

# PC & Operating System Migration in Corporate Australia August 2002

S2 conducted 25 interviews to establish what corporate Australia is doing with respect to desktop operating system and hardware migration, with particular attention to what operating systems are actually installed, when and why IT Managers are planning upgrades, and current hardware lifecycles.

## Methodology

On 6, 7 and 8 August 2002, S2 interviewed IT Managers across 20 randomly selected, very large Australian enterprises.

Additional data was then collected by interviewing three vendors providing desktop outsourcing services to 38 large enterprises, and by interviewing representatives from two corporate PC suppliers.

Further supporting data was drawn from a similar exercise conducted by S2 in March 2002. Contact S2 for more research on technology deployment in Australian enterprises.

## Analysis

As can be seen in Table 1, Windows 2000 and NT4 are the dominant operating systems on corporate desktops by a significant margin. These are followed by Windows 9x (95 and 98). Pockets of Windows 3.x continue to survive.

Most significantly, not one of the enterprises interviewed had Windows XP installed in a production environment. S2 has established that there is a huge difference between licenses held and code installed: a very frequent practice is accumulating OEM Windows XP licenses (issued with new PC purchases) but installing an older version such as Windows 2000, thus providing the option of migrating to XP at a later date with no upgrade fee applicable.

Desktop Operating System	Ratio (%)
Windows 3.x	2
Windows 9.x	12
Windows NT4	37
Windows 2000	49
Windows XP	0
Total	100

Table 1: Approximate ratio of installed desktop operating systems: large Australian enterprises, August 2002

This finding is especially interesting in light of the July announcement by Microsoft that it has shipped its 46 millionth XP license. Technology decision makers should be careful to understand that Microsofts license shipment claim is almost certainly heavily influenced by OEM license data and XP sales into smaller businesses. It is not indicative of migration trends in large Australian enterprises.

It should be noted that only very basic weighting by enterprise size was applied in constructing the table. Nevertheless, S2 feels that this data provides a good approximation of the mix of installed operating systems across the top 200 corporate and government sites in Australia.

Of the nine enterprises that have operating system migration plans, four are intending to go to Windows 2000 and five to Windows XP. All of the enterprises that recently migrated, or are currently migrating their operating systems, chose Windows 2000. Several of these indicated that they might skip Windows XP for its successor. There is a lot of activity imminent, with seven planning to begin a major migration within 6 months, but the migrations themselves are typically spread out over a period of many months, in some cases years.

Another major finding was confirmation that the average lifecycle for desktops is now considerably more than 3 years at 3.6 (see Table 2 below). Only one enterprise had a desktop lifecycle policy of less than 3 years while four enterprises had a firm lifecycle policy of 4 years or more. A large number

have no fixed policy but simply hold off refreshing hardware as long as practical (typically somewhere between 3.5 and 4 years).

	High	Low	Average
Desktop systems	5 years	2.5 years	3.6 years
Notebook systems	4 years	2.5 years	2.9 years

Table 2: Desktop and notebook life cycles in large Australian enterprises, August 2002

Average notebook lifecycles are around 2.9 years with strong feedback that enterprises are pushing towards 3 years, and many respondents indicated they are trying to align desktop and notebook lifecycles. Shorter notebook lifecycles are generally related to greater wear and tear, higher failure rates and more demanding requirements of users equipped with these devices. S2 believes product improvements and corporate policy will see average notebook lifecycles moving to 3 years in the next 12 months.

When asked the main reason for migrating the operating system, support concerns were the dominant issue by a considerable margin. Two sub-themes were evident: Microsoft ending support for older operating systems and the need to standardise to provide effective internal support. Other reasons given more than once were support for newer applications, company policy (i.e. upgrade everything after a certain number of years), and more stability. Specific Windows 2000 or XP product features were never mentioned as the main reason.

S2 also received strong feedback on reasons enterprises were NOT upgrading the operating system. The cost and time required for applications testing (often 12 months) and the cost of associated hardware upgrades dominated (much more than the cost of the licenses themselves). Skipping over every second Windows release is a common strategy.

When asked the main reason for migrating to new hardware, most answers related to general obsolescence, specifically: escalating failure rates, out of warranty conditions and difficulties in support. Upgrade plans for desktops strongly correlated with migration plans for the Operating System most IT Managers saw coinciding the two events as the most practical approach. Application performance requirements were never mentioned as the main reason for upgrading hardware.

On the evidence of past upgrade patterns, extensive desktop PC fleets installed in the lead up to Y2K should now be passing 3 years and coming out of warranty, placing IT Managers under increasing pressure to upgrade and leading to a spike in corporate PC sales. The data collected in this exercise supports this theory and suggests the spike should be particularly evident in the fourth quarter of 2002 and the first quarter of 2003. Shorter notebook lifecycles may explain the strengthening of notebook sales that has already occurred.

Overall, lifecycles are lengthening and IT Managers are migrating both hardware and operating systems when they feel compelled to, not because they are sold on new functionality. Windows XP is almost non-existent on the Australian corporate desktop today. It will probably account for a reasonable slice of the installed base by mid 2002, but an equal number of enterprises plan upgrades to Windows 2000. Notebook lifecycles are heading steadily towards three years and desktops to four years. Australian IT Managers should use this analysis where the broad migration trends across large Australian enterprises are a factor in their decision.

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8 August 2002