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RESEARCH NOTE **NUCLEUS TOP TEN PREDICTIONS FOR 2008**

THE BOTTOM LINE

From social networking to SOA, organizations will face new challenges and opportunities to deliver value in 2008. Politics will play a huge role as well as the realities of e-voting and real ID play out. Will the real loser be the irrelevant CIO? Here are Nucleus Research's top ten predictions for 2008.

GROWING DEMAND FOR ON DEMAND

2007 was a watershed year for on-demand applications, with more than 50 percent of organizations — large and small — adopting some on-demand applications (please see Research Note H1, *Benchmarking: On-demand solutions*, January 2007). As organizations look to leverage the low risk, rapid deployment, and low initial and ongoing cost of on-demand and hosted solutions, we'll see even greater adoption in areas like project management, content management, e-commerce, and collaboration. We'll also see a rise in the adoption of business-critical on-demand applications, which will increase scrutiny on the deliver, uptime, and security of on-demand vendors.

Key vendors to watch will be Salesforce.com with its platform on demand for on-demand application development, Oracle as it seeks to solidify its domination of the underlying infrastructure, NetSuite as it looks to go public with a full on-demand ERP suite, and Microsoft as it pushes to prove its relevance in the market. We'll also be keeping an eye on SAP as it tries to enter the market and on Workday, as it pushes a new model for business-critical applications on demand.

Now, we've seen the push for hosted solutions before. Remember the push for ASPs in the late 1990s? It largely fizzled because it was just about outsourcing support for the same old applications. The difference today is that it's the users that are pushing for on demand because the applications and the way they're delivered is dramatically different. Business users can largely configure, update, and adopt them without a change order request and they're savvier about technology than ever — which brings us to prediction number two.

LINE OF BUSINESS DRAWS THE LINE

As more and more business users are driving and ensuring the adoption of new technologies, they're engaged in managing the projects and selecting the solutions, whether IT is on the same page or not. Nucleus sees a number of factors driving this trend:

- First, the technical focus of solution delivery and performance based on bits and bytes, instead of real user experience, has damaged the credibility of IT.

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Smart IT managers are looking more toward user-experience based application performance monitoring instead of just 9s of uptime.

- Second, IT users are more technology savvy than ever before, and the widespread availability of easy-to-use technologies that they can adopt without IT's help — like on-demand applications, social networks, wikis, and blog tools — means if they like it, they will come. Draconian rules won't stop them.
- Third, new employees entering the workforce today are more likely to instant message than to physically interact. They have a whole new set of expectations for IT support.
- Finally, there are more delivery options for applications than ever before, and internal IT isn't the sole source of talent and expertise. For many companies, outsourcing, hosting, or delivering some or all applications via on-demand may be a better choice.

In short, those looking for business-IT alignment are living in the past. Business is driving, and IT will be expected to be a good mechanic or to get out of the road.

PERFECT STORM FOR THE CIO

2008 will be the toughest year ever for the CIO, particularly those who have focused more on delivering applications and training developers than on polishing their "C" level skills. To remain relevant, CIOs will have to stop complaining about limited resources and unrealistic expectations, going to conferences with other CIOs to debate ITIL versus another acronym, and trying to come up with new ways to prove their value to the business. Instead, CIOs who survive the storm will likely report to a CFO, have a consistent and structured way to present business cases for projects that aligns with the CFO's view of the world, and be better at negotiation and marketing than they are at delivering the next upgrade. Vendor management is another key area where skill building will pay off.

SOCIAL MEDIA, ANALYTICS UP THE APP ANTE

Although many of us took a breather from complex CRM in the past few years, it's back and better than ever. Bringing social networking, analytics, and collaboration into the mainstream CRM environment has some potentially significant benefits for individual users — not just managers of sales and marketing. Leading the charge in this domain is Oracle with Siebel CRM On Demand, which enables users to integrate LinkedIn profiles, company buying behavior, and other data into their environment to identify potential deals and predict likely sales. Salesforce.com users are not left out of the game, as they can go to Salesforce.com as well as partners such as BlueWolf and others for integrated social networking and enhanced analytics capabilities. Expect other enterprise applications to go in this direction as well, as developers focus on how to deliver more productivity to end users.

Of course, we can't overlook the pure analytics vendors such as SPSS, whose text mining and analytics capabilities have the potential to bring sales, marketing, and other users' productivity to the next level — provided they're delivered in a usable format. Given the mergers and acquisitions in the enterprise application and business intelligence space, expect to see embedded analytics and reporting deeper in the enterprise stack and acting as more of a function of applications and user roles than simply standalone dashboard or reporting tools.

We expect Google to continue to spur innovation in the market as well, by providing new applications and features within Google Apps that position it more firmly in the enterprise application space. Google doth protest too much, wethinks, today.

The key here, as always, will be user adoption and adoption that drives greater value. There's always a risk that "shiny object syndrome" will take over the practicalities of what technology actually helps people do their jobs better, so managers will have to gauge costs and benefits before everyone plunges in.

VOTING OUT TOUCH-SCREENS?

This could be the year of massive backlash against Direct Recording Electronic (DRE)s voting systems, commonly known as touch-screens. They continue to be a major nuisance to voters. Ideally, touch-screen systems should be a snap to use — the problem is they are built on proprietary technology, are not secure, and are managed by elections officials who aren't necessarily technologically savvy. They also don't automatically produce a voter verifiable paper trail, as do optical scan ballot systems, and retrofitting them with printers has proved to be a much bigger technical headache than it has any right to be. Regrettably, the Help America Voting Act (HAVA), which was passed ostensibly to remedy bad manual voting systems (such as those in Miami County), has in reality proved little more than a boondoggle to DRE vendors. In the meantime, Congressional ignorance or laziness prevents any action to be taken that can remedy this.

At the same time, no one needs to be reminded that 2008 will see a watershed presidential contest. The general unreliability and insecurity of the systems may lead to a huge Gore versus Bush type of showdown in the Supreme Court where judges will once again decide who the president will be, and not the voters. Ultimately, what voters can't see they can't trust, and using DREs to run an election effectively out-sources the basic process of democracy to private contractors. A sign of hope: this past year, after 18,000 votes were lost in a Congressional race last November, Florida, once the symbol of backwardness and partisanship in voting, passed a law swapping out its DREs for optical scan devices. A U.S. senator has filed a bill to eliminate DREs altogether nationwide. Is this a sign of things to come? Either way, activists, both technological and political, are going to be watching the races and the machines used very carefully.

REAL ID, RIP?

Needless government intrusion into citizens' privacy using pointless and expensive tracking and monitoring technology (such as the RFID-chipped E-Passport) is going to be a continuing nuisance for a long time to come. However, there are promising signs that one of the worst examples of this, the Real ID Act of 2005, is set for complete collapse in 2008. In essence, Real ID mandates that every state comply with federal regulations for their drivers' licenses and other identification documents. Passed without debate in an emergency appropriations bill to fund the Iraq war two years ago, it has caused privacy advocates, state officials, and bureaucrats alike to gnash their teeth. For starters, it mandates that every license have a digital ID, be machine readable, and that states begin to create databases to hold information about the holders of all these IDs. Those with non-compliant IDs after the deadline, moved back to 2013 from 2009, won't be allowed to board

planes, enter government buildings, or other secure facilities, it has been threatened.

Overseeing the creation of Real ID's specific measures has been the Dept. of Homeland Security (DHS), whose track record on nearly everything it's been tasked with overseeing has been abysmal. The costs of compliance is expected to be in the billions of dollars. Needless to say, state governments aren't happy with being burdened with the cost and aggravation of trying to implement something they don't want or need, and a dozen or so states have passed laws resisting compliance with the law. Recently, privacy advocates such as the American Civil Liberties Union have been encouraged by DHS's apparent back-tracking on the penalties and deadlines. Ultimately, 2008 may see the badly considered law collapse under its own weight – and set an example for a lot of the other similar statutes in place that do nothing to improve security, but do a lot to spy on honest citizens and risk identity theft or secret monitoring.

SAP AND ORACLE: NO LOVE LOST

The top end of the ERP market is clearly a two-way battle between Oracle Corp. and SAP AG. The battle is already fierce, as Oracle continues to surround the market leader SAP, its arch-rival, and attempt to crush it. Oracle has been adding one acquisition to another to be able to out-gun SAP's considerable technology offerings. It also continues to expand its Fusion line of middleware products, including its business intelligence, integration, and management capabilities. SAP is countering by pushing on its on NetWeaver middleware stack and downplaying Oracle's ability to create a next generation Fusion business applications suite. In 2008, we can expect the ferocity of the combatants to intensify.

Oracle has already made the fight personal by somewhat brazenly suing SAP, claiming its subsidiary, TomorrowNow, which provides third party support for Oracle PeopleSoft and J.D. Edwards applications, had been illegally downloading documentation from Oracle. Oracle not only sued SAP, but named in its complaint some shared marquee customers. In response, SAP acknowledged some wrongdoing, and the head of the unit stepped down. A settlement conference is scheduled for October 2008, and litigation is ongoing. Between now and then, there could be a lot of dirty laundry hung up for the public to see. Both SAP and Oracle will be locked in a death grip, trying to move their respective opponents out of their shared accounts. This is going to lead to muddy waters as the vendors throw jabs at one another in their marketing campaigns and on sales calls. Although both vendors insist there will never be any potential breakdowns in the necessary technological cooperation — many SAP users rely on an Oracle database — this cannot help. Big respected vendors should be acting like elder statesmen, not barroom brawlers, and customers know that.

ONE-STOP SHOPPING

There were a lot of big acquisitions in 2007. Oracle bought Hyperion, SAP bought Business Objects, and IBM bought Cognos. There are sure to be more in 2008, so it's time to sort out what it all really means for end users.

Despite the hype and promises around these acquisitions here are a few things that won't matter much:

- Product roadmaps. Sure, they'll change, but not by much, and they will change slowly. Business Objects user should be concerned about an SAP-centric roadmap if they don't use SAP. But even if the roadmap for Business Objects is dramatically SAP centric, this can be overcome with SOA and skilled developers and consultants. And given the pace of change and product integration at both SAP and Oracle, end users should have plenty of time to prepare for the worst.
- Product integration. When the big players make acquisitions, they usually say that it's to combine products in order to make software less expensive and developers more productive. But a look at recent acquisitions tells us this isn't very likely. IBM's Rational products, although now owned by IBM, are still purchased and used separately from WebSphere. Oracle's Fusion initiative is only just beginning to show benefits. And SAP has never acquired something as large as Business Objects.

What will matter is that power is shifting to large software buyers, who not only have fewer vendors, but are also becoming far more important to these vendors. And with power shifting to the CFO, CFOs should demand that vendors make good on their promises about cheaper software and easier deployments. With the clash-of-the-titans rivalry among ERP vendors, it should be easier for large software buyers to tell their account representatives that they want lower software prices, or they'll switch to a rival and ruin his or her holiday.

IT'S VIRTUALLY OVER FOR THE DESKTOP

The conventional ways of running desktop PCs for a large organization are becoming almost impossible. End users all have different applications, different versions of the same applications, different needs, and different security profiles. And they are accessing their operating environment from a variety of devices — PCs, Macs, and mobile devices. So it's no wonder that IT departments spend most of their time doing moves, adds, changes, and upgrades to users' desktop PCs. Add Vista to the picture and things get even more complex and labor intensive. Desktop virtualization — the creation of a controlled desktop environment in a data center that end users access from a thin client — now looks like a cost-effective way around these headaches.

When end users access their desktops and applications from a data center rather than a large local device such as a PC, the operating environment becomes easier to control and operate. Here are some of the benefits:

- Improved productivity. Desktop virtualization makes it faster and easier for IT departments to provision, move, add, and change end user desktops. In a virtualized environment, users and provisions can be pooled, which enables changes to be made to a large population of users rather than large number individual users.
- Lower energy costs. Thin clients use far less energy than PCs, which reduces electrical bills.
- Lower software costs. Virtualization enables the standardization and consolidation of software purchases.
- Improved security. Virtualized environments can be created for any class of user, location, department, or project. Military organizations, companies that outsource development, and organizations with strict security requirements are

using this to limit how much access any one user or group of users has to the operating environment.

Adoption of virtualization has lagged because it's more expensive than PCs on a per-desktop basis. But this is short sighted. Improved productivity and lower electricity costs mean that ROI should be attainable for large deployments. Virtualization can be adopted gradually, so companies balking at virtualization should overcome internal resistance by first completing a small proof-of-concept deployment for a group of highly similar users, and then increasing the benefits by virtualizing larger user groups.

TREAD LIGHTLY ON TRENDS: NEXT UP, GREEN IT

From Six Sigma to ITIL to IT-business alignment, and from EVA to TEI, the IT management trend life cycle seems to last about two years before the "it" thing recycles into the new "it" thing, which sounds very similar but is represented by different letters. Those of us who have seen the money lost and credibility damaged by Y2000, SOA, and everything in between should proceed with caution when looking at the next overhyped IT story: Green IT. Although carbon footprints may be interesting, time spent calculating the number of trees your organization needs to offset PCs would be better spent identifying real opportunities for growth. Virtualization, blade servers, and other technologies can lower the cost of powering your data center, which is always a good thing. Smart CIOs will leverage that knowledge to reduce ongoing operational costs to enable reinvestment in new projects without jumping blindly on the green IT bandwagon.

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