THE FUTURE OF OPENTEXT

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THE BOTTOM LINE

Recent cloud announcements show OpenText is moving in the right direction in addressing customer demands for cloud enterprise content management (ECM). It is important to remember that OpenText was one of the first ECM vendors to offer options. Nucleus expects OpenText will continue investments in Core in evolving its delivery and upgrade models to a cloud cadence to better compete in the cloud ECM market.

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Over the past few months, OpenText has made a number of announcements, largely focused on its cloud ECM business, including plans to release its ECM Content Suite version 16 in the first quarter of 2016. Key components of that announcement included:

- Updated user interface (UI). The new user interface is role based and delivers specific functionality to specific roles with streamlined functionality that designates and presents the essential data needed. Within this new UI, metadata can be pulled directly from the file (this includes tags, keywords and other data points that can be aggregated).

- Updated UX. Beyond leveraging the ability to share and collaborate on documents directly from the new user experience (UX) environment, OpenText users can designate permissions for who can edit what document. Additionally, users can comment, favorite, and monitor activity streams relating to any document.

- OpenText Core. Originally standalone, the company's solely cloud document sharing and storing solution is now integrated as part of the Content Suite. Core enables users to leverage cloud software-as-a-service (SaaS) functionality to share and manage documents. As part of this, users can import content from the OpenText content server and begin collaboration from there.

- Content server updates. The new feature provides additional functionality to the on-premise and cloud document repository service including records management and a new cloud archive center. Also part of this is the ability to build software-as-a-service (SaaS) applications natively.

- Expanded partnerships. In addition to the previously established partnership with Microsoft and SAP, OpenText now has connectors to other applications including Microsoft, Oracle, and most recently, Salesforce. With this partnership, users of those applications can leverage deep integration to add documents directly into their respective UIs and use OpenText business processes through them.

On November 23, 2015 OpenText announced its acquisition of Daegis Inc. OpenText said that the main goal of this acquisition is to leverage the expansive information governance capabilities offered by Daegis to further reduce security risks and opportunities for fraud.

OpenText has been selling its cloud solution, Core, for a year now and while some of its product revenues have not grown at the pace of some other cloud competitors, OpenText continues to make investments to drive its cloud ECM business. That said, there's likely more that OpenText can do to accelerate its position in the cloud market. Recent announcements show the company has taken a step in the right direction when it comes to offering pure cloud capabilities on par with the major players in the ECM market (including Hyland and M-Files). It's clear OpenText has the potential to better move away from its traditional on-premise ECM business.

EXAMINING OPENTEXT'S STRATEGY

OpenText has been building its technology capacity and cloud chops for some time and it is important to remember that these moves have been informed by nearly two decades of experience with a managed cloud services offering. The integration of OpenText Core, the company's first solely cloud solution, with the OpenText Content Suite gives OpenText the right base on which to build out more cloud functionality and move ahead in the marketplace. The Content Suite's updated UI embraces the Nucleus Dark Cockpit principles of simplification and focus to streamline the essentials needed to manage and share content and information in real-time (Nucleus Research, *n167 - Enterprise software must adopt the principles of Dark Cockpit*, November 2013).

With that said, it takes more than a cloud product and a modern UI to gain the hearts and wallets of cloud ECM customers. Key components of the value

proposition of cloud are a regular upgrade cadence with less disruption and more value than traditional ECM upgrades.

From a pricing perspective, Core encourages the shift to a cloud mentality as the subscription-based service is driving down initial costs while offering, in some instances, the same ECM offered in on-premise deployments. It will be telling to see how OpenText outlines per seat per month pricing for packaged Core offerings and if the services-to-subscription ratio fits more the cloud norm or the traditional one.

Although Core, as its name suggests, provides somewhat basic content management functionality, today we expect OpenText will continue to invest in competitive cloud functionality.

It will be critical for OpenText to fully embrace a cloud marketing model as customers have to embraced and encouraged to renew on an ongoing basis. Although ECM may not be as easy to rip and replace as cloud customer relationship management (CRM), for example, OpenText should be looking to Salesforce.com's playbook on customer appreciation and customer communities to build momentum for existing and new cloud deals.

USABILITY

While OpenText's Content Suite announcement is incremental in nature, it made some important steps to bringing OpenText on par with competitors in the cloud ECM space. By upgrading social collaboration and embedding it within the OpenText UX content server, the company reduces the time needed to connect multiple users to the right documents as soon as they are uploaded into the system.

Significant usability gains as part of the new Content Suite are a result of the extended partnerships that facilitate document transferring between OpenText and other apps and the new streamlined UI that aggregates and sorts data. Since usability is becoming key to the standalone ECM vendor wishing to maintain market share, these increased investments in streamlining and facilitating ECM for users is a step in the right direction. On the enterprise side, it will be interesting to see how Core's announced integration with the OpenText Content Server factors into enterprise business.

When OpenText entered the market as an intranet provider in the 1990s, it broke the mold for ECM by providing not just content storage and workflows but support for collaboration. It has, however, since then, fallen behind in adopting post-Facebook collaboration capabilities – so these steps were critical to future relevance.

INFORMATION GOVERNANCE

With the Daegis acquisition, OpenText increases its capabilities on the information governance front. This is in keeping with OpenText's historical strategy of acquiring products and integrating them into their on-premise ECM offerings to meet the needs of buyers in specific industries. Unfortunately, with much work left to be done in convincing the market of its cloud ambitions, integrating the acquisition could be more of a distraction than its value warrants.

Although the technology from Daegis may help existing OpenText on-premise customers more rapidly and transparently ensure compliance, Nucleus will be watching to see how Daegis plays into OpenText's cloud strategy – if at all – and if the integration roadmap shows a change in the pace of engineering and product development in line with the company's cloud ambitions.

ONGOING SUPPORT

OpenText's plan for its growing cloud strategy focuses on providing customers with ongoing support for a number of years as companies upgrade both data and organizational procedures and embrace the cloud culture. This extends beyond helping customers get accustomed to cloud features. Given the fact that OpenText highlights its customer and partner appreciation program, the company's goal is to move product management through data centers and closer to customers themselves. By incorporating data centers, product management is more elastic and lends itself to the configurability that customers need for their individual organizational requirements while resulting in lower costs. For this, OpenText has gotten advocacy from customer user groups who are talking to prospects.

C O N C L U S I O N

At its core, OpenText has focused on bringing collaboration and security into content management. However, in an increasingly cloud world, OpenText still has more to do to gain credibility in the cloud space, particularly for those that don't understand its historical experience with managed services. In the short term, it would behoove OpenText to promote features of its implementation and upgrade model that reflect modern cloud dynamics. Additionally, the more insights OT can provide about growing momentum for Core, and other recurring cloud revenues, the more competitive it will be against emerging cloud players.