



Rimini Street

Engineered for Support

The State of IT Innovation:

PRIORITIES AND CHALLENGES

A Global Survey of IT and Finance Decision Makers, Sponsored by Rimini Street


Introduction

Businesses want to innovate faster because they know successful innovators tend to be the most successful businesses. Yet if you survey IT and finance leaders, as we did recently with Vanson Bourne, a technology market research firm, you will find many are dissatisfied with the pace of innovation happening in their firms. The tremendous potential of digital business is very much on their minds, but they see too much of their actual IT spending going to what's often referred to as “keeping the lights on” spending on basic systems and infrastructure maintenance.

In this global survey of more than 900 CIOs, IT leaders and financial decision makers from a broad range of industries, nearly 90 percent of agreed their organizations ought to be spending more on innovation, and 77 percent said that one of the biggest barriers to innovation was spending too much on just “keeping the lights on.”

Key trends and findings from this research are

- Vast majority (96%) say increasing spending on innovation is a strategic priority for their organization
- 84% have experienced or anticipate increased revenue by investing in innovation
- Organizations that have already experienced innovation benefits reported an average increase of 14% in annual revenue, and an average decrease of 12% in operating costs
- 71% struggle to find budget for IT innovation

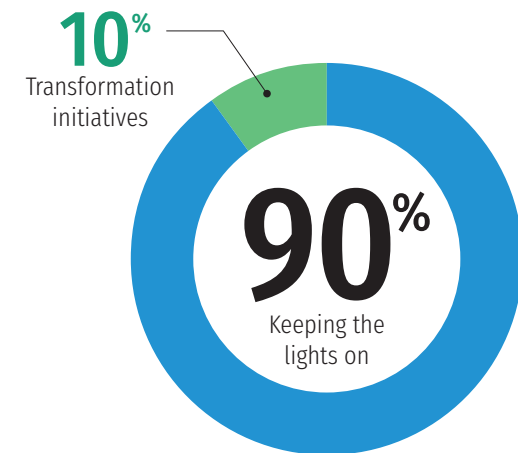


*“Successful
innovators
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(Key trends, continued)

- Half (50%) admit that they have not been able to convince the board that investing in innovation is critical to their business
- Fewer than three in ten (28%) respondents report being completely satisfied that their organization's enterprise software providers are helping them innovate faster and accelerate their business strategy
- 63% feel locked into their organization's enterprise application software vendor relationship. Of those struggling with obstacles to innovation, 74% said vendor lock in was one of the major barriers.

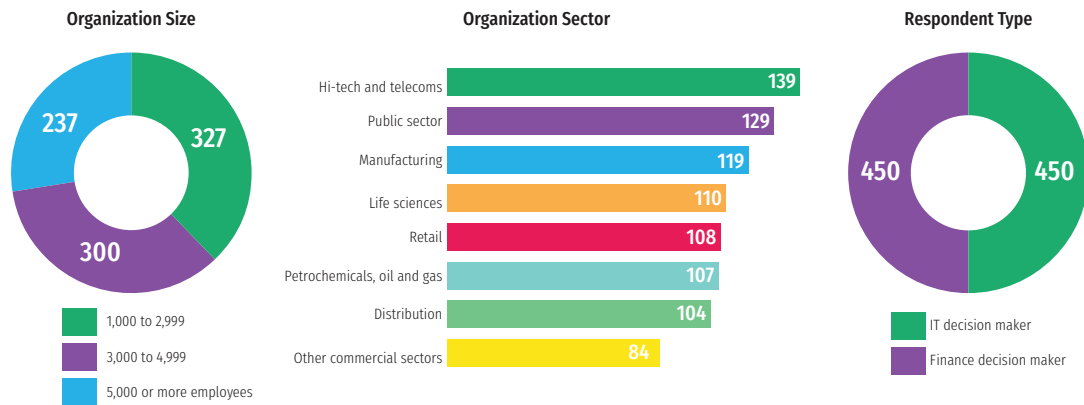
We share more of the reasons for the gap between aspiration and reality in the following pages.



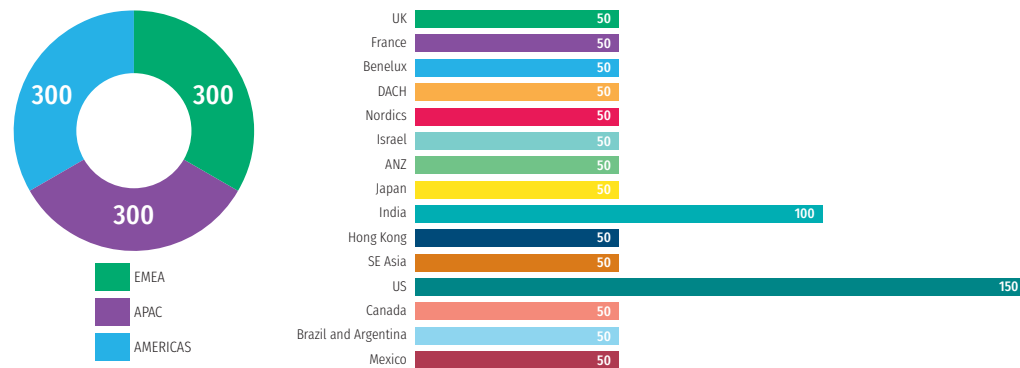
Too much of IT spending goes to what's referred to as "keeping the lights on"

Vanson Bourne, an independent technology market research firm, surveyed more than 900 IT and finance decision makers in Q1 2018. The survey respondents represented a global sample across industries and geographies as shown in the charts below.

Methodology



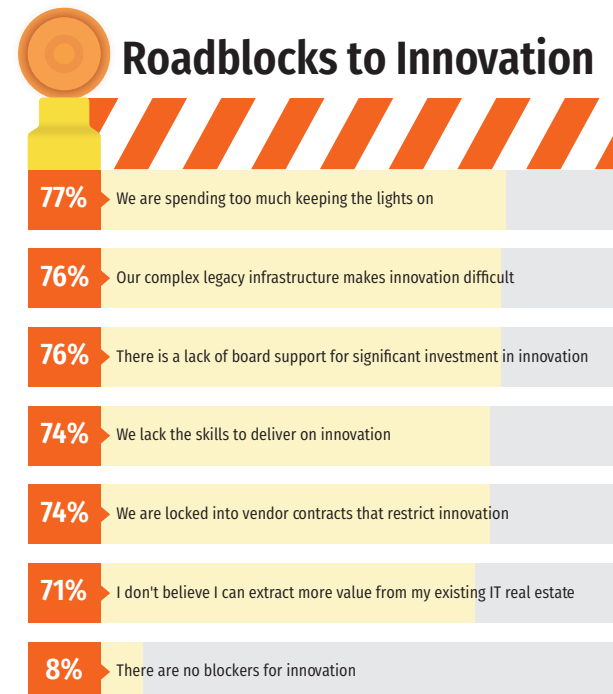
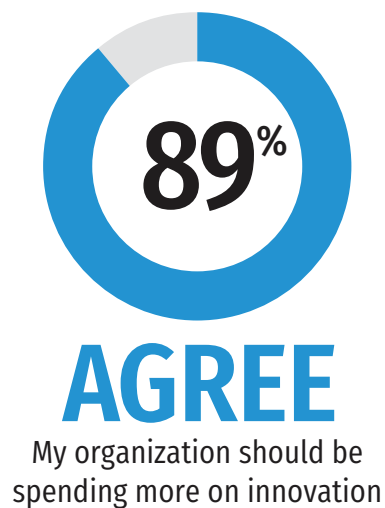
Demographics



Balancing the Budget: Innovation versus Operations and Maintenance

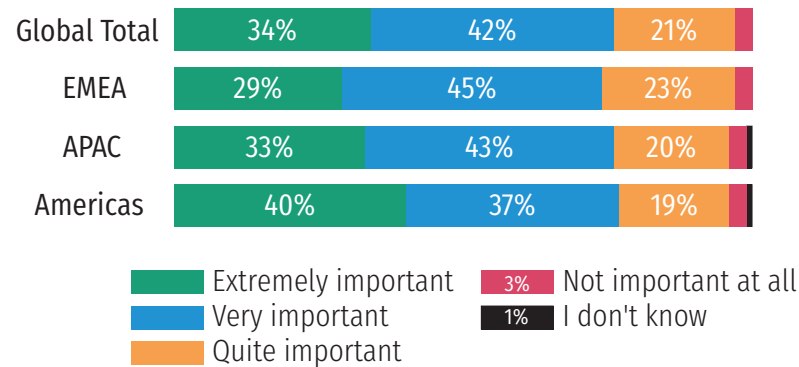
A major finding of this survey is that the vast majority of decision makers (89 percent) believe their organizations should be spending more on innovation, and most (77 percent) believe that they are spending too much “keeping the lights on” — basic maintenance and support of systems and IT infrastructure. In a related question, when decision makers were asked about the biggest barriers to innovation, 77 percent also pointed to “keeping the lights on” spending as one of the biggest barriers to innovation.

So why does this condition persist year after year? Read on.



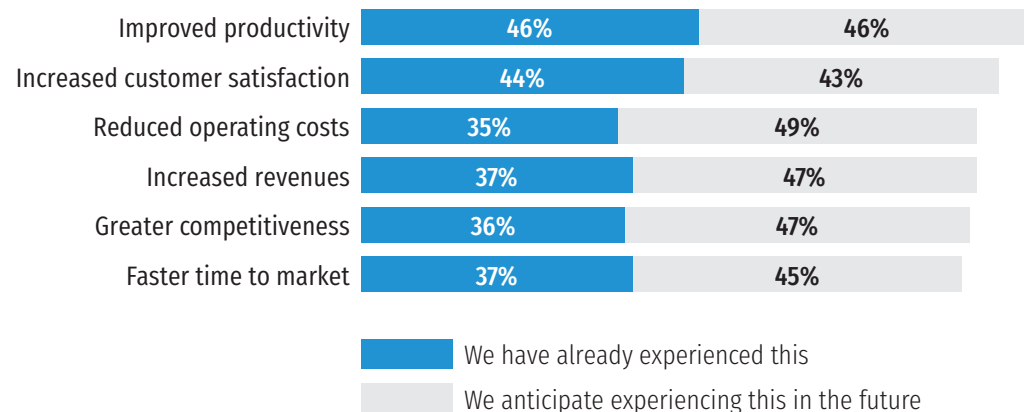
Innovation Is Recognized as a Strategic Priority

Almost all (96 percent) respondents report that their organization considers increasing spending on innovation as a strategic priority, and about a third (34 percent) rate it “extremely important.”



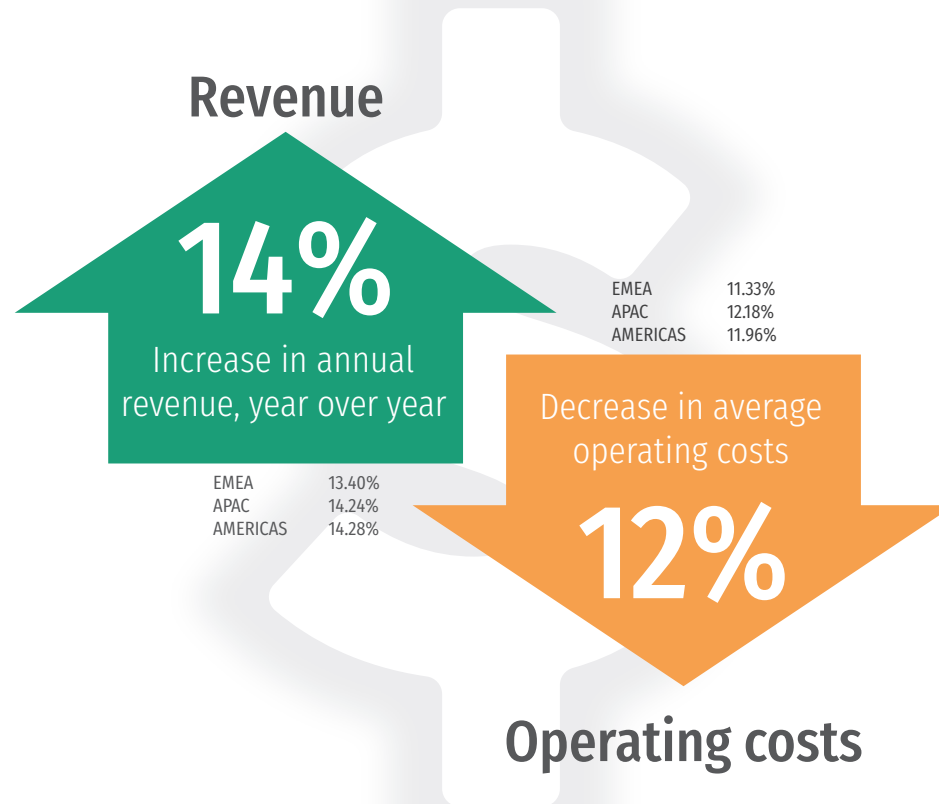
Reasons to Invest in IT Innovation

More than eight in ten (84 percent) say their organizations have already seen, or anticipate, increased revenues as a result of spending on innovation. The vast majority also point to improved productivity (92 percent), increased customer satisfaction (86 percent), and reduced operating costs (85 percent), either now or in the future.



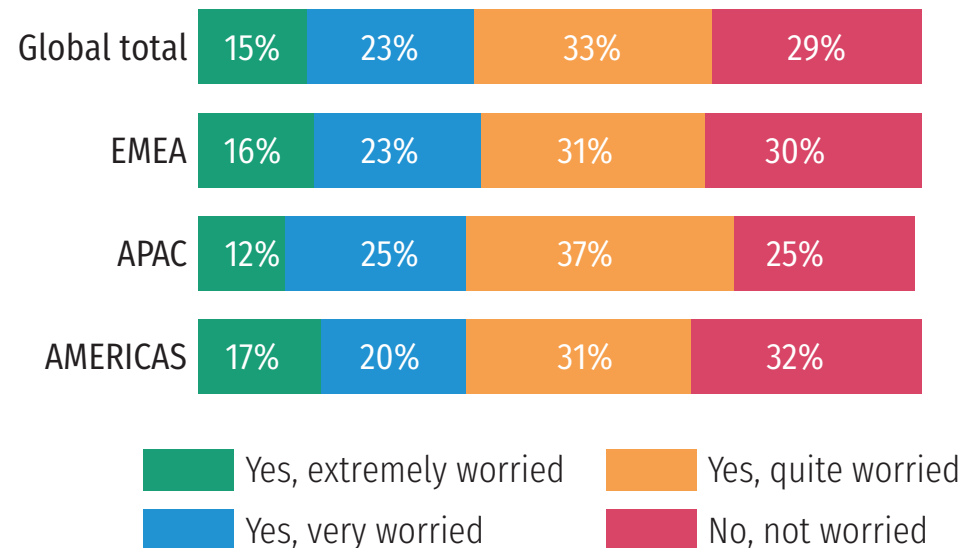
Proven ROI for Innovators

Those who are already experiencing revenue and/or cost benefits cite, on average, a 14 percent increase in annual revenue and a 12 percent decrease in operating costs respectively.



Barriers to Innovation: Finding the Budget

While survey respondents believe the benefits of innovation are clear, finding the money to invest is not easy. Most (71 percent) worry about how their organizations will find the money to invest in IT innovation. Almost four in ten (38 percent) say they are “extremely or very worried” about where the money will come from.

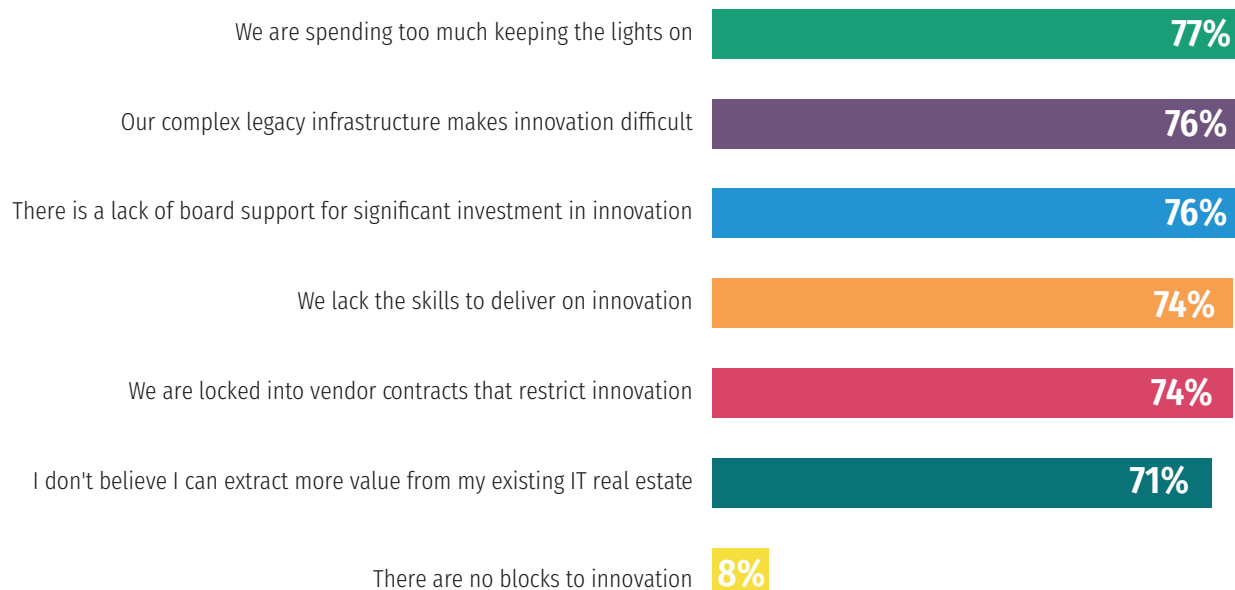


Barriers to Innovation: Biggest Obstacles

Asked what are the biggest blockers to innovation in their organization, 77 percent cite the burden of “keeping the lights on” — the drain on the budget from basic operations and systems maintenance. In other words, they see it as both a cause and a symptom.

A similar proportion say complex legacy infrastructure makes innovation difficult (76 percent) and also report lack of board support for significant investment (76 percent).

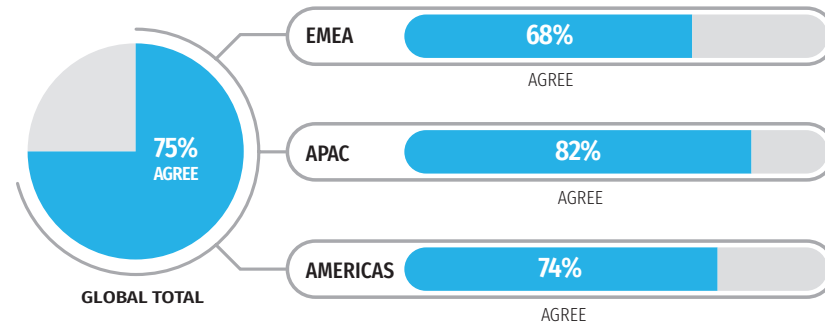
Just under three quarters report a lack of skills (74 percent) or being locked into vendor contracts that restrict innovation (74 percent) as major barriers. Of these, perhaps most significant of all is the lack of board buy-in despite the potential business impact of innovation.



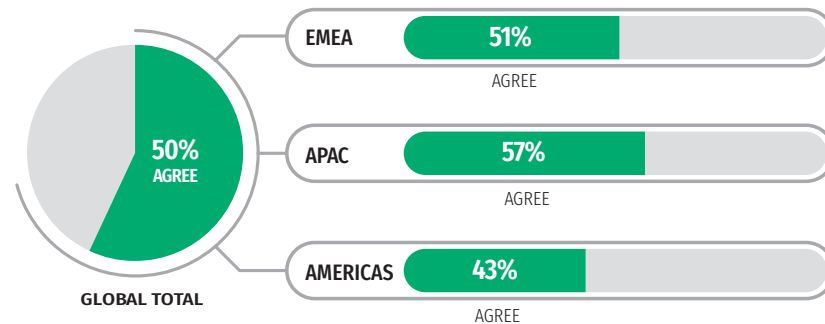
Barriers to Innovation: Skepticism from the Board

A majority of IT and finance decision makers (75 percent) believe their board should recognize their role as more strategic to delivering innovation for the organization. However, half (50 percent) admit that they have not been able to convince the board that investing in IT innovation is critical to the business.

The board should see my role as more strategic to delivering innovation initiatives in the next 12 months.

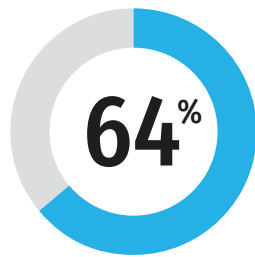


I have not been able to convince the board that investing in innovation initiatives is critical to the business.



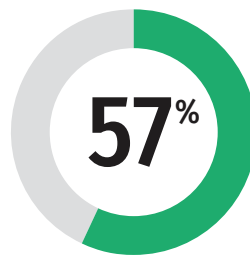
Why Boards Resist Investing In Innovation

Around two thirds (64 percent) believe that their organization's board shies away from complex transformation projects, while around six in ten report that the board is not confident that their organization has the skills (57 percent). In addition, 63 percent say the board is more focused on cost cutting than innovation.



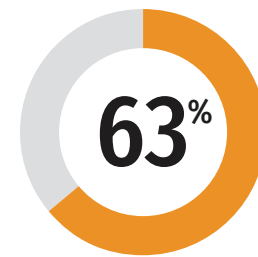
AGREE

While the board supports innovation,
it shies away from complex transformation
projects, which will integrate the whole IT infrastructure



AGREE

While the board supports my innovation initiative,
it is not confident we can find the skills
to fulfill the objectives



AGREE

The board is more focused on
cost cutting than innovation and is not
as willing to invest in new initiatives

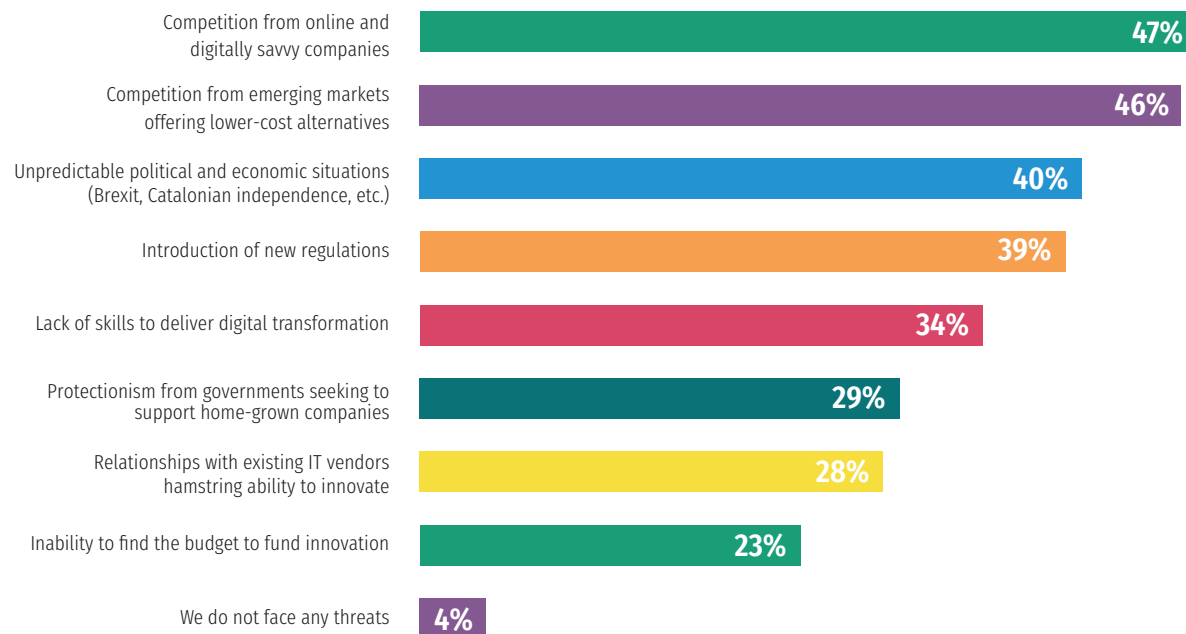
Drivers of Innovation: Threats

The barriers are real, but IT and finance decision makers also see many reasons to take action, including both threats to their business and goals they wish to accomplish.

Almost all (96 percent) respondents see threats to their organization. Competition is the most commonly reported threat, either from online and digitally-savvy companies (47 percent) or from emerging markets offering lower cost alternatives (46 percent).

Four in ten (40 percent) respondents see unpredictable political and economic situations as a threat, while around a third (34 percent) say the same for a lack of skills.

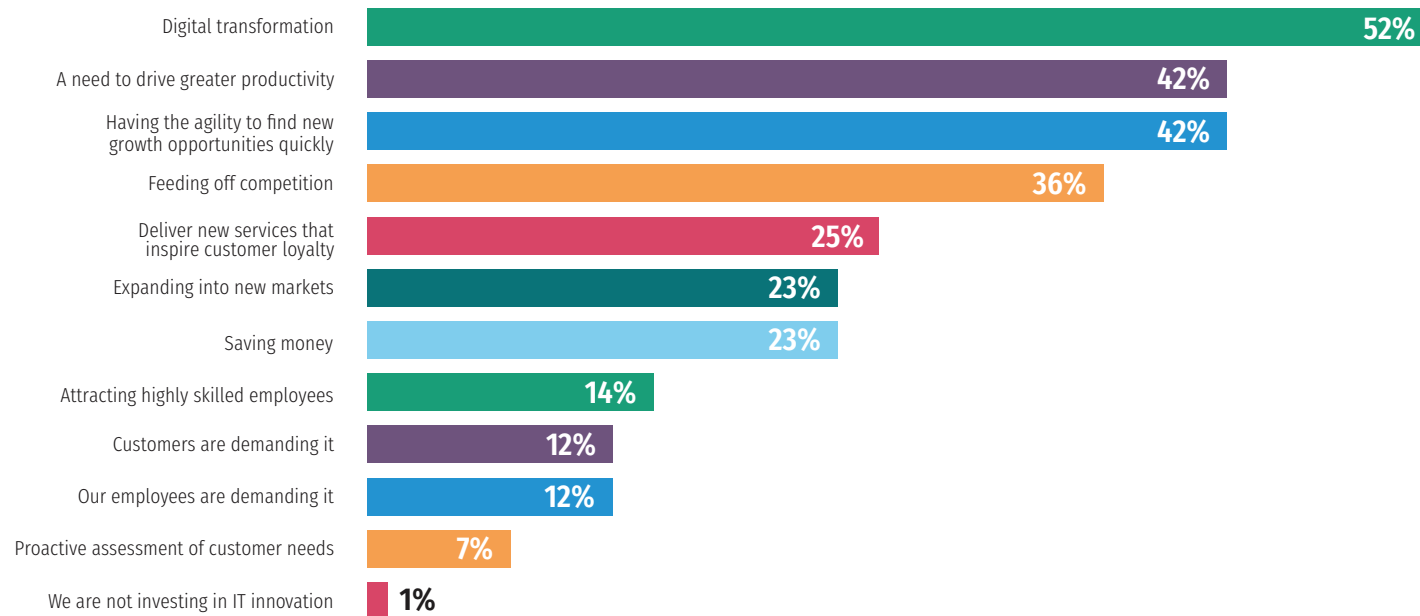
Almost three in ten (28 percent) say relationships with existing IT vendors hamstringing their ability to innovate.



Drivers of IT Innovation: Goals

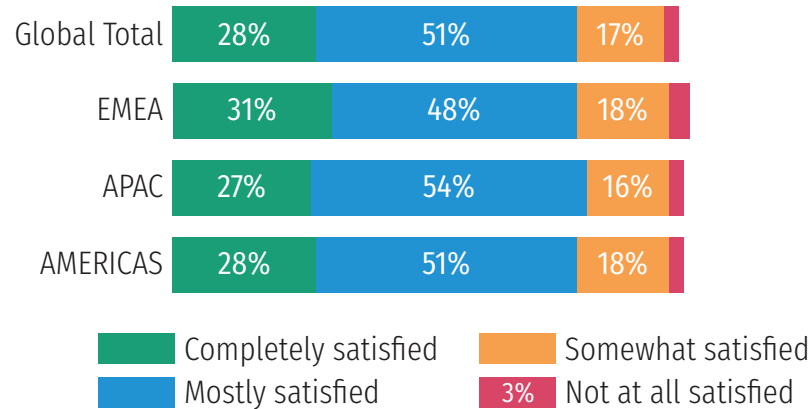
Among the positive needs for innovation, more than half (52 percent) of decision makers are aiming for digital transformation — a fundamental shift in their business, enabled by technology.

Around four in ten say their innovation driver is greater productivity (42 percent) or having the agility to find new growth (42 percent), while more than a third (36 percent) speak of fending off competition.



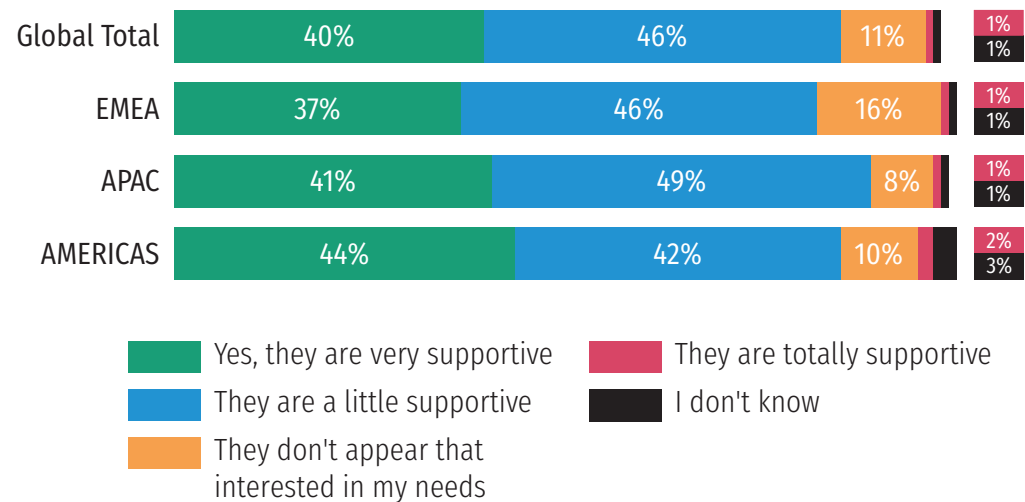
Vendor Support for Innovation: Measures of Satisfaction

Many decision makers believe that their organization's technology providers could be doing more to help them innovate — and that the lack of support is one of their biggest barriers to innovation. Only a minority (28 percent) report being completely satisfied that their organization's enterprise application software providers are helping them innovate faster and accelerate their business strategy.



Level of Vendor Support for Innovation

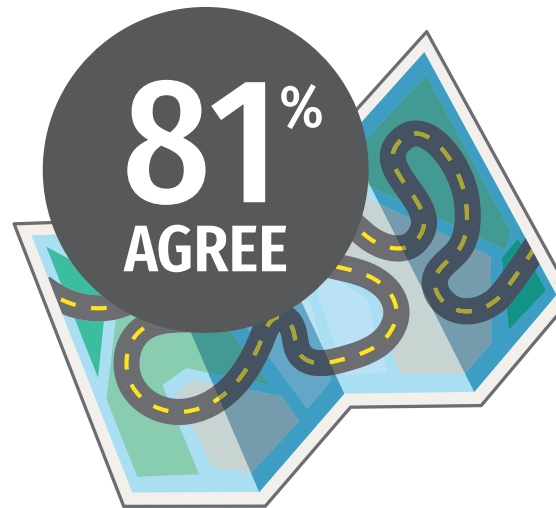
Just four in ten (40 percent) respondents see their organization's IT vendors as very supportive in delivering their organization's innovation goals.



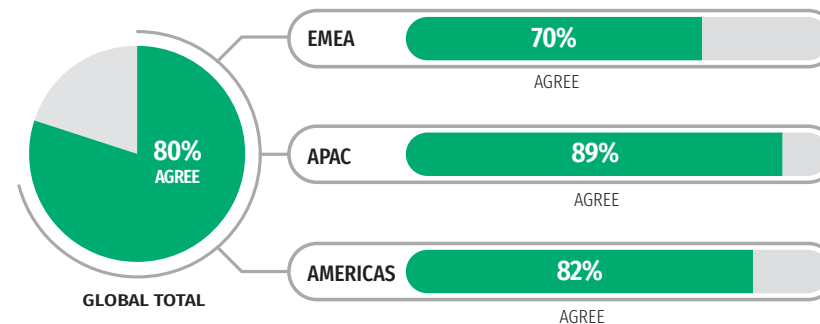
Vendor Support: Room for Improvement

Asked to rate improvement areas for vendors, 81 percent said they would like to see more clarity around the product roadmap so they can understand how it fits within their own plans for IT architecture.

In addition, 80 percent would like more help optimizing their existing IT infrastructure. In other words, before they can innovate, they want to optimize what they already have in place.



that the product roadmap for their organization's enterprise applications software could be clearer

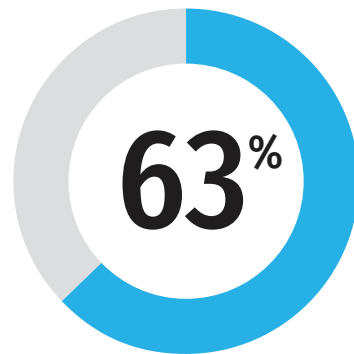


80% believe that their organization's enterprise application software vendor could provide more help to optimize their existing IT infrastructure

Concerns: Pressure and Vendor Lock-In

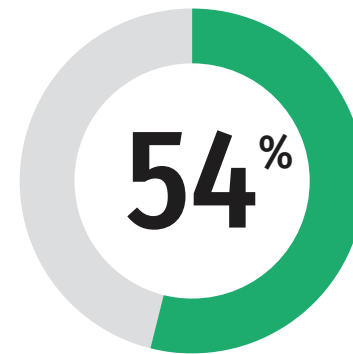
More than six in ten (63 percent) respondents feel locked into their organization's enterprise application software vendor relationship. More than half (54 percent) report pressure to adopt their vendor's cloud strategy.

These are a couple of the reasons IT and finance leaders consider current vendor relationships as a limiting factor in their capacity to innovate. Many feel trapped in current software vendor agreements and unable to make a change for the better.



AGREE

I feel locked into my organization's
enterprise application software
vendor relationship



AGREE

I am being pressured to adopt my
organization's vendor's cloud strategy

Never Ending Support Contracts

More than half (56 percent) of respondents agree that they are under so much time pressure that they often allow software support contracts to auto-renew without evaluation. In addition, nearly half (49 percent) fear a potential software vendor audit further confirming increasingly strained relations with their software vendors.



they are under so much time pressure that they often
allow software support contracts to auto-renew
without properly evaluating the alternatives



admit that they fear their organization's
enterprise application software providers
will threaten them with a software audit

Funding IT Innovation

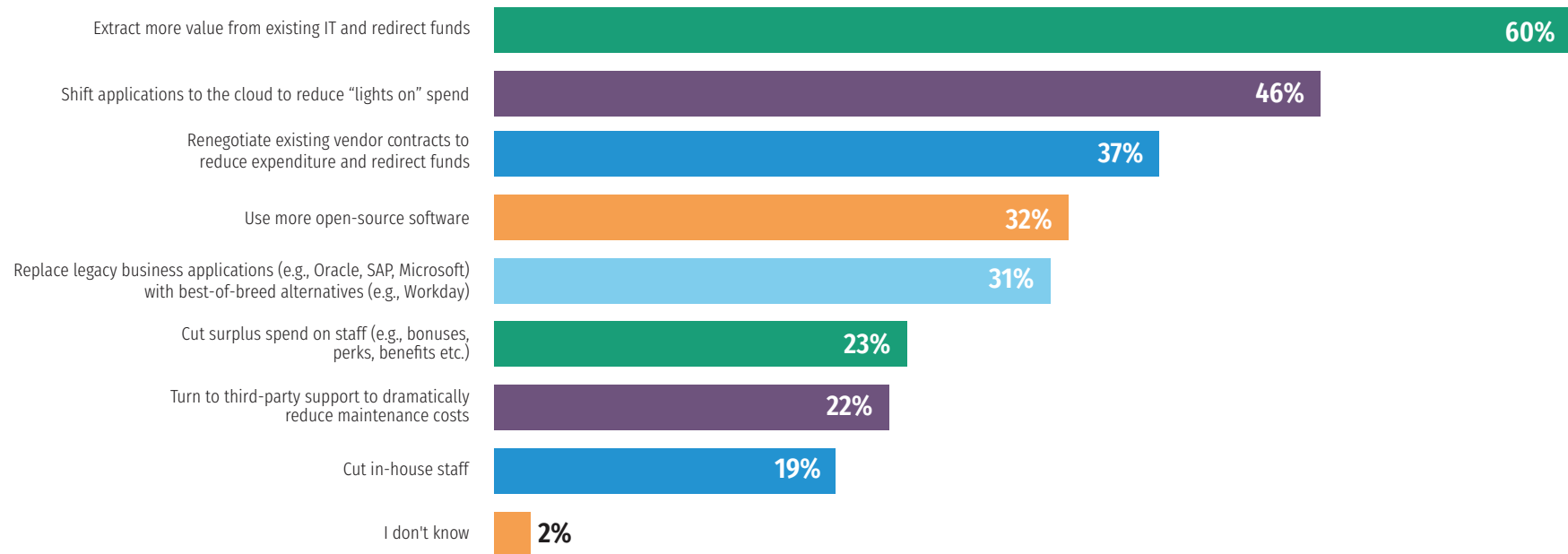
Despite all obstacles, survey respondents expect their organizations to increase spending on IT innovation by 11 percent, on average, in the next 12 months. However, they think the needed increase is more like 16 percent.

Where will the money come from?

Six in ten (60 percent) expect to fund the desired increase in spending for IT innovation through extracting more value from

existing IT. Close to half of all respondents (46 percent) plan to shift applications to the cloud to reduce “keeping the lights on” spending.

Fewer (37 percent) respondents report that their organization plans to renegotiate existing vendor contracts — an area that many find challenging.



How Rimini Street Can Help

Want to free up more money for innovation projects? Take a hard look at the annual maintenance fees you are paying software vendors for your ERP and databases and consider replacing vendor support with proven third-party support from Rimini Street. In addition to cutting your enterprise software support costs in half (just for starters) and supporting your custom code, we also offer cloud management, security and roadmap services that will help optimize your current IT operations and maximize the value of your ERP and database investments

Learn more about how we can be part of your innovation success story at <https://www.riministreet.com/about-us>.

About Vanson Bourne

Vanson Bourne is an independent specialist in market research for the technology sector. Its reputation for robust and credible research-based analysis is founded upon rigorous research principles and an ability to seek the opinions of senior decision makers across technical and business functions in all business sectors and all major markets. For more information, visit www.vansonbourne.com

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About Rimini Street

Rimini Street is a global provider of enterprise software products and services and the leading third-party support provider for Oracle and SAP products. The company has redefined enterprise support services since 2005 with an innovative, award-winning program that enables licensees of IBM, Microsoft, Oracle, SAP and other enterprise software vendors to save up to 90 percent on total support costs. Clients can remain on their current software release without any required upgrades for a minimum of 15 years. Global Fortune 500, midmarket, public sector and other organizations from a broad range of industries rely on Rimini Street as their trusted, third-party support provider.

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