

A Custom Technology Adoption Profile Commissioned By IBM | March 2016

# Commercial Off-The-Shelf Software Is On The Rise In The Public Sector

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## Commercial Off-The-Shelf Software Is On The Rise In The Public Sector

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### COTS Software Is On The Rise In The Public Sector

Implementing software to enable social services agencies is demanding and problematic. Agencies typically turn to third-party systems integrators (SIs) for such large custom software development projects rather than rely on budget-strapped internal development teams. Funding processes tend to favour big-bang implementations, which often run over budget and leave little support for year-on-year maintenance and enhancements. In-house staff struggle with modifying code years after the SIs have left. As a result, many agencies live with legacy software solutions that do not address contemporary needs. At the heart of these issues lies the need for new enterprise software. Forrester hypothesises that commercial off-the-shelf (COTS) software is more advantageous than custom-developed software for large public sector social programmes.

In February 2016, IBM commissioned Forrester Consulting to evaluate the benefits of using COTS versus custom social services software.

*Commercial off-the-shelf (COTS) software is software available in the commercial marketplace. COTS software requires configuration to tailor it for specific uses but requires no coding or customisation to the commercial item itself.*

*GOTS software is ready to use and was created and is owned by a government agency. Typically, GOTS software is developed by the technical staff of the agency for which it is created.*



Forrester surveyed 100 government and healthcare agency professionals in the UK, France, and Germany who are responsible for technology strategy.

**32%**

I provide significant input to the final decision-maker on technology strategy.



**68%**

I am the primary decision-maker on technology strategy.



#### Which type of software does your agency use primarily?

- › 51% Government off-the-shelf (GOTS) software
- › 29% Custom-developed software
- › 20% Commercial off-the-shelf (COTS) software

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### Custom-Developed Software Doesn't Live Up To Its Promises

European government and healthcare professionals using custom-developed software experience a variety of challenges with these types of solutions. Their biggest challenge is having to rely on implementing SIs for future enhancement and maintenance, locking in the service provider because in-house IT staff don't know the systems. Other issues agencies experience are complexity of development, lack of flexibility for users and transfer systems that don't perform as expected. What does this mean? Custom software solutions don't live up to their promises of simplicity and customisation.

*Custom software solutions don't live up to their promises of simplicity and customisation.*

What are the challenges with using custom line-of-business human services software?

**9** out of 29

Reliable implementation of SIs for future enhancements and maintenance

**8** out of 29

Development is too complex

**7** out of 29

No flexibility for users

**7** out of 29

Transfer systems don't live up to their promise

Base: 29 European government and healthcare agency professionals responsible for technology strategy using custom software  
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2016



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## Agencies Shy Away From COTS Due To Misconceptions

Despite the challenges agencies face with custom software, 30% are not switching to COTS primarily because of the misconception that this type of software is not well-suited for the public sector. Another misconception is that agencies lack the flexibility to customise the software to their business process.

Surprisingly, 28% of agency professionals claimed they are very satisfied with their current custom solution, despite admitting that they face a variety of challenges with it. In fact, almost half of respondents from this group also indicated that they plan to switch to COTS at some point in the future.

*For almost half of the respondents, the challenges outweigh their satisfaction with their current solution, as they plan to switch to COTS at some point in the future.*



### What is holding you back from switching to COTS software?

COTS software not well-suited for the public sector

30%

We are extremely satisfied with our custom software

28%

Lack of budget

28%

Lack of flexibility to customise it for our business processes

24%

Base: 80 European government and healthcare agency professionals responsible for technology strategy using custom software and GOTS  
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2016

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### Consider This For Your Technology Solution

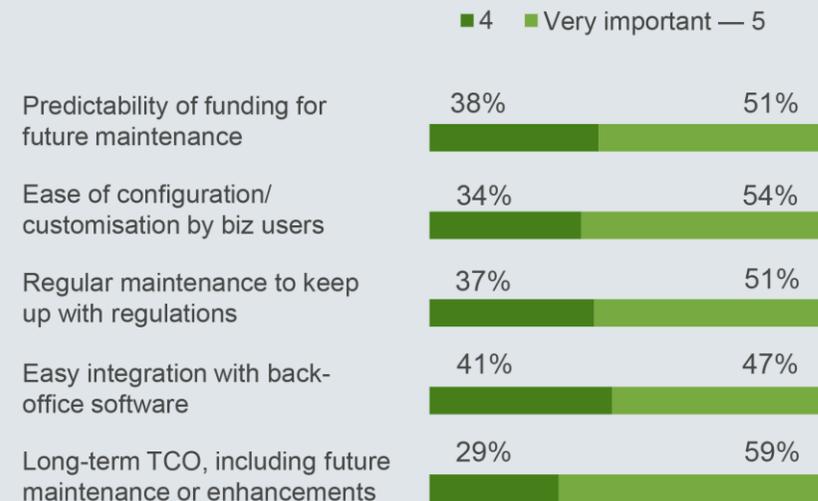
Many factors come into play when selecting a technology solution that best fits your business. For European government and healthcare agencies, the top five considerations are all related to ease of use and the ability to predict the cost for future maintenance.

Topping this list is predictability of funding for future maintenance. In addition to this, 88% of agency professionals believe it's important that the software can keep up with changing requirements, regulations and technology. For another 88%, the software must be easy enough to configure by business users without involving software developers and must be easy to integrate with existing software.

*When considering a technology solution, agency professionals look for a solution that is easy to use and gives them the ability to predict the cost for future maintenance.*



#### How important are the following when considering a technology solution for your agency?



Base: 100 European government and healthcare agency professionals responsible for technology strategy  
 Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2016

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## COTS Outperforms GOTS

Agencies already using COTS experience a variety of benefits as a result of the software:

- › Functionality out of the box.
- › Lower operating or maintenance costs.
- › Self-sufficiency for users.
- › An improved experience for business users.
- › No need for extensive involvement from software development staffing.

In addition, when comparing COTS with GOTS, European agencies respond more favourably to COTS.

Benefits like these resonate with any agency, regardless of the software it is currently using. In fact, almost half of European agencies (47%) surveyed, including those that use custom-developed software or GOTS, plan to implement COTS software in the near future.

### How strongly do you agree with the following statements?



Base: 100 European government and healthcare agency professionals responsible for technology strategy

Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2016

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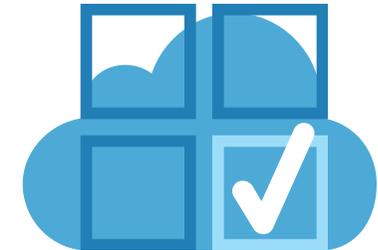
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## Steps To Take To Implement COTS

European agencies are finally picking up on the flexibility of COTS, but making the switch can require some planning. Forrester found that agencies need to take three main steps to make the transition to COTS: 1) prepare the business case, 2) secure additional funding and 3) research alternatives. In some cases, agencies need to realign goals and shift their strategy. Agencies whose motivation is to replace their current system because it poses too many challenges will find that they need to reevaluate their goals as part of the switch to COTS.



What are the steps you took/need to take to implement COTS software?

Prepare a business case	61%
Secure additional funding	48%
Research alternatives	43%

Base: 85 European government and healthcare agency professionals responsible for technology strategy using COTS and planning to implement it  
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, February 2016

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## Conclusions

The benefits of COTS fit hand in glove with the needs of human and social services agencies for their mission-critical software: COTS is a viable model for long-term total cost of ownership, as it offers predictable maintenance costs, avoidance of SI lock-in for maintenance of custom code and a software solution created specifically for the requirements of an agency's programmes. Respondents' perceived downsides to COTS – lack of flexibility and relevance to public sector needs – are misconceptions based on a lack of awareness of the existing solutions.

*Respondents' perceived downsides to COTS are misconceptions based on a lack of awareness of the existing solutions.*

## METHODOLOGY

- › This Technology Adoption Profile was commissioned by IBM.
- › To create this profile, Forrester Consulting launched a custom survey with questions asked of European government and healthcare agency professionals at the manager level and above who make decisions for their agency's tech strategy.
- › The custom survey was completed in February 2016. For more information on Forrester's data panel and Tech Industry Consulting services, visit [forrester.com](http://forrester.com).



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