Achieving Enterprise Software “Success”

A study of buyer and seller perspectives on the drivers of enterprise software success

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Executive Summary

An ever-broader landscape of enterprise software solutions means buyers must work harder than ever to be sure their solution decisions support their business goals. At the same time, CIOs face ever tighter IT budgets.

Respondents agree that the no. 1 driver of value realization is ensuring effective usage of software in the enterprise. The survey found that improved adoption lowers costs, improves customer satisfaction and drives revenue growth. As CIOs struggle with the responsibility to ensure enterprise software success, they expect software companies to help them improve usage levels and share the burden of success realization.
What is “Success?”

Today’s software buyer is bombarded with options. More than ever before, CIOs can choose from a broad landscape of vendors offering a variety of technologies, pricing models and delivery methods. Price points range from zero to millions. Implementation time runs from days to years. Payback arrives in moderation or in spades.

With all of the options faced by today’s buyers, and all of the pressure to “do more” with ever smaller IT budgets, how is the success of a particular software deployment determined? Software buyers and vendors all want their solutions to be “successful” but what is the leading determinant of that success? With software companies being held to a higher standard of performance than ever before, gaining a greater understanding of the components of software success is critical in order to gain insight on customer satisfaction.

A New Study of “Success”

In late 2007, SandHill.com and Neochange set out to discover the meaning of enterprise software success. As the most popular online resource for software business strategy, SandHill.com editors were familiar with the challenges facing software vendors. And as a leading consultancy in software adoption, Neochange well understands the challenges faced by software buyers after solutions are bought and installed.

The two groups teamed to field a survey. The study aimed to capture the views of software vendors and enterprise buyers on the definition, expectations and achievement of enterprise software success. A total of 159 respondents filled out the survey online in December 2007 and January 2008 after responding to calls for participation from SandHill.com and Neochange emails.

The survey inquired about the various measures of software success, the drivers of success, and software buyers expectations’ of their vendors in terms of helping them achieve success. This white paper presents the findings of the survey.
The Definition of Success

In the old days, software vendors’ responsibility often ended at the customer’s door. Getting the sale and delivering the product officially transferred responsibility to the CIO. The buyer was responsible for installation, integration, deployment and training on the new system.

The SandHill.com/Neochange survey findings shows these days are long gone. When asked how to best define “enterprise software success,” both vendors and buyers agreed that the no. 1 indication is value realization for the company (see Figure 1). Although a sizeable portion of respondents said deployment and implementation were also important, far more were concerned with achieving software-enabled business value.

The second most popular response for determining success was ensuring effective usage of the new software. Interestingly, buyers were more likely than vendors to feel this is an important aspect to software success.

![Figure 1: Definition of “Success“ for Enterprise Buyers](source: Defining Enterprise Software “Success,” SandHill.com and Neochange, 2008)

The higher goal of “value realization” is a clearly a challenge for many software vendors. Although the vendor community has spent nearly a decade pledging an improved time-to-value and increased ROI, the reality for many software buyers has been far less rewarding.

Survey respondents named a variety of factors that can determine value realization for enterprise software, including process alignment and organizational change. But again, the no. 1 driver for software value realization was seen to be effective user adoption – cited by 70 percent of respondents (see Figure 2).
Interestingly, the basic functionality of the software was not considered to be a great determinant of value realization.

![Figure 2: Most Important Factor for Realizing Value](source)

Although software is just one piece of the enterprise business strategy, it is a critical piece. Ultimately, enterprise software success is critical to the entire success of the business. More survey respondents said that software delivers a competitive advantage to the business than any other benefit.

While respondents cited other benefits such as process automation and governance, the primary benefit of software is thought to be its ability to deliver a competitive advantage for the business (see Figure 3). This means that for most of the respondents that effective user adoption of enterprise software is critical to their competitive position.

![Figure 3: Core Business Disciplines Supported by Enterprise Software](source)
Bringing Success to Life

You can’t manage what you can’t measure. This longstanding challenge for business managers rings true for software vendors and buyers as well. While respondents agree on the criticality of software solutions to business success, the majority of both vendors and buyers are currently not measuring the success of their deployed solutions (see Figure 4).

This problem has long existed in the software industry and persists to this day, with little improvement. However, industry analysts expect the adoption of automated license tracking and end user monitoring technologies to make measurement much easier and thereby significantly increase visibility into the levels of software success.

Figure 4: Currently Measuring Enterprise Software Success Criteria

There are two main reasons for the lack of success metrics. The first is the complexity of the business environment. The intertwined nature of most IT deployments means it is difficult to pull out specific measures of success for any one initiative. Therefore, both buyers and providers say that it is very difficult for the responsible party to ensure the success of enterprise software projects (see Figure 5).

Figure 5: Rating of Success at Deploying Enterprise Software

![Pie Chart Showing Rating of Success]


The second problem is that buyers themselves are left to manage the success of a particular software solution. The enterprise buyer community bears full responsibility to ensure success and is left with few tools in house to do the job. The survey supports this dynamic. Both vendors and buyers agree that the buyer is the responsible party for driving and determining software success – a tall order for overworked enterprise IT execs (see Figure 6).

Figure 6: Party Responsible for Success of Enterprise Software Deployment

![Bar Chart Showing Party Responsible for Success]

Buyer Expectations of Vendors

Enterprise buyers have long called for software companies to be their partners – not just their vendors. A spirit of collaboration, consultancy and expertise is what buyers need from software companies. The goal of enterprise software success is, again, one which customers want their vendors to help them achieve.

The survey underscored this sentiment. Respondents agreed that buyers expect far more than just products from their vendors (see Figure 7). Nearly half said they are looking for “value enablement” and “process alignment” from software vendors. Only 5 percent said buyers need only product expertise.

When asked what kind of support buyers need from vendors, 60 percent of responses involved some aspect of better usage – either improving user skills or removing usage barriers (see Figure 8). Interestingly, both vendors and buyers agreed that improved usage was a key expectation of buyers.

Other vendor expectations involved more typical aspects of software customer relationships, including new features, functionality and upgrades.
The Goal of Better Usage

The study clearly shows the impact that better usage is perceived to have on the overall success of enterprise software solutions. In addition to being the no. 1 driver of business value realization, buyers increasingly expect software vendors to help them improve adoption in their user base.

When asked how better usage would impact the business, the vast majority of buyer and vendor respondents agreed that lower costs would be a result (see Figure 9). Other benefits to the business would include an improved customer experience and higher revenue growth.
Clearly, the benefits of improved usage are key to enterprise software success. But the current usage profile shows that enterprises are not realizing their software’s potential. The survey found fewer than 10 percent of buyers say their effective usage levels are higher than 70 percent (see Figure 10). In fact, nearly two-thirds say their usage levels are under 50 percent. Interestingly, vendors are more likely to believe effective usage levels are higher than buyers do.

**Figure 10: Estimate of Typical Level of Effective Usage of Enterprise Software**

![Bar chart showing usage levels for buyers and providers](source: Defining Enterprise Software “Success,” SandHill.com and Neochange, 2008)

The good news? The survey shows that buyers are willing to pay for services that would increase effective usage levels in their company (see Figure 11). Only a very small percentage are not interested in such services, while one-fifth describe such services as a “must-have.”

**Figure 11: Buyer Interest in Paying for Services which Enable Effective Usage of Software**

![Pie chart showing buyer interest](source: Defining Enterprise Software “Success,” SandHill.com and Neochange, 2008)
Survey Implications:
5 Steps to Realizing Enterprise Software Success

The software industry has matured significantly in the past decade. Buyers are looking for results—not bells and whistles. Yet understanding and measuring the keys to enterprise software success remains a challenge.

All that is changing. Buyers are becoming more savvy about recognizing success criteria for enterprise software. This situation represents a risk to vendors with poor usage in their customer base and an opportunity for software companies with better usage to build stronger relationships with their customers.

Considering the existing rates of effective user adoption, and buyers stated willingness to pay for services that deliver effective usage, there is a significant vector of growth for progressive providers that can deliver this assistance or shepherd their partner eco-system to drive value realization for their customers.

The SandHill.com/Neochange study aimed to uncover the drivers of software success. Based on the survey’s findings, here is a list of best practices aimed at improving the success of today’s enterprise software deployments.

1. **Buyers/Providers need to discuss their “success” expectations.** Buyers clearly expect their vendors to help them achieve success with their software solutions. Buyers/Providers must set up clear lines of communication to that effect before deployment begins.

2. **Define and measure success metrics.** Development of key value indicators and other metrics that measure a software solution’s success should be determined and agreed upon in advance. Once identified, progress for each specific metric must be measured at pre-specified intervals. The movement towards each goal must be communicated to the vendor and internally, and corrective actions should be taken if progress goals are not met.

3. **Buyers should continuously monitor effective usage.** The number one key performance indicator for value realization is effective user adoption of the software. By increasing the end user adoption rate and the degree of effective usage of the solution, companies will experience significant returns on their software investments. Today’s business reality means that a company’s operating environment will change, as this happens effective usage could suffer. Continuous monitoring will identify when additional intervention is required.

4. **Providers should determine to what degree they enable effective usage.** Traditionally the majority of operating investments made by providers is focused on new features, implementation services and ongoing technical support. While these areas are all important they do not enable effective usage. Forward thinking software CEOs are likely to find that they can realize bigger returns by redirecting some of their attention and capital towards enabling customer success.

5. **Providers should develop and lead a partner eco-system that enables their customer’s success.** Software providers cannot possibly solve all of their customer’s effective user adoption problems alone. Even so, software providers can bring together business domain expertise, industry specialists and organizational change management competence to help their customers deliver greater business results.
For more information about this study, please contact Chris Dowse, CEO of Neochange, at chris.dowse@neochange.com, or M.R. Rangaswami, publisher of SandHill.com, at mr@sandhill.com.

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