

Leading the Challengers: 2019 IFS World

CIMdata Commentary

Key takeaways:

- *IFS has seen significant growth in the last several years and plans to greatly exceed those results by 2021.*
- *The company has invested significantly to unify their global operations enabled, in part, by running IFS on IFS, and working to dramatically expand their global partner ecosystem.*
- *IFS continues to emphasize their portfolio beyond ERP.*
- *IFS is expanding investment in their platform to improve the user experience and to deliver these capabilities on-premise and in the cloud.*

CIMdata had the pleasure to attend the IFS World Conference 2019 held from 8-10 October 2019 at the Hynes Convention Center in Boston, MA. According to Mr. Darren Roos, the CEO of IFS, this was their biggest event ever, with 40% more attendees than in 2018. Mr. Roos explained that IFS went to great lengths to make this event truly customer-centric with coffee and snacks provided by different IFS customers, and many attendees flying to the event on planes maintained using IFS solutions. This commentary summarizes CIMdata's impressions of the event and the great progress made by the company in its transformation over the last eighteen months.

Travel and/or other expenses were provided by IFS.

One Company

Mr. Roos joined IFS from SAP just before IFS World Conference 2018. He joined a growing company that aspired for market success well beyond their Nordic roots. IFS sees themselves as an underdog in the global enterprise software market but with a particular niche. Their customers were not necessarily number 1 or number 2 in their markets, but many strove for those positions. IFS would help them get there, as suggested by their hashtag for the event “#forthechallengers.”

While IFS is smaller in revenues than other enterprise software companies, they are not really a challenger in several key application segments: enterprise asset management (EAM); field service management (FSM); and maintenance, repair, and overhaul (MRO). In stark contrast with their claimed status as a challenger, IFS regularly gets kudos from the leading IT analyst firms in their market reports on EAM and FSM, demonstrating their strengths. Their enterprise resource planning (ERP) capabilities score high against other mid-market ERP solutions. Given these consistent results, the company is clearly starting from a position of relative strength. During the event they added to this strength by announcing their acquisition of Astea International, a market leader in FSM.¹ Mr. Roos claimed that adding Astea to their existing solutions would make them the undisputed number 1 in the segment, with over 1,000 customers from IFS and Astea, and over 8,000 WorkWave FSM customers (a 2017 acquisition).

But there was still a lot of work to do to reach their corporate goals. To better serve their global customers IFS had to work like one company stated Mr. Roos. Different regions were selling different solutions in different ways. It was difficult for their customers to engage with each

¹ <https://astea.com/resources/blog/2019/10/ifs-astea-announce-definitive-agreement-to-strengthen-global-leadership-in-fsm-business/>

region acting independently. According to Mr. Roos, their first big shift was moving from 8 regions working mostly independently to 3 regions all working on a standardized business model.

They also considered taking a step that other enterprise software companies have taken before them: running their company on their own software. IFS was not a good target for using IFS Applications stated Mr. Roos. They considered other enterprise solutions but, in the end, decided that they needed to learn their own solutions by using them deeply. The company implemented IFS Applications 10—including finance, human resources, and procurement, the “full gamut” according to Mr. Roos—in 24 weeks. He said it was a great learning experience that taught the company a lot about how to make it easier for their customers to adopt their solutions, including important lessons around localization and data migration.

The company has grown strongly over the last few years, but their goals are even loftier. IFS reported calendar year 2018 revenues of \$606 million, but plans to grow to \$1 billion by 2021, a 65% increase, with over 50% of revenues coming from new customers. IFS knows it cannot get there alone and is working hard to grow their partner ecosystem to help them collectively meet that stretch goal.

Growing the Ecosystem

During his remarks, Mr. Roos pledged to triple their partner ecosystem resources. This will certainly help. Mr. Michael Ouissi, IFS’ Chief Customer Officer, talked about how IFS is using those new resources. Mr. Ouissi positioned IFS as experts in five industries: Aerospace & Defense; Energy, Utilities & Resources; Engineering, Construction & Infrastructure; Manufacturing; and Service Industries. Mr. Ouissi stated that by focusing on specific industries and specific solutions—ERP, EAM, and Service Management—they can deliver a superior customer experience. They do not have to sell ERP to every customer in the world, just where it makes sense.

Mr. Ouissi said that IFS has indeed tripled their investment in their channel resources. Their goal is to have 100% of partner service resources certified by IFS. IFS wants to decrease their service delivery and focus more on delivering more high value-added services. This makes sense, and echoes moves by their competitors. Services are necessary, as they help IFS stay closer to customers on the ground, but they are a drag on margins. IFS needs to get partners skilled up and fast. Several presentations included a chart showing that, in 2019, IFS has trained more partner resources than their own, and project significant growth in partner training in the coming years. In his remarks, Mr. Roos highlighted their success to date: in the Americas IFS saw a 171% year on year (YoY) increases in partner license revenue and 30% YoY growth in partner certifications; in Europe there was a 45% YoY partner license revenue increase, with 50 new channel partners added year to date; and in Asia-Pacific, they saw a 280% YoY increase in partner license revenue, with 22 new channel partners added year to date. This is great news, but to reach their expansive goals they must keep up this pace. They have some global services leaders like Tata Consultancy Services (TCS), Accenture, BearingPoint, DXC Technology, Infosys, and Tech Mahindra, as well as a growing roster of services partners around the world. To achieve their goals, IFS and their partners will have to grow services capabilities from scratch, as many services companies struggle to hire experienced people. IFS is also using social approaches to democratizing access to global IFS expertise. Their IFS Community is an on-line resource to help users engage with their peers around the world. Mr. Roos also spoke of a new concept, IFS Heroes, that will provide access to 3,700 IFS experts

drawn from their technical and consulting ranks. This new platform is intended to aggregate needs and provide more ready access to able assistance.

During the Influencer track sessions, IFS also provided an update on the IFS Applications platform.

Delivering the Platform

IFS Applications has long been known for delivering a comprehensive enterprise platform offering a range of applications. Figure 1 shows how IFS is positioning their platform today. It reflects their focus on their five core industries and three key enterprise applications.

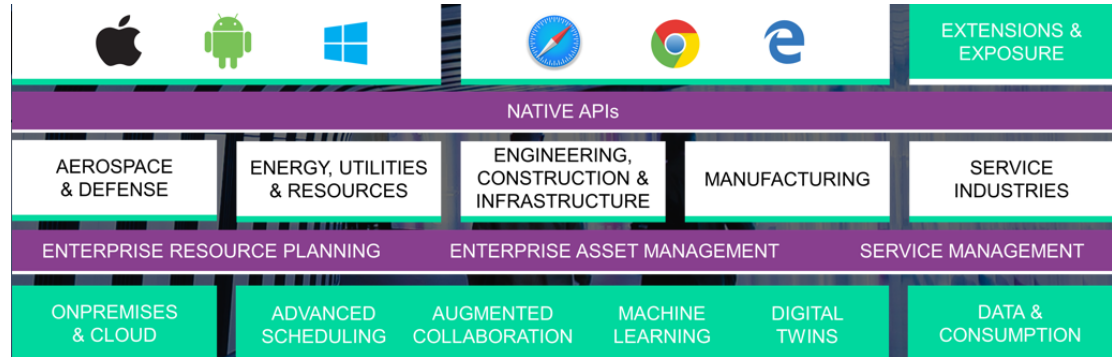


Figure 1 — The IFS Applications Platform
(Courtesy of IFS)

Over the last several years, all of the leading enterprise application providers have taken steps to refresh their user experience. The consumerization of IT has raised user expectations and IFS’ answer is Aurena, announced at last year’s conference. Like their enterprise software competitors, IFS is working to provide a new, up to date, immersive user experience. According to Mr. Christian Pedersen, IFS’ Chief Product Officer, Aurena is everywhere in their suite, delivered ahead of schedule. Aurena renders IFS to different browser types and form factors as suggested in the top layer of Figure 1. Mr. Pedersen claimed that mobile was now a “first class citizen” in user experience design, using the same framework and same business rules across all delivery options. The IFS Aurena Bot, their intelligent assistant, provides a new way to interact with IFS. It can be accessed from a user’s favorite messenger app or Aurena natively. Users can react to prompts and issue voice commands to kick off business processes. It can be set up to be a real assistant, claimed Mr. Pedersen, so that it proactively alerts you about new information or pending tasks, for example.

Mr. Dan Matthews, IFS’ Chief Technology Officer, took over to dig deeper into the stack and how they are delivering it. People-centric design is a core tenet, according to Mr. Matthews, one that he believes is powering their move forward. Over 4 billion people use the Internet each day, with over 3 billion on social media. User experience in enterprise software should leverage familiar patterns and people’s IT expectations in clever ways. It can be simple things, like Favoriting something to make it easy to find the next time. Their use of the Progressive Web Applications framework, Mr. Matthews continued, helps make their applications feel more like installed software.

One of the things IFS users like about the solution is the ability to “Make It Yours.” This almost always offers additional value, stated Mr. Matthews. He went on to describe three ways that IFS enables their customers to tailor their experience: configure; extend on the inside, and extend on the outside. These are all areas of continued investment according to Mr. Matthews.

Extending on the outside, using solutions like Mendix, PowerApps, Microsoft .NET, and JavaScript only works if these solutions have applications programming interfaces (APIs) to talk to. This is one reason why, Mr. Matthews stated, IFS just made over 15,000 APIs available across IFS Applications and IFS Service Management, shown as a layer in Figure 1. These are RESTful APIs, the more modern way to integrate solutions, Mr. Matthews continued, an approach favored by developers. IFS believes this approach performs better and is more stable. In fact, Aurena relies on these same APIs. Mr. Matthews claimed that anything you can do in their software you can do using their APIs. They strongly believe that more people are taking an open APIs approach and joined the OpenAPI Initiative to lend their support.² They have started to work with their partners to update their integrations using this new approach. CIMdata strongly agrees with this strategy and believes openness will enhance IFS' success.

IFS delivers their platform on-premise or on the cloud through managed services. The cloud version is the same code base as the on-premise version. Customers can buy perpetual licenses or Software-as-a-Service (SaaS). Mr. Matthews acknowledged that more of the audience was starting to choose SaaS and cloud, as evidenced in their financial reporting. But the choice remains with the customer. CIMdata believes that IFS is smart to offer their customers choice and to let them move in their own time. Several leading solution providers have forced their customers to move to subscription, with their customers' displeasure splashed across the Web. This is one of many reasons that IFS will continue to be rated highly by their customers, as customer satisfaction survey results showed during the event suggest.

Conclusion

CIMdata was impressed with the rapid progress made by Mr. Roos and his team in the last year. He joined IFS from SAP just before the IFS World Conference 2018 and clearly hit the ground running. During his remarks, Mr. Roos claimed that they are outgrowing the ERP market by a factor of three, with 100% of that growth being organic, a stark contrast to the growth through acquisition reported by their competitors. (Of course, IFS makes acquisitions too, with the Astea purchase announced during the event as an example.)

More importantly, 50% of revenues are coming from net new customers, stated Mr. Roos, with 50% win rates against SAP and 80% against Infor. If true, their success rates are exceptional and will be necessary for IFS to achieve their 2021 goals. Their partner programs are clearly on the right path and designed to rapidly grow partner capabilities. Again, they cannot succeed without growing that channel. Their focus on five industries and leveraging their best solutions will provide the focus they seek, and includes more than enough industrial prospects to keep IFS and their partners busy for years. IFS has refreshed its platform across the board, with Aurena offering a modern user experience across all delivery vehicles. The API approach should help them help customers to rapidly configure IFS to indeed make the solution the customer's own. Delivering IFS on Microsoft Azure is a great fit for their target audience and has shown good progress to date. CIMdata hopes that IFS is looking beyond their current architecture to a multi-tenant future, since it appears this is where industry is headed. But if IFS reaches their lofty financial goals they will certainly have the money to support the work necessary and to continue to lead the "challengers," their customers, to continued market success.

² <https://www.openapis.org/> includes Atlassian, Bloomberg, CA Technologies, eBay, Google, IBM, IFS, Microsoft, PayPal, and SAP, among others.

About CIMdata

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