

Rimini Street



OPERATIONAL EXCELLENCE IS A KEY PART OF SYSTEM MODERNISATION

Tech Research Asia Survey Report

Questions every IT and business leader
needs to ask to target profitability
and get on a smart path of modernisation



IT system modernisation can be achieved in different ways. Operational excellence in core and operational IT systems is a key part of most system modernisation efforts. It contributes to profitability and makes the systems better able to accommodate change.

Many currently deployed enterprise-level IT systems provide a strong foundation for change. For these systems, modernisation will most often occur at the edges of the bespoke system. With proper maintenance and optimisation, these systems will continue to support modernisation for years.

For other IT systems, modernisation means conversion, rewriting, or porting the system to a new application or platform or architecture. In some scenarios, currently deployed IT systems will struggle to support future developments and may need to be replaced. For all, modernisation is continuous as market forces and technological developments emerge.

This Tech Research Asia (TRA) report aims to help IT and business leaders with their modernisation journey (however it is defined) by introducing key questions their organisations should answer. The ones presented here are not exhaustive and should be treated as a starting point. They are also presented in no particular order.

The questions stem from a quantitative survey of Australian and New Zealand commercial businesses conducted at the start of 2023 and combined with TRA historical data and qualitative insights. On the right are some of the noteworthy data points from the research.

In this report sponsored by Rimini Street, Tech Research Asia (TRA) reveals results from surveying 305 CxOs across Australia (n=203) and New Zealand (n=102) from retail, manufacturing, construction, banking, travel and hospitality, telecommunications, and utilities industries.

Inflation and cost of capital

These are the top concerns while the main goals are growth (in profit margins), reducing costs (by decreasing operational costs), and improving employee productivity.

144

the mean number of hours wasted per week on maintenance tasks with operational/core systems

Modernisation

The top IT management focus is modernisation of systems, closely followed by “keeping the lights on” or maintaining existing systems.

88%

are doing a modernisation program, but 2 in 3 say it is over time and budget

Ongoing transformation

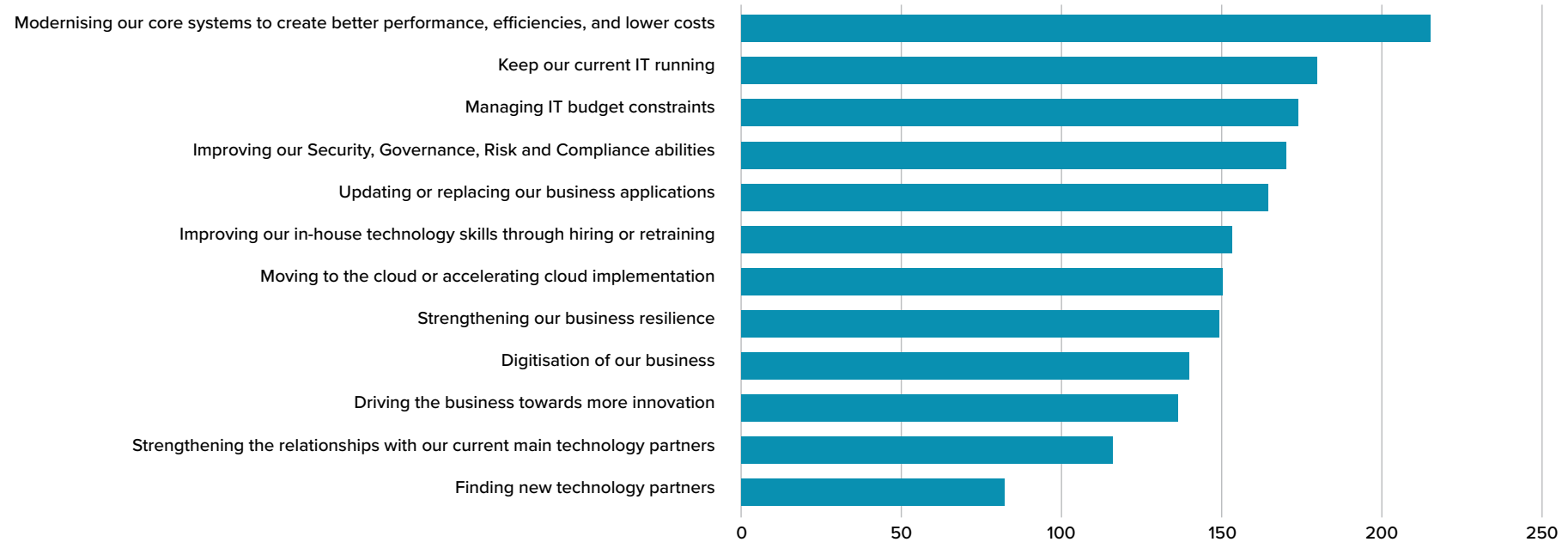
Transformation is not a one and done initiative. 25% view digital transformation as an ongoing endeavour and continue to drive it.

34%

of firms say they are into their third or fourth iteration of a transformation program

THE QUESTIONS

What are your top 3 IT management priorities for the next 12 months? *(Weighted responses)*



DIGITAL TRANSFORMATION OR STAGNATION?

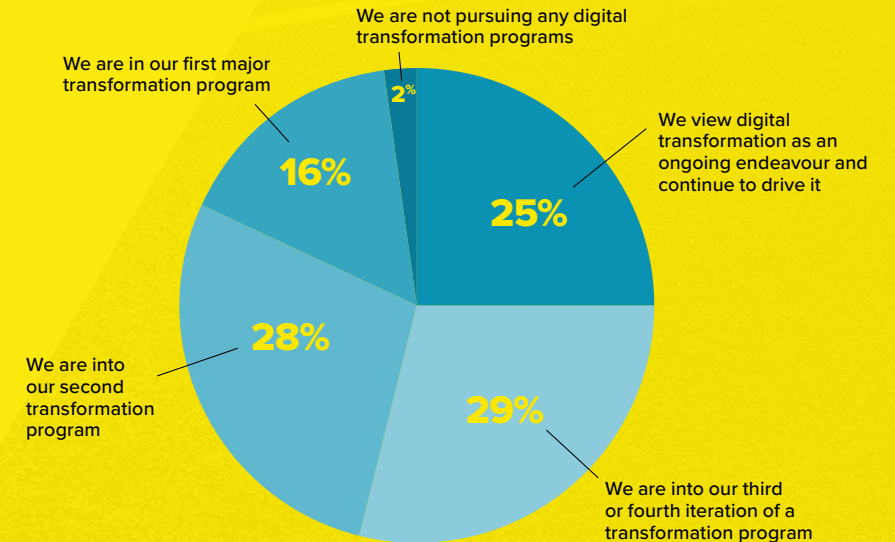
Is your digital transformation or digital business plan tailored to deliver now and drive the next wave of change? Or is it based on history?

Modernisation in the form of digital transformation, or DX, is no new concept to Australian and New Zealand (ANZ) organisations. In fact, 57% of the market have already gone through multiple iterations of a DX program, and another 25% see it as an ongoing effort with no static endpoint. Despite this mature status, we believe there's still significant work to be done in the area of digital transformation across ANZ industries.

One key challenge is planning for future change, which often involves simply copying what has worked in the past. In a recent survey, respondents were asked about their desired future state for their core/operational systems (which underpin all DX efforts). The most common answer was some variation of "I don't know." Other descriptors included easy, secure, reliable, fast.

Additional TRA research suggests that IT and business leaders should take the time to brainstorm and ideate a more comprehensive vision for their future digital business. By doing so, they can overcome "DX fatigue" and better prepare for the ever-evolving digital landscape.

What is the current state of your organisation's digital transformation efforts?



DATA-DRIVEN PROFITABILITY VERSUS FINANCIAL WASTE

Do you have a data-driven profitability plan that truly understands the costs and value of operational and core systems and how to optimise their management and performance?

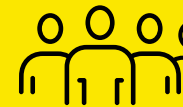
According to TRA research, growth remains as the clear business priority in 2023 as it has been for the past three years. However, for the first time growth is not only tied to revenue, but especially to profit margins. IT leaders are finding that it is possible to optimise for profitability and redirect resources to fuel growth.

Cost management is the second priority and employees is the third. Combined, and when looking at the global economic headwinds in multiple sectors, there is undoubtedly now a focus on operational excellence and ensuring that processes and systems are optimised.

The survey results also uncovered that ANZ IT and business leaders believe their organisations waste (a mean) 144 hours per week on low value management or maintenance tasks for core/operational systems that they think they shouldn't really need to undertake. It is this type of data as well as other key performance metrics that should be utilised to gain holistic visibility and inform planning for eradicating waste.

How many hours per week do you think your organisation wastes on low value management or maintenance tasks for core/operational systems that you think it shouldn't really need to undertake?

144 hours wasted*



*Mean

Or the equivalent of
**3.6 FTE staff working
40-hour weeks**

PRACTICAL STEPS TO ERADICATING WASTE

- Assess current IT systems
- Develop a profitability plan
- Establish metrics and KPIs
- Implement cost-saving measures
- Continuously monitor and optimise IT systems
- Take a unified approach to enterprise software support and services

By following these steps, organisations can gain a better understanding of the costs and value of their operational and core systems and develop a data-driven profitability plan to optimise their management and performance while reducing costs and increasing efficiency.

BANG FOR YOUR VENDOR BUCK

UP TO

73% gave their vendor a rating of 8, 9, or 10 out of 10

YET UP TO

60% of organisations are experiencing some dissatisfaction

Can you get more out of your core or operational systems vendor?

Although the past decade has seen a significant investment in core and operational systems that are used across ANZ, change never happens overnight. It can take considerable time, resources, and willpower to undertake a change to IT systems, particularly enterprise systems such as ERP.

When asked to rate their satisfaction with their primary operational/core IT system vendor, up to 73% rated their vendor an 8, 9, or 10 out of 10, which TRA considers to be a “very satisfied” rating. Yet up to 60% of organisations are experiencing some dissatisfaction.

Many organisations feel they can get a lot more out of their core/operational system vendors. If your organisation fits this scenario, we recommend reviewing your current vendor contracts and agreements — potentially with an independent third party. Look for any opportunities to optimise your usage of their products or services, such as deploying unused features or modules that could provide value to your organisation.

You could also reach out to your vendor or managed service provider and ask if they offer any training or support programs to help you get more out of their products. Additionally, consider conducting a vendor evaluation to compare your current vendor against other options in the market. This can help you identify any gaps or areas for improvement with your current vendor, as well as potentially uncover new solutions that could augment your deployed systems to better meet your needs.

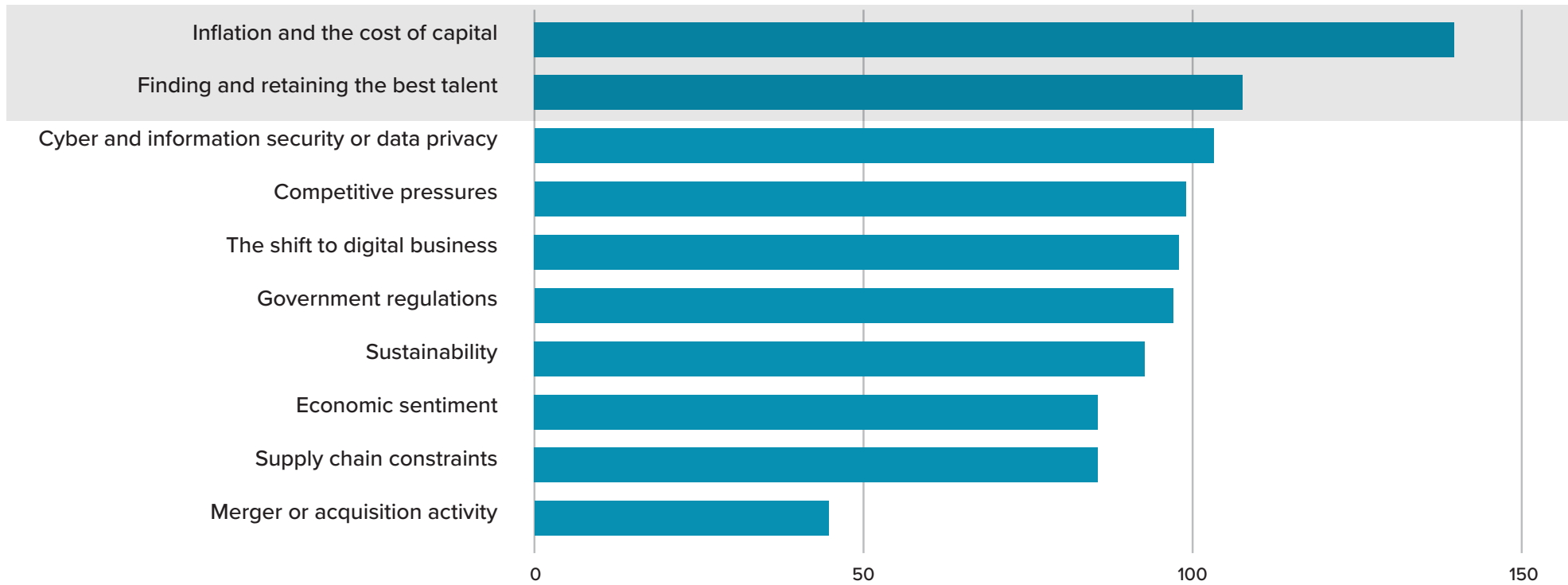
A Rimini Street Perspective:

Optimising your existing systems, innovating around the edges (rather than “ripping and replacing”), and outsourcing maintenance and support may be a win/win to get more out of your core or operational systems vendor and achieve a better overall fit. This strategy may also lower your total cost of ownership, allow IT to optimise, and establish a foundation from which to grow and innovate.

Some bespoke IT systems may reach a point where a rip and replace approach is warranted. However, for large, complex enterprise systems, such as ERP, the innovate around the edges approach is the more likely path to a lower cost, better fit result.

What are the main influences on your businesses today? Top 2.

(Weighted responses)



SLICING THE RESOURCE PIE

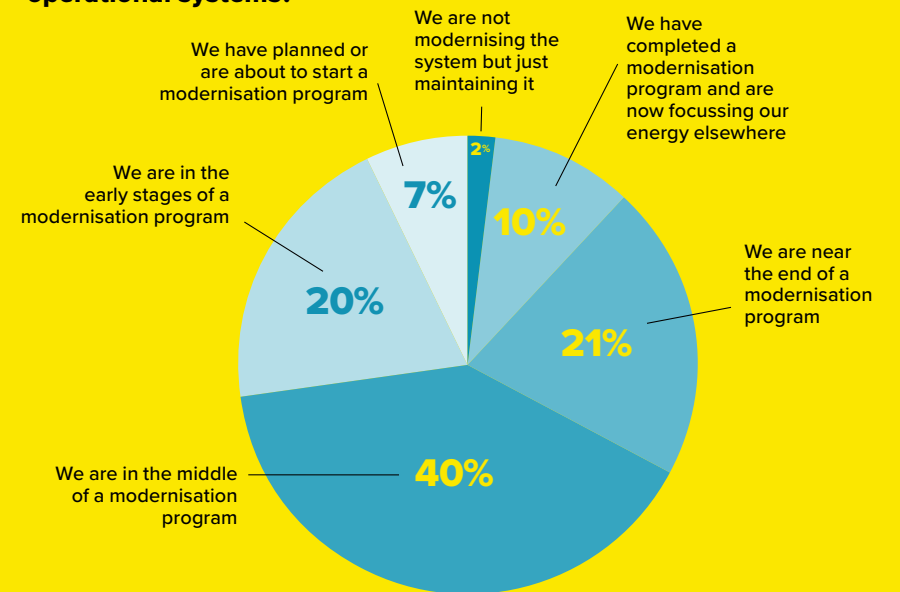
Are you allocating the right resources to modernising IT systems?

The research results indicate that there is abundant space for improvement when it comes to modernisation programs. 61% of survey respondents indicated that their modernisation was already behind schedule and 68% also said it was over budget. When diving deeper into the outcomes achieved, the percentage of those not succeeding beyond marginal improvements was notable. Just under 60% said that at best they had a marginal improvement in freeing up their people to innovate.

We also note that just under 40% of organisations use external resources to manage their core or operational IT environments, with the most common being “specialist contractors.” This is in line with other research that shows 30% to 40% of companies use outsourcers or managed service providers in ANZ.

However, the market will continue to pursue modernisation programs, with 64% saying it is critical to their business’ success. Consider moving to managed services and/or using an independent provider for enterprise software support and services if you need to quickly resolve IT skills shortages and optimise costs through an innovative services and support model that frees up internal resources for modernisation.

How would you describe your current approach to these core operational systems?



A CLOUDY FORECAST

Are you achieving operational excellence in hybrid IT?

81%

of organisations agree that hybrid IT is a key approach to IT modernisation.

The adoption of public cloud computing services is on the rise and will continue to grow. However, there's been a shift in the strategic thinking of many organisations when it comes to platforms.

Rather than simply following a cloud-first approach, there's now a more pragmatic mindset that focuses on a workload-by-workload playbook. This means that organisations are now making decisions on where to locate applications based on individual cases in order to achieve the right economics and performance.

In fact, TRA research suggests 81% of organisations agree that hybrid IT is the right approach for their organisation, even if they're not currently pursuing it actively. This is due in part to the availability of contemporary "as-a-service" on-premises, colocation, or private cloud platforms that provide decision-makers with alternatives to legacy technology and public cloud approaches.

TRA anticipates continued adoption and migration of workloads to public cloud, even for those prioritising other platforms. Conversely, we are seeing a small migration of workloads out of public cloud to on-premises, colocation, or private cloud deployments: 1 in 10 organisations have made this move.

END GAME

Are you looking outside the box enough to capture innovation and ideas?

66% of the research participants indicated they are very open to embracing innovative approaches to managing or modernising their IT environment. However, with the current focus on driving profit margin increases and pursuing operational excellence, there is a tendency in many organisations to de-prioritise innovation efforts. TRA cautions against pivoting too far towards an operational excellence mandate that stifles innovation. Indeed, operational excellence can power innovation.

Conclusion

As IT platform choices continue to evolve and digital business intensifies and changes, it's crucial for IT and business leaders to stay ahead of the curve. By answering the questions outlined in this report and developing a list of their own, decision-makers can better evaluate their options and determine the best approach for modernising their systems. The current market circumstances present an opportunity to modernise around the edges of existing systems and take advantage of the latest technologies, ultimately achieving operational excellence and staying ahead of the competition.

To accelerate system modernisation, it's worth considering partnering with third-party experts. These experts can provide valuable guidance and support throughout the modernisation process, helping organisations to achieve the right balance of economics and performance. By taking these steps and prioritising system modernisation, organisations can future proof their operations and position themselves for long-term success.



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