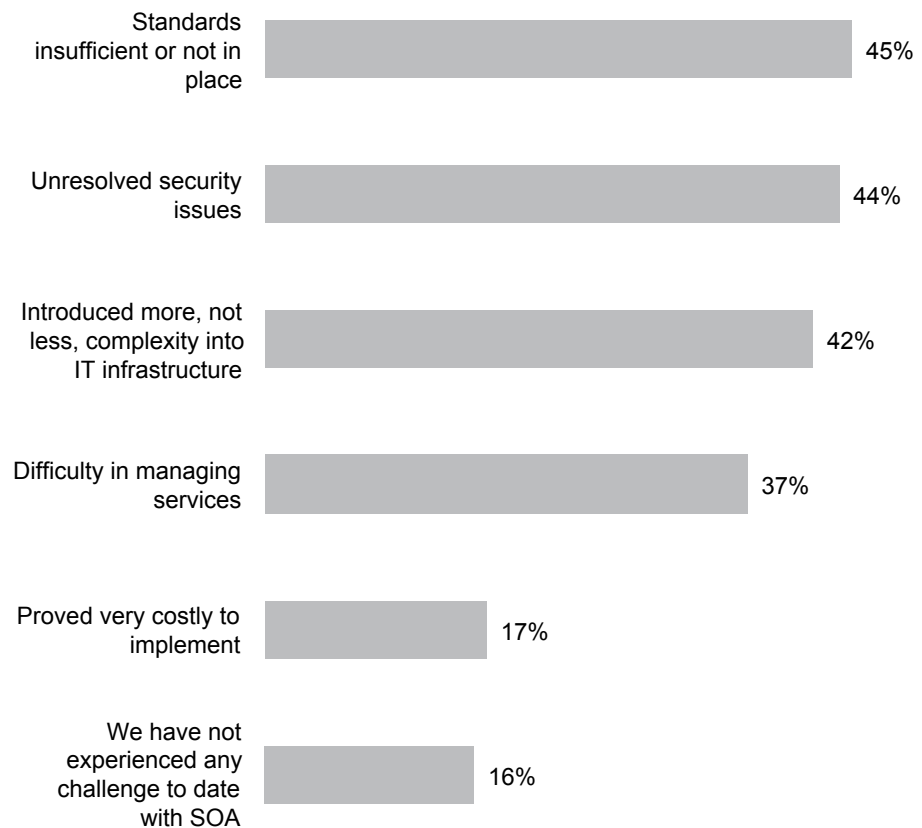
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## Challenges of SOA

Respondents who have already implemented or have plans to implement SOA were asked to indicate the related challenges their organizations face (see Figure 10). Insufficient standards, unresolved security issues and increased complexity in the IT infrastructure are the top challenges.

Figure 10: Challenges of SOA



Multiple Responses Permitted  
(Among respondents who are using or will use SOA)

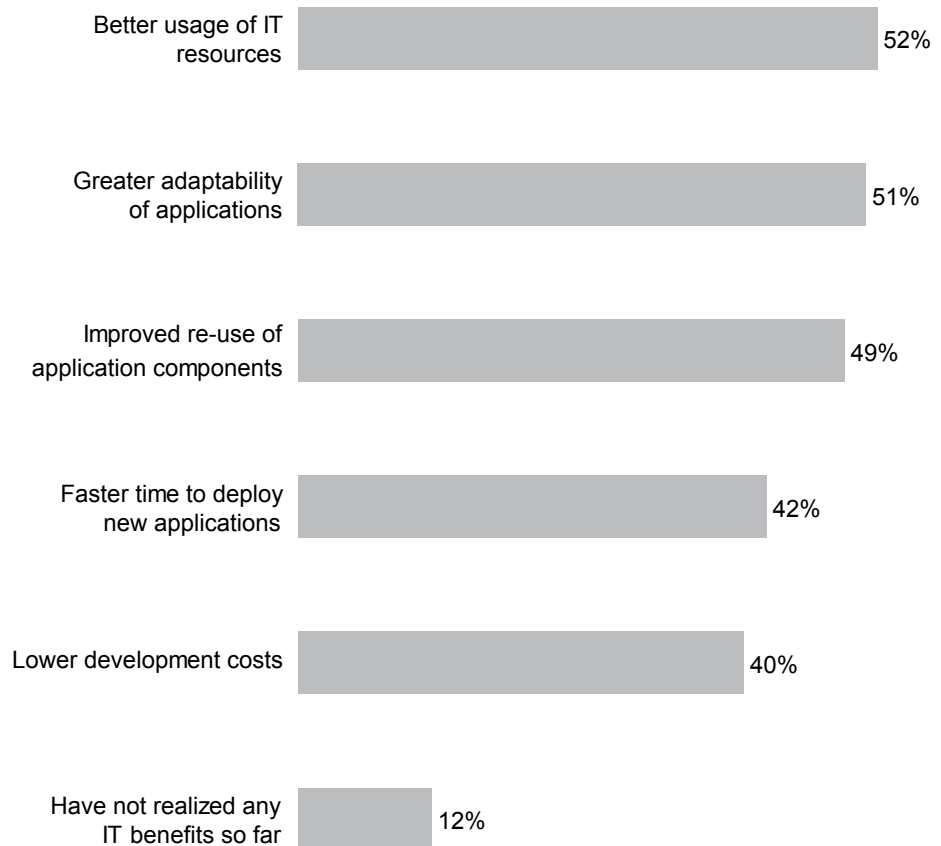
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## Benefits of SOA

Respondents with SOA implementation experience were asked which IT benefits their organization have already realized or anticipate as a result of investing in SOA. Approximately half of respondents are looking to SOA for better usage of IT resources, greater adaptability of applications and improved re-use of application components.

Figure 11: Benefits of SOA



Multiple Responses Permitted  
(Among respondents who are using or will use SOA)

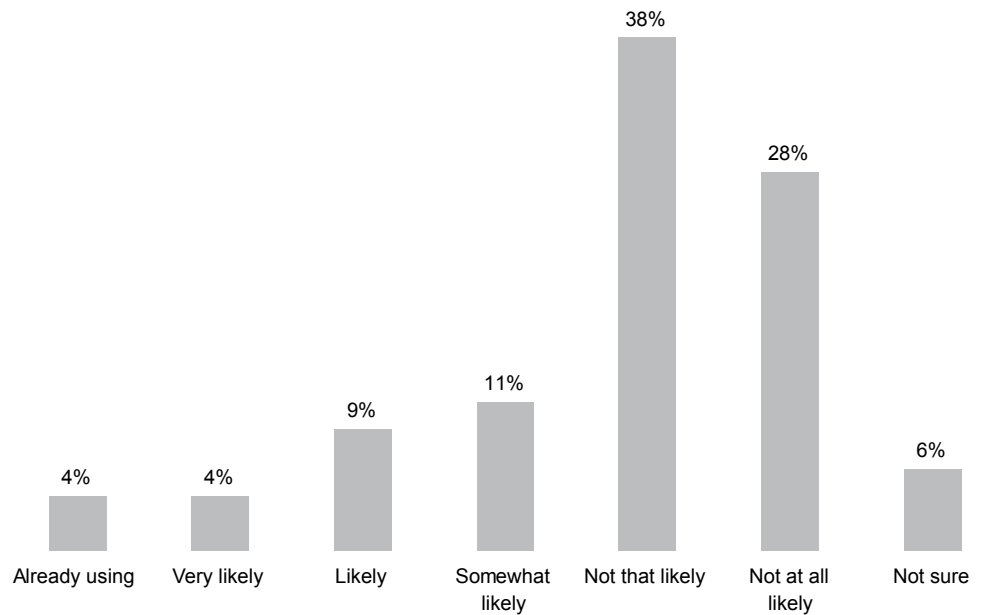
## SOFTWARE-AS-A-SERVICE

### Infiltration of Software-as-a-Service

Software-as-a-service was expected to be used mostly by small enterprises with limited IT budgets, but industry observers are predicting it will catch the attention of large enterprises with complex application environments.

Respondents were asked how likely their organization is to shift away from any of their software licenses in favor of software-as-a-service in the next 12 months. Currently there is little momentum for software-as-a-service, as only 4% are currently using it and another 24% indicated some likelihood to use. Two-thirds (66%) indicated their organization is unlikely to use software-as-a-service.

Figure 12: Likelihood to Use Software-as-a-Service in Next 12 Months



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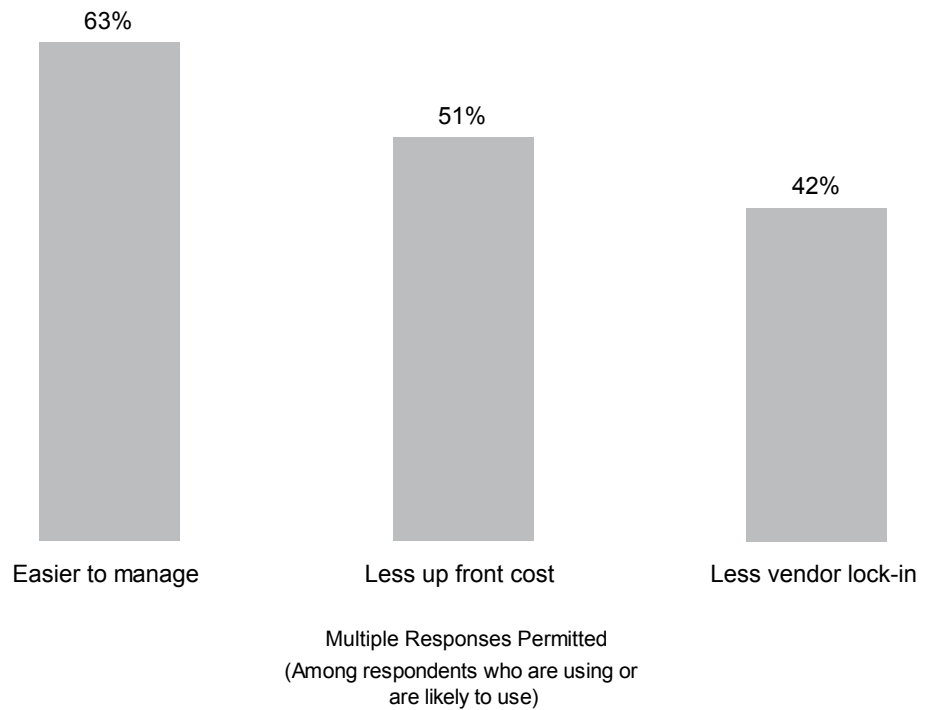
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## Reasons for Using Software-as-a-Service

Respondents who are using or are likely to use software-as-a-service were asked why their organization is interested in the model. The top reason is perceived easier management.

**Figure 13: Reasons for Using Software-as-a-Service**



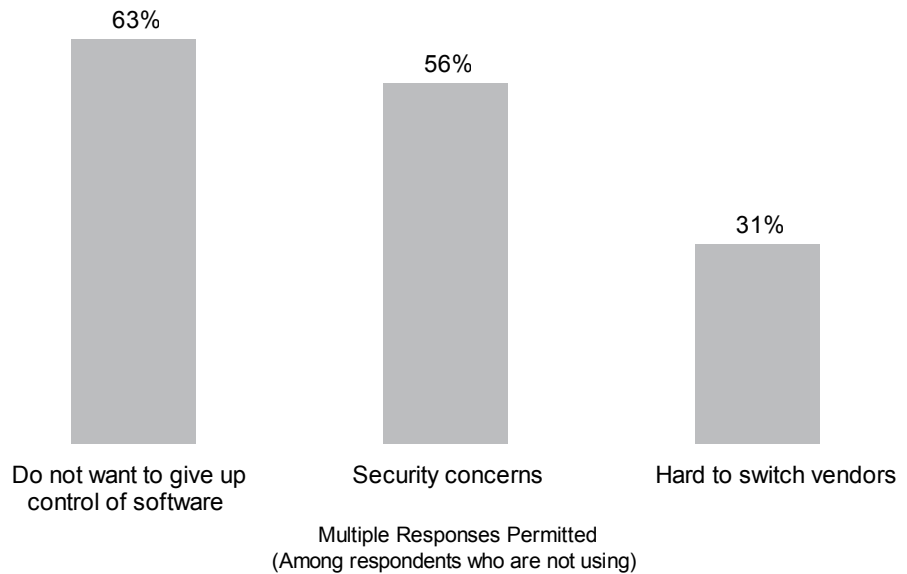
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### Reasons for Not Using Software-as-a-Service

Respondents who are unlikely to use software-as-a-service noted their biggest concern is giving up control of their software. More than half are also worried about security.

**Figure 14:** Reasons for Not Using Software-as-a-Service



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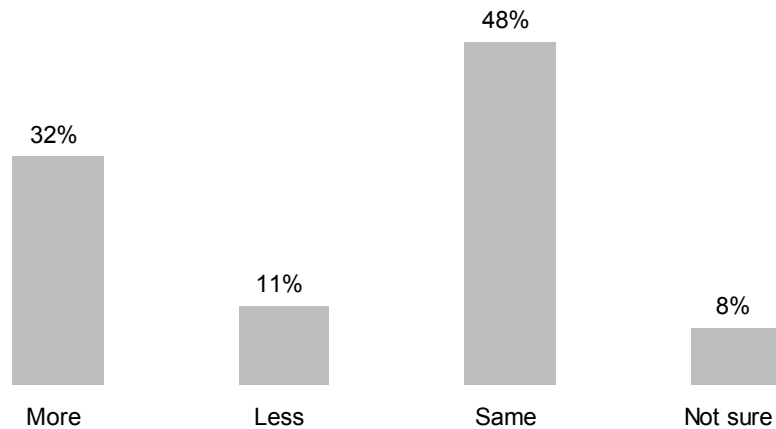
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## PURCHASING ENTERPRISE APPLICATIONS: WHO IS MAKING PURCHASE DECISIONS?

### Resources Dedicated to Enterprise Applications

Respondents were asked if the amount of financial resources dedicated to their organization's enterprise applications will be more, less, or the same as last year. Thirty-two percent said their organization will increase spending on enterprise applications, and 48% will maintain spending levels. Only 11% will decrease enterprise applications spending.

**Figure 15:** Change in Amount of Financial Resources Dedicated to Enterprise Applications



### Purchase Influence

Organizations go through several steps when making a decision to purchase enterprise applications. Respondents indicated the individual or group that has the most influence on the purchase activities outlined in Table 1 on the next page (only one group selected for each step). Thirty-nine percent of respondents said the IT/Networking Department has the most influence on "Initiate enterprise application purchase"; 30% said Executive Management has the most influence; 28% believe Business Function Management has the most influence; and 1% indicate that Outside Consultants have the most influence.

The IT/Networking Department has more influence than any other group in four of the five purchase steps investigated. The one exception is "Approve enterprise application budget," in which Executive Management has the most influence. These results are consistent with a purchase process study<sup>1</sup> conducted in 2001, which shows that the IT Department has the most influence on all steps in the technology purchase process, with the exception of approving the technology budget. In approving the technology budget, Executive Management has the most influence. Thus, the involvement of different groups in the various aspects of purchasing technology products has remained stable over time.

<sup>1</sup> Today's Technology Buyer, January 2001 conducted by Research Concepts for Network World.

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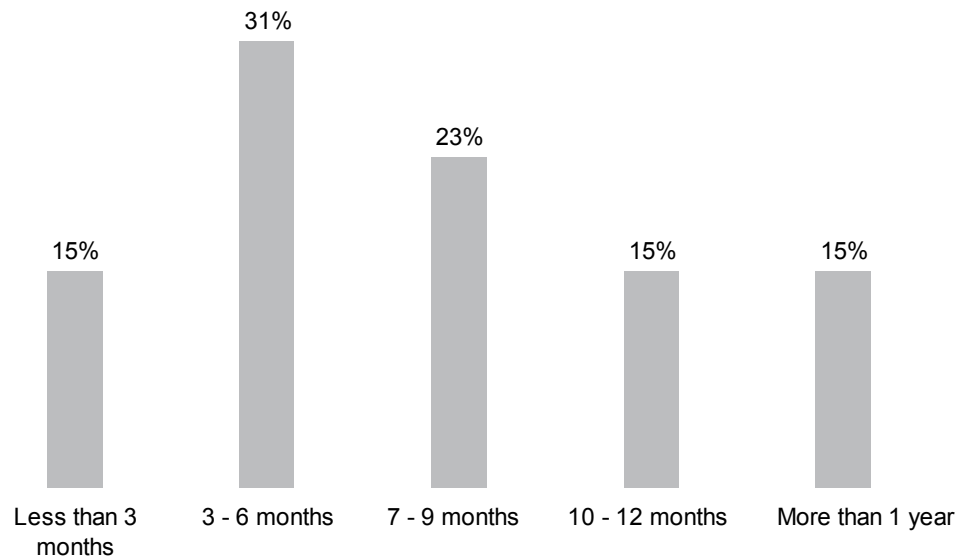
**Table 1: Most Influence on the Enterprise Applications Purchase Process**

PURCHASE STEPS:	IT/NETWORKING DEPARTMENT	EXECUTIVE MANAGEMENT (CEO, CFO, ETC.)	BUSINESS FUNCTION MANAGEMENT	OUTSIDE CONSULTANTS
Initiate enterprise application purchase	<b>39%</b>	30%	28%	1%
Research vendors	<b>77%</b>	8%	11%	3%
Create short list of vendors	<b>76%</b>	9%	11%	2%
Select final vendor	<b>44%</b>	27%	15%	1%
Approve enterprise application budget	9%	<b>81%</b>	8%	1%

### Length of Purchase Decision

Respondents were asked to estimate the length of time it takes to make an enterprise application-related purchase decision from the time their organization identifies the need to the time a purchase is finalized (see Figure 16). The average length of time for an enterprise application purchase decision is 7 months.

**Figure 16: Length of Enterprise Application Purchase Decision**



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### Buyers Speaker Out: Advice to Improve the Purchase Process

Respondents were asked what feedback they would give vendors that would improve the purchase of applications at their organization. The verbatim responses were organized into different areas and are shown below.

Quite a few of respondents want honest communications from vendors, not hype. There is a desire for better technical information as well.

- Be open, honest and up front with ALL aspects of the application package. Don't treat customers poorly after the contract has been signed!!
- Don't Microsoft us (i.e., Tell the absolute truth, as to what the product or service can and cannot do or perform).
- Clear, concise functionality descriptions; allow organization to express and quantify advantages.
- Be honest about strengths, weaknesses, and 'fit'. When an enterprise application purchase ends up not going well due to 'dishonesty', no one benefits.
- Only SAP and Oracle have products that work MOSTLY, NOT entirely as advertised, the rest are snake-oil salesmen — and don't get me started on Microsoft.
- Don't try to be the heart of the network. Every vendor wants to be at the core. It forces integrators to over buy or get stuck with products they don't want. Good, solid niche players get our money more quickly.
- Less color in the presentation....more specifications...bottom-line cost.
- Let us know what exactly we are not getting and what we are getting.
- Have a more technical guy answer a lot of the setup questions, etc., rather than a sales guy who just pitches what you'd gain with using the app (certainly that is important, too).
- Sufficient detail. I have run into too many people who can list the features, but can't tell me technically how this product differs over another. This is especially true of networking products.
- Provide specifics instead of "sales briefings." Make the research easier. There is a ton of documentation about "What a product can do.", very little cohesive documentation on implementing it or designing its use with other systems. Research and short-listing takes forever.
- Realistic functionality statements and specification of what is really better than previously-available applications.
- Show us a "real" product in an existing production environment, not some "vapor-ware".
- Keep the language to a minimum and write it for an 8th-grade level. People are busy and do not want to have to figure out a complicated mass of data.
- Simplify — avoid kitchen sink syndrome while pitching. Client expects entire suite functional, not an iterative progression.

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- Have an understanding on the platform that you are developing. I can't tell you how many incompetent application vendors are out there selling solutions on Microsoft platforms that don't understand the first thing about the platform they are developing. There should be a better adoption of becoming certified by Microsoft as having developed according to Microsoft's best practices.
- Successful track record converting existing installed systems to the new platform. Realistic discussion of effect of network latency. Airtight SLA with substantial penalties for non-performance is not enough to overcome loss of access to SOA applications.
- Too much hype, not enough analysis, the one-size-fits-all approach. It's still too much like used car buying: Promise anything before the sale, deliver as little as possible after the sale. We use Microsoft because they are enterprise-wise.
- Provide list of benefits application can provide. Provide information on implementations of other similar organizations and be more transparent on what is involved in getting components brought online.
- Please stop trying to create products with more features; work to create products that do what they are supposed to and do it securely and are stable.

Some respondents focused on pricing and licensing issues.

- Charge for service and support instead of the software.
- Different pricing models, unlike feature sets, make it complicated to compare products. Developing a pricing model that is of value to the prospective customer would be highly appreciated.
- Get to the best price as quickly as possible.
- Move to a SAAS model, and emulate salesforce.com.
- Keep the price less than \$15.00/user.
- Lower the prices/make the licensing fit better to organization size and how the application is actually used.
- Pricing is the deciding factor (budget), so let's talk about that first and not waste anyone's time.
- Clear and simple licensing.
- Simplify pricing and licensing structures. It is often difficult to estimate deployment costs without working closely with the vendor rep. Also, it is difficult to make objective comparisons between products based on pricing. It seems vendors want to "get a look" at the customer before naming the price.
- Provide as much help with describing licensing details as possible, get quotes quickly, including alternates or variations of past quotes, and for us in particular, pressuring companies to provide aggressive not-for-profit pricing and applying discounts equally to religious and non-religious organizations.
- Structure your billing to prove your product functionality prior to receiving payment.

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A few would like vendors to have a better understanding of their business.

- Applications are related to business problems, not technical problems. Get your sales force trained in the business aspects of my company and how their applications help me solve those problems and issues.
- Consider K-12 Education Budget trends.
- Ensure that they listen to their customer needs and avoid pushing software that are not fully ready to address the production needs of their customers.
- Know what my company does before calling on me and offering a solution.
- Better 'vertical' market examples of their product use. We would be willing to adopt 'best business' practices over our current ones if well described/demonstrated.
- Offer better educational discount packages for Higher Education institutions such as ours.
- Provide technical information tailored to the purchasing organization. Make available test platforms (software & hardware ).
- Understand the questions and hurdles we have to go thru internally and provide material to help get us thru the process. Our company is \*analytical\* about these things and the usual marketing hype is useless.
- Understand the industry verticals and their needs and relate the solutions to actual needs.
- Industry-specific enhancements, integration of leading-edge HW platforms.

Improvements to interoperability, compatibility and usability were mentioned by a few respondents.

- Ensure better manageability and interoperability. Have integration with centralized user management tools (e.g., Active Directory).
- Ease of administration is key! If staff who rarely use the administration tools cannot quickly administer, then it is a drag on productivity. There are many administration activities, and no person devotes their time to any one administration tool!
- Focus more on usability and maintainability.
- Broaden exposure of the applications to the general user. There is too much of a learning curve, and thus change resistance, by the end users with the entrenched applications. If the users were better informed, there would be less resistance to change.
- Interoperability information about legacy; true conversion costs; better information about support resource requirements. Realistic information.
- Work across platforms and with legacy desktops.
- They need to integrate with our infrastructure and existing ERP systems more easily.

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- Broader depth in specs, designed for a cross-platform environment with multi-functionality included.

- Simplify. Make various products easier to interoperate.

There were some suggestions relating to how the selling process in general can be improved.

- More direct marketing effort.
- Most of the delay is due to contract issues. This needs to be simplified.
- More up front information and time to factor in cost.
- We like to have good lines of communication with the vendors. The ability to do 'what-ifs' are very important to us!
- Fast response to RFP.
- Be patient.
- Become a preferred vendor.
- Become a state contract vendor in Pennsylvania. County Government procurement is very difficult if vendor is not on state contract.
- Better presentation of ROI.
- Automated processes and feedback during process.
- For the sales and first-line contact resources to understand the products they sell.
- Have people with the information be my contact.
- Quick negotiations concerning Terms & Conditions — contract terms.
- Able to change and or stop on a dime, morph into a new dynamic situation if the events call for it.
- The sales process should be based on fact rather than FUD. Present info such as Gartner Magic Quadrant. Where possible, provide demo or test implementation to client.
- More case studies presented to management. Others mentioned having trials or demos would help the purchase process.
- Demo the software onsite — get your manpower in the field and sell me on it.
- Demonstrate software with company data.
- Would like to see demos become more readily available, especially regarding applications that will need some customization (i.e. Oracle Demand Planning module, Cincom, etc.).
- Fully functional trial software & onsite consultation.
- Trial versions that can be converted to full versions once a license is purchased instead of having to dump the trial and get another copy.

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There were some mentions for improved documentation and support.

- Documentation! Technical documentation is a MUST HAVE in my department, and I'm hesitant to look at any solutions where the best RFP documents I get look more like white papers than detailed implementation notes.
- Improve Service.
- Provide better documentation and support.