PANORAMA
CONSULTING GROUP

The 2024 ERP Report

Introduction

As market dynamics become more unpredictable and competitive pressures mount, the importance of data-driven decision-making has never been more apparent.

The data in this year's report reflects a mindset shift among business leaders. Organizations across industries are increasingly using technology as a strategic driver of business growth and innovation rather than just as a tool to automate processes.

In our own experience, we have found that organizations are drawn toward advanced analytics and want to find ways to consolidate their data and predict future outcomes.

Our *2024 ERP Report* delves into these trends by examining the outcomes of recent software implementations and exploring the decisions leading to these outcomes.

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Respondent Overview

Aug 2022 – Dec 2023
Data Collection Timeframe

150.5
Median Number of Software Licenses Purchased

131
Number of Respondents

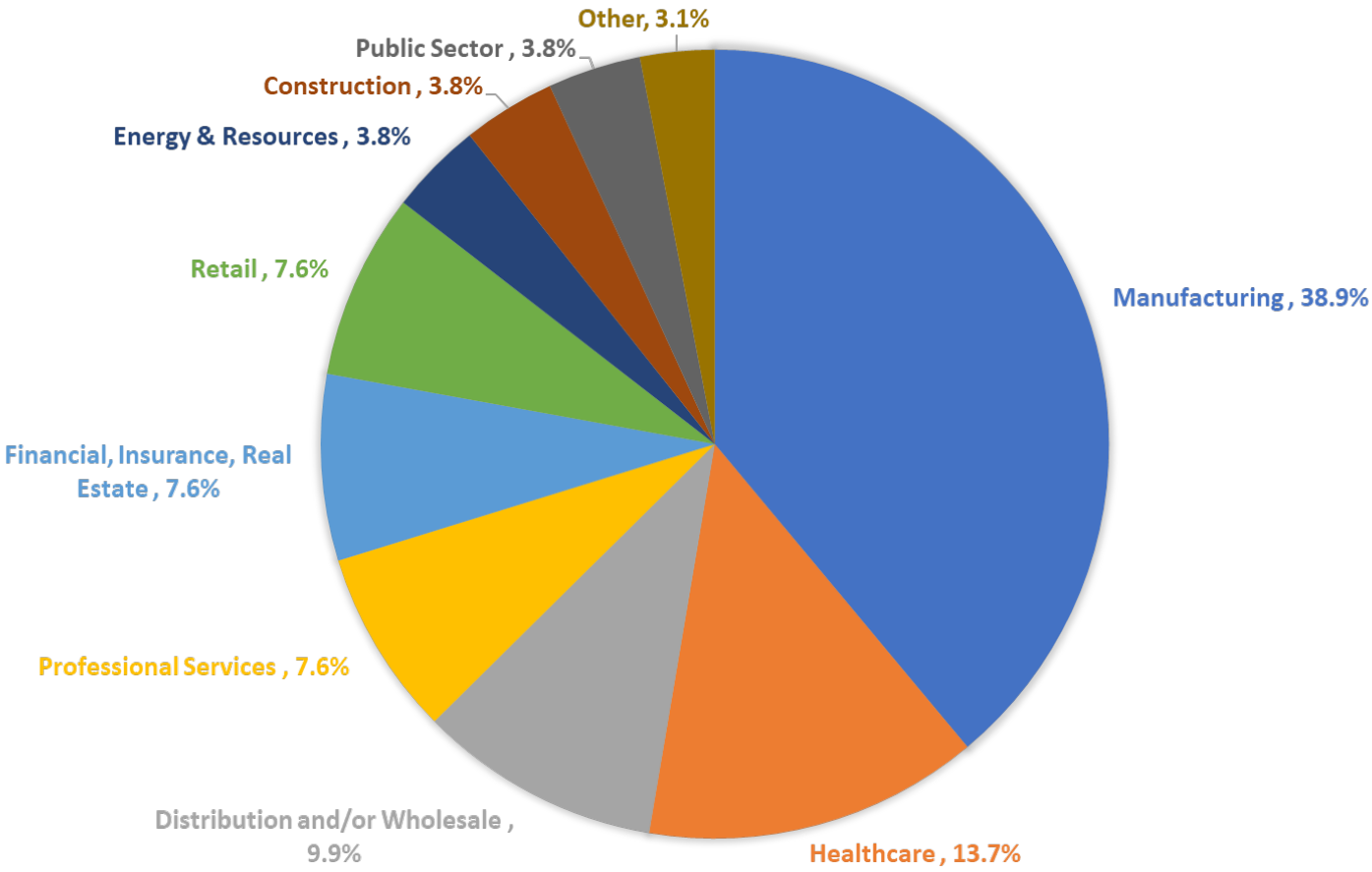
43.5%
Percentage of Multinational Organizations

$200.5 million
Median Annual Revenue

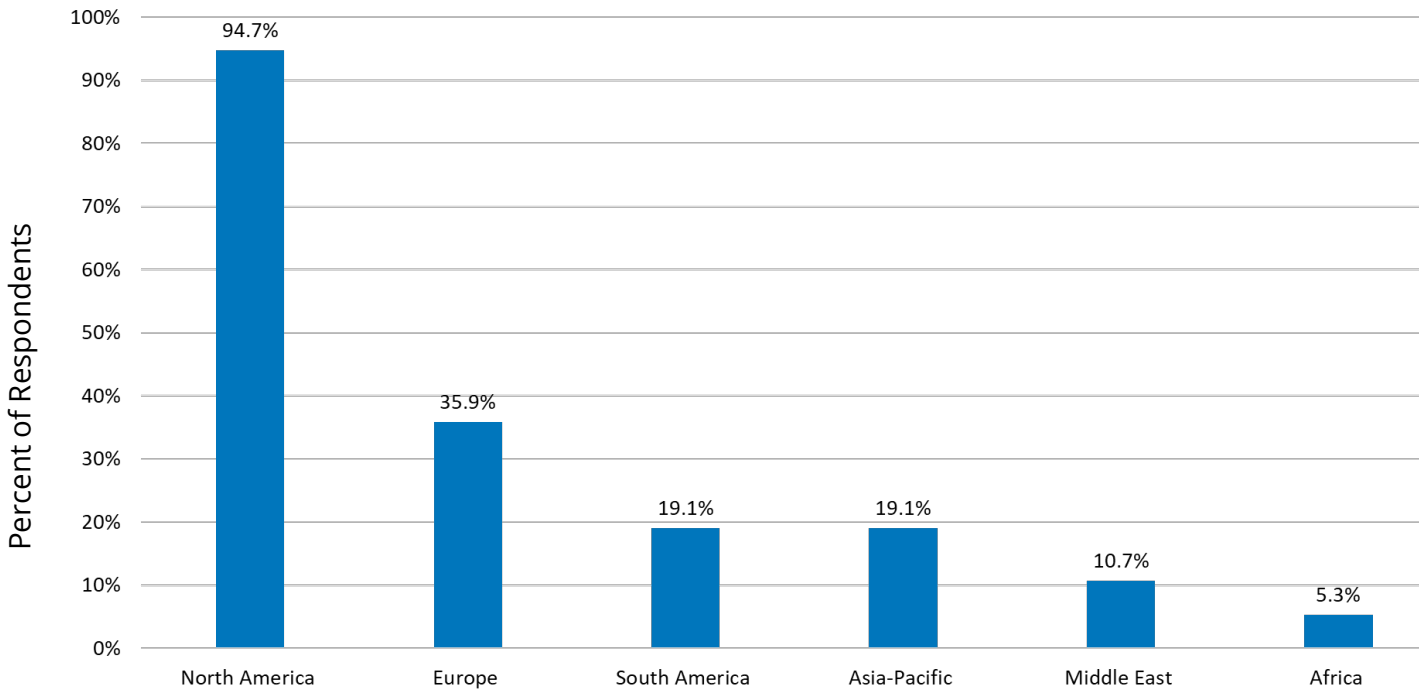
96.9%
Percentage That Have Had at Least One Phase Live for at Least a Year

750.5
Median Number of Employees

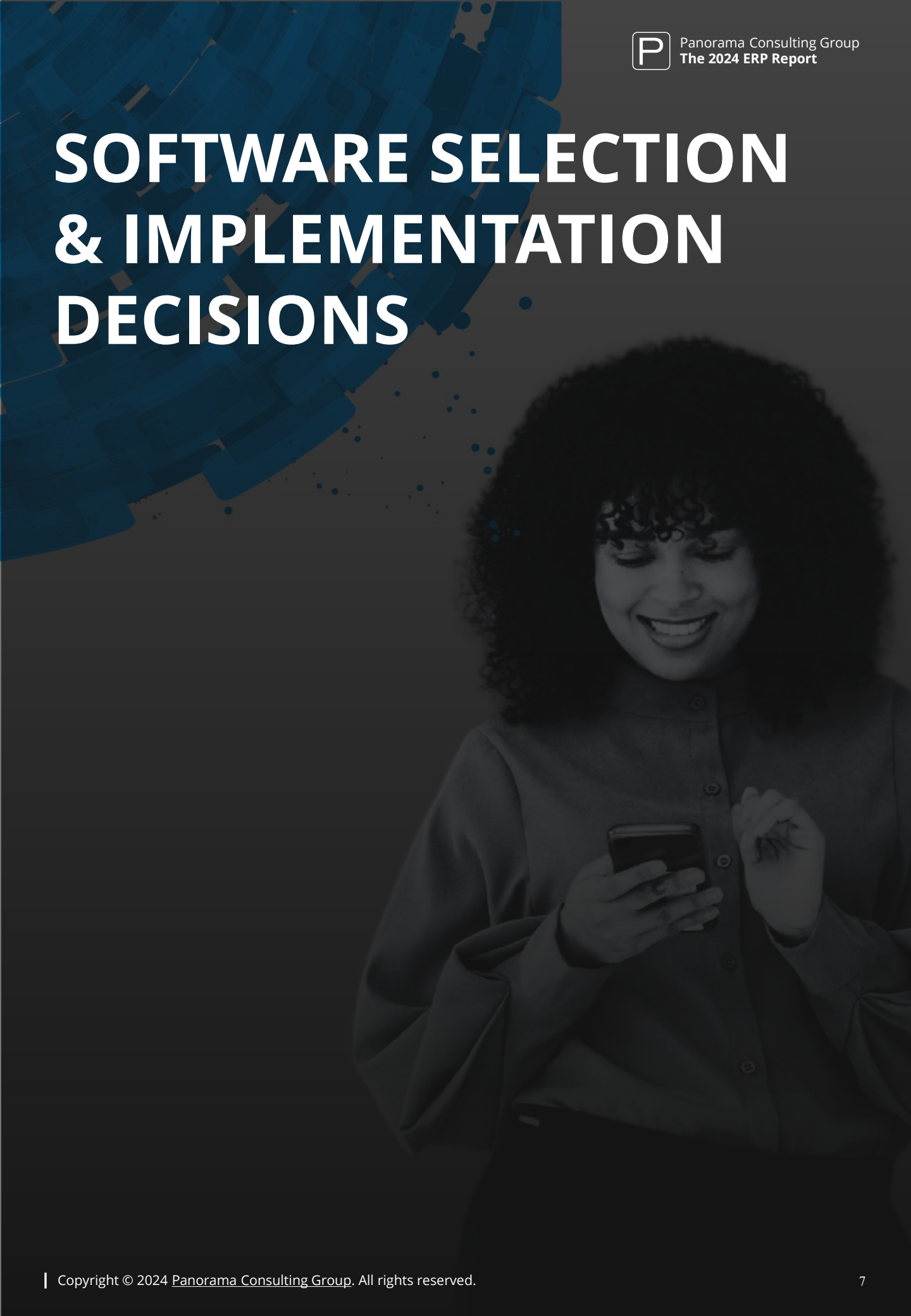
Industry Breakdown



Geographies Where Companies Have at Least One Location



SOFTWARE SELECTION & IMPLEMENTATION DECISIONS



Understanding the Enterprise Software Vendor Landscape

Panorama Consulting categorizes ERP systems into Tiers based on factors such as target organization size, vendor revenue, target number of users, and other factors, such as functional complexity:

Tier I

These systems are designed for enterprises with more than $750 million in annual revenue. Most enterprises of this size are complex, either due to complex operational processes or complexity in their entity structure and consolidation needs. Tier I applications address multiple industries and scalability.

EXAMPLES

SAP S/4HANA, Oracle Fusion Cloud ERP, Infor CloudSuite

Upper Tier II

These systems typically serve small to midsized organizations with $250 million to $750 million in annual revenue. Organizations of this size may encompass multiple industries and multiple business units.

EXAMPLES

Microsoft Dynamics 365 Finance, IFS Cloud, Sage X3, Epicor Kinetic, DELMIAworks, Microsoft Dynamics 365 Supply Chain Management

Lower Tier II

These systems typically serve small to midsized organizations with $10 million to $250 million in annual revenue. These organizations usually represent only one industry and have a single entity to manage.

EXAMPLES

NetSuite ERP, SYSPRO, Acumatica, Rootstock

Tier III

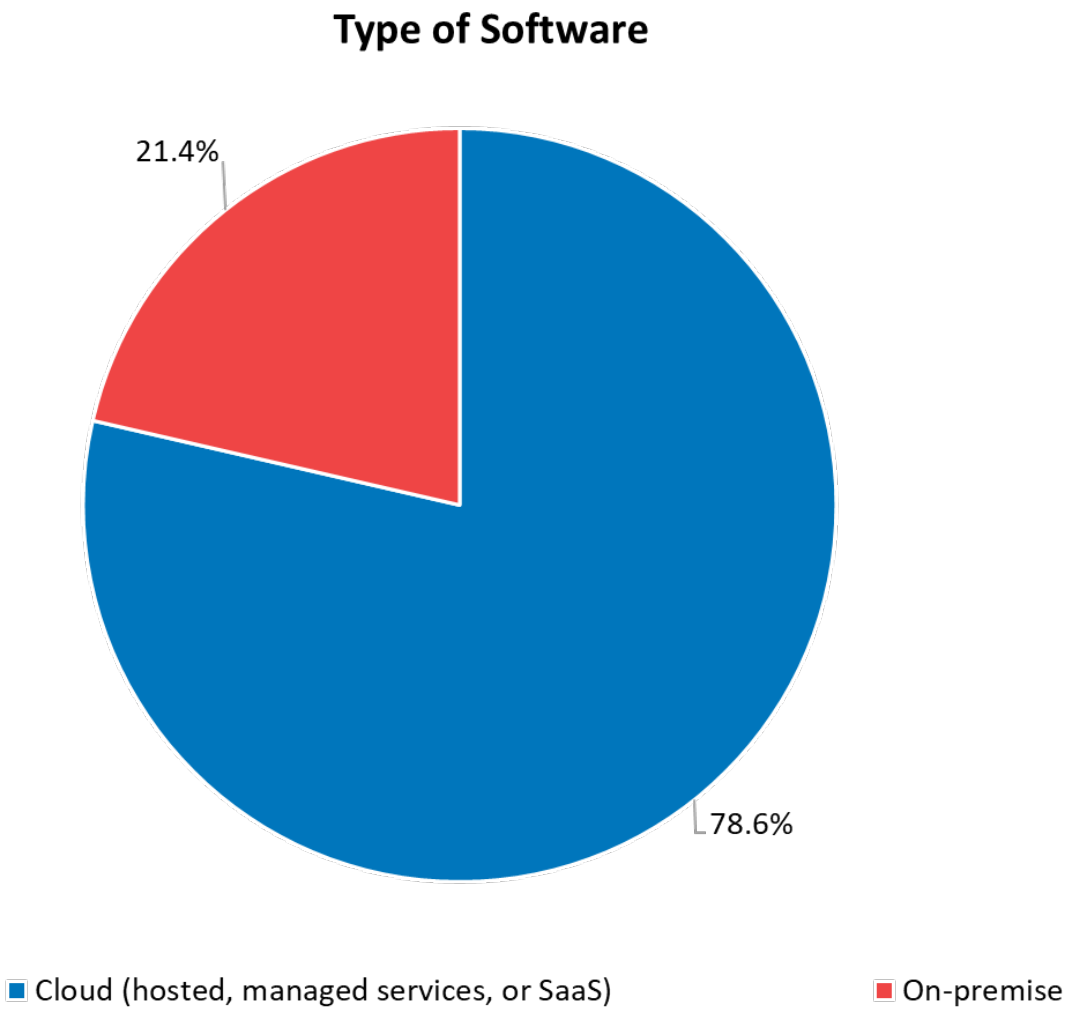
There are hundreds of software providers in this tier serving mostly smaller organizations. However, there are also some very robust point solutions with niche functionality that are often used to supplement a larger ERP system.

EXAMPLES

Aptean, ECI, ASC

Deployment & Hosting Decisions

The top ERP vendors have been increasing their focus on cloud solutions, and organizations across industries are taking note.



Our data show a year-over-year increase in the percentage of organizations selecting cloud software. In last year's report, only 65% of organizations selected cloud software.

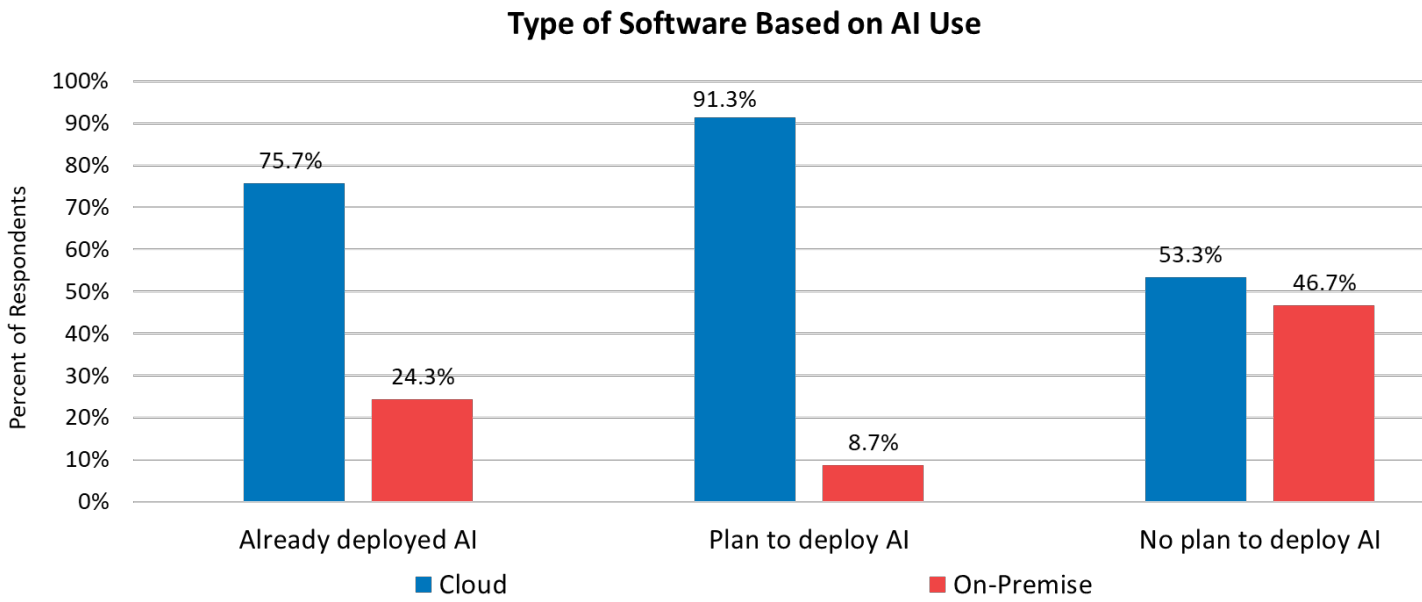
With the increasing popularity of AI, organizations' focus has turned to flexible and adaptable solutions that support rapid innovation. The cloud provides this foundation in the following ways:

- **Scalability and Flexibility:** Cloud-based software easily scales up and down to accommodate the fluctuating needs of AI systems, which often require significant computing power.

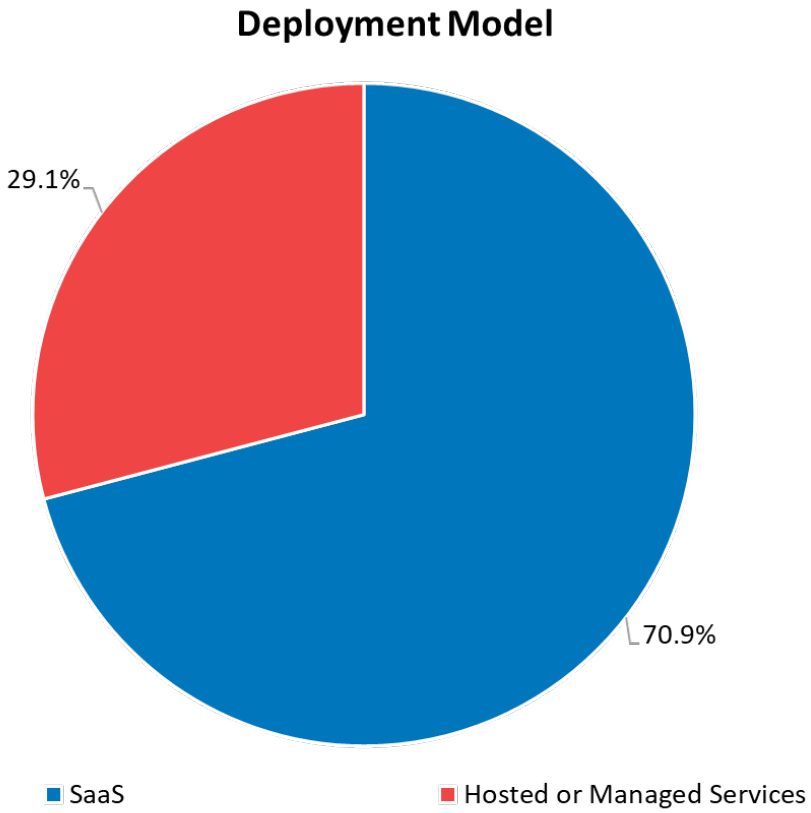
- **Data Integration:** AI thrives on accessible datasets. Cloud software centralizes data storage by simplifying integration.

- **Modernization and Innovation:** Cloud platforms typically offer modern functionalities like AI/ML tools and advanced analytics.

Organizations without plans to adopt AI can still benefit from the advantages of the cloud. However, the respondents in our report were less likely to select cloud technology if they had no AI plans.



Organizations had a Strong Preference for SaaS Deployment



There was a year-over-year increase in the percentage of organizations selecting SaaS as a deployment model. In last year's report, only 52% of organizations selected SaaS software.

This year-over year increase could be due to several factors:

- **Increased focus on cost-effectiveness:** In today's economic climate, organizations are navigating tighter budgets. This is driving the adoption of solutions, like SaaS software, that offer clear cost benefits and a faster time to value.

- **Increased need for accessibility and user-friendly design:** User experience has become paramount as the workforce becomes increasingly diverse and remote. Solutions that are easy to use and accessible from anywhere are in high demand.

- **Increased focus on emerging technologies:** Emerging technologies, such as AI and IoT, are becoming focal points for businesses seeking to gain a competitive edge. SaaS platforms, leveraging cloud technology's vast computational resources and scalability, have become ideal for integrating these emerging technologies.

Type of Project

Our study focused on three different types of IT projects:

1. **Digital business transformation** is a business-focused project that typically involves the creation of new digital business models.

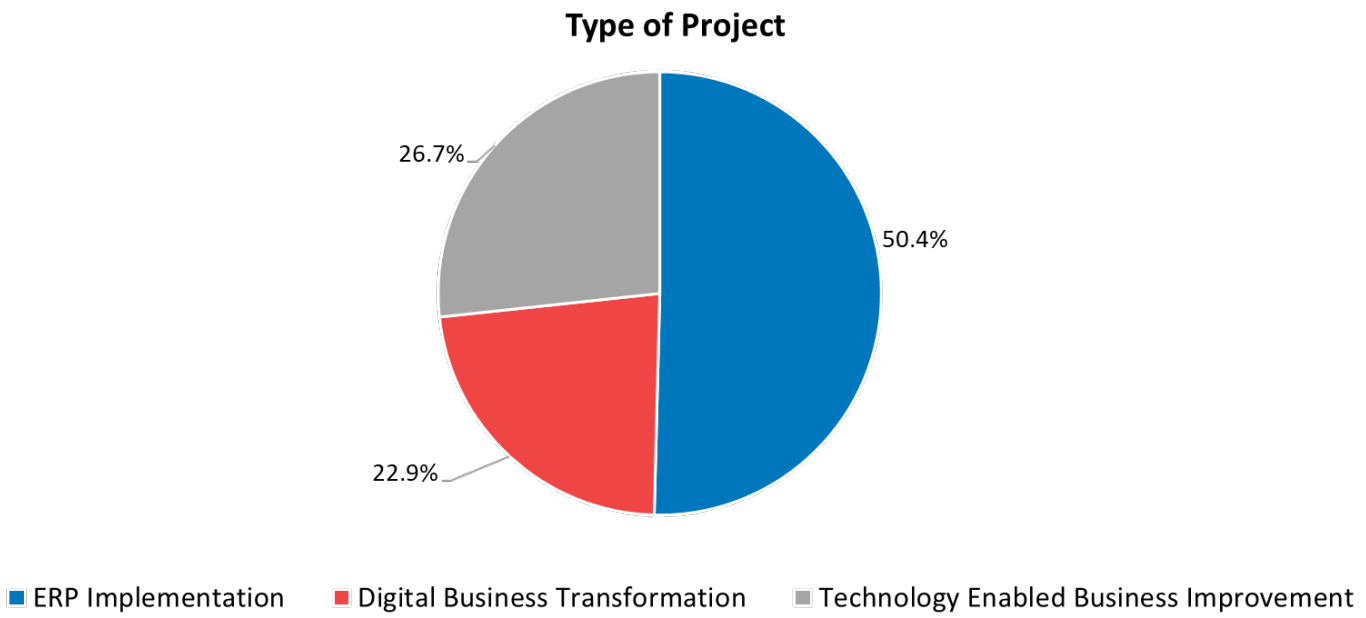
2. **Technology-enabled business improvement** is a business-focused project where the organization details specific business goals and then determines how technology fits into the picture.

3. In an **ERP implementation**, organizations typically improve their processes to fit the industry pre-configurations of their new enterprise solutions.

Among these three types of projects, there was a strong preference for ERP implementations. In last year's report, the distribution was more even between the three.

Economic uncertainty and competitive pressures are driving organizations to prioritize practical, immediate improvements.

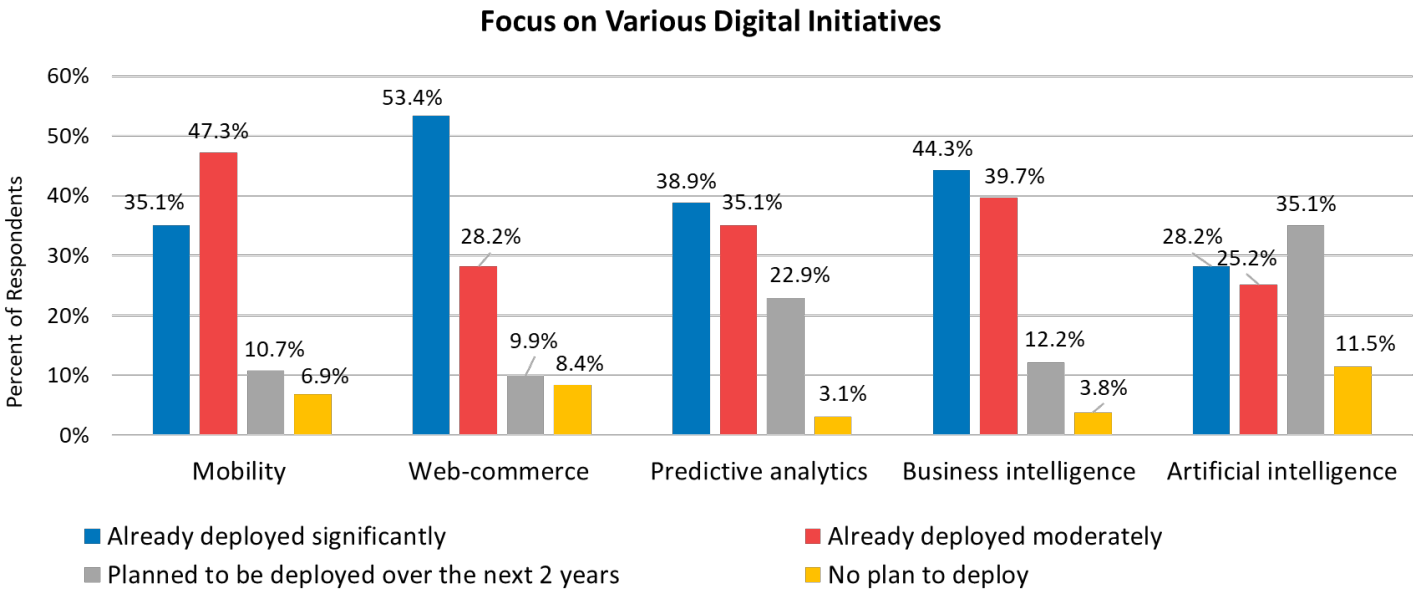
Another reason for the popularity of ERP implementations could be the global prevalence of skills gaps and talent shortages, especially in the IT realm. This might draw organizations to well-defined projects rather than full-scale transformations.



Business Intelligence was a Popular Digital Initiative

We asked respondents which initiatives they had deployed (or were planning to deploy) as part of their project.

As seen below, organizations were most likely to deploy business intelligence, with 84% stating that they deployed it significantly or moderately.



Business intelligence was the top initiative in last year's report, as well.

Gaining reliable data insights has been a top business priority in recent years as the technologies fueling these insights become more accessible. These include AI and analytics as a service, low-cost sensors, cloud-based data storage solutions, and more.

By integrating these technologies, organizations can use business intelligence to guide data-driven decisions and work toward specific KPIs.

Artificial Intelligence Adoption is Increasing

While artificial intelligence was the least popular digital initiative among respondents, its adoption is increasing. Year-over-year, there has been a 10.2% increase in respondents saying that they deployed AI.

Last year's data collection timeframe dated back to late 2021 and mid-2022, which preceded the release and widespread use of ChatGPT. Since its release, interest in AI in general has skyrocketed among businesses.

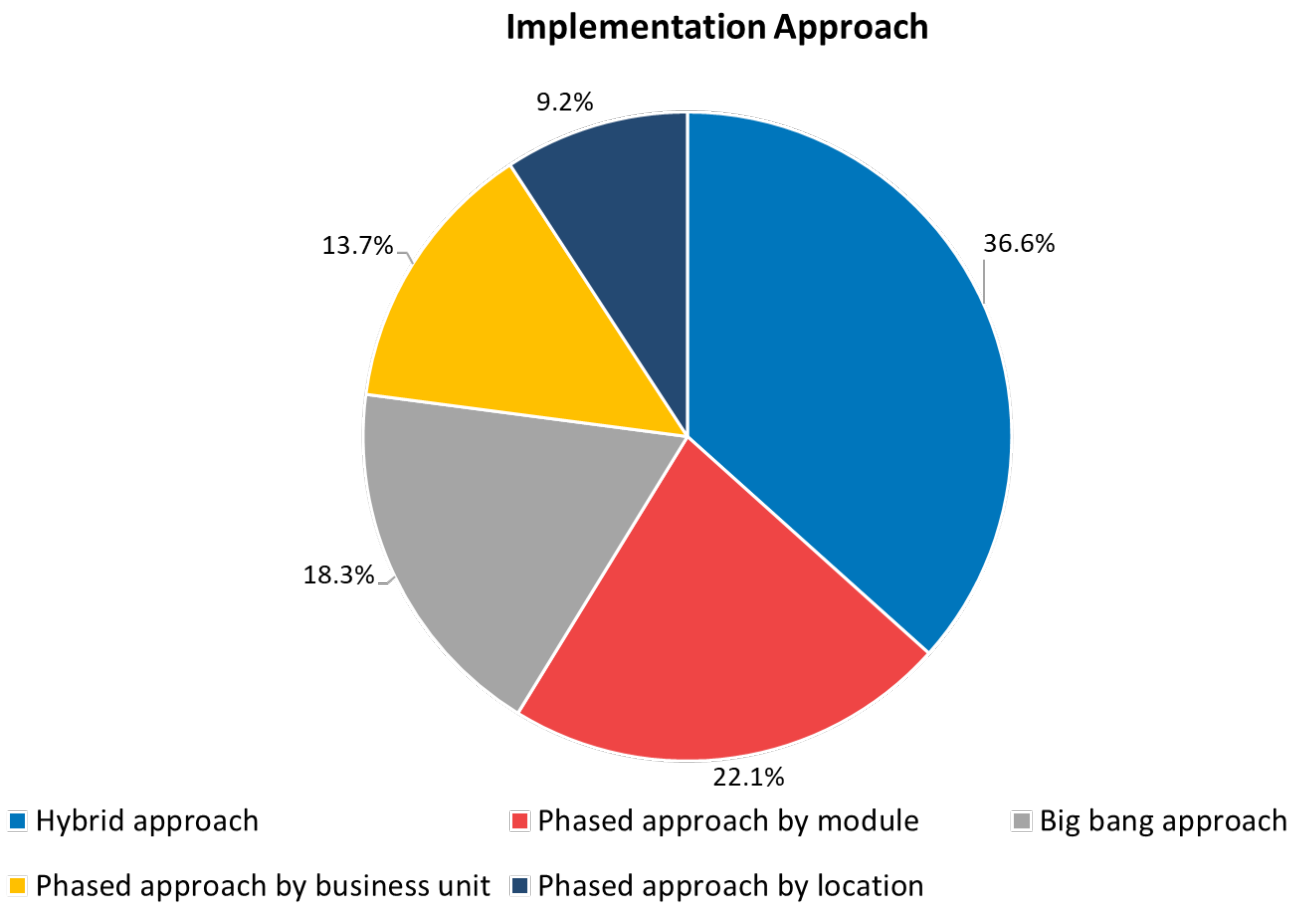
Project Approach

Before beginning a digital transformation or ERP implementation, organizations should work with a software consultant to help them make strategic decisions regarding software selection, implementation approach, and more.

→ The Risky Big Bang

Less than a quarter of organizations used a big bang implementation approach.

In a big bang implementation, the organization goes live with all modules and offices at the same time. This is a common approach for implementations involving only one or two business units. It is too risky for most organizations, especially mid- to large-sized organizations like those in our study.



Hello, Hybrid!

A hybrid approach was the preferred approach among respondents. This approach combines several different rollout strategies based on an organization's unique needs.

A hybrid approach makes sense for organizations with certain business units that can handle a big bang approach and other departments that are too large and complex for this approach.

These departments might benefit more from a phased approach. This is where employees move to the new system gradually based on module, location, or business unit.

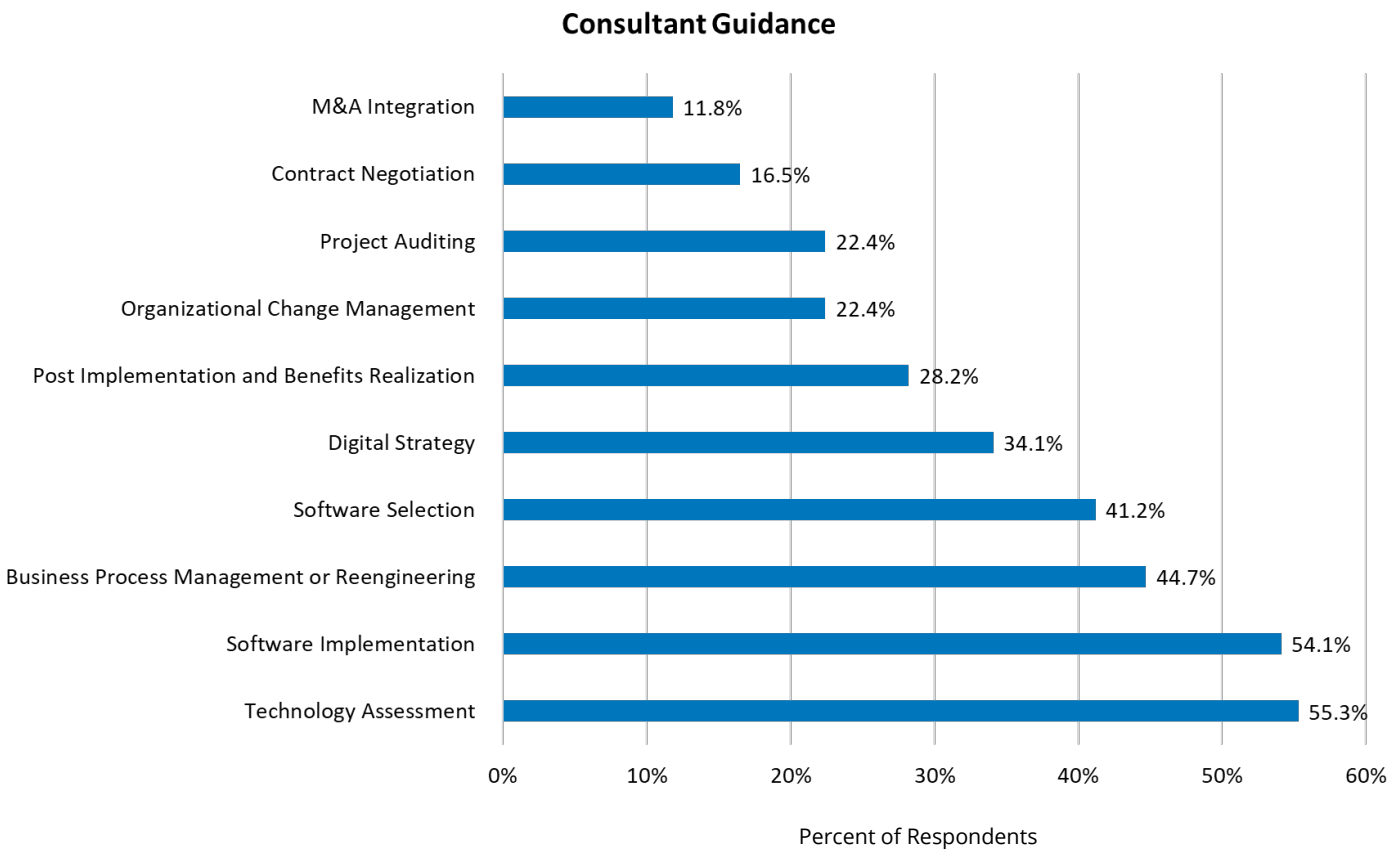
From a technical perspective, this is certainly less risky, but it also is less risky from an organizational perspective – users have more time to learn the new system.

Big Bang	The organization goes live with all modules and offices at the same time.
Phased	Employees move to the new system gradually based on module, location, or business unit.
Hybrid	This approach combines several different rollout strategies based on an organization's unique needs.

Third-Party Guidance

Often, the best way to determine the ideal implementation approach and develop a comprehensive project plan is by engaging a third-party.

Of those who sought third-party guidance, the most common type of guidance sought was technology assessment guidance.



This is similar to last year's report where the two most common types of guidance were implementation and technology assessment guidance.

Panorama's technology assessment services focus on aligning an organization's IT systems and its business processes. This means understanding the organization's IT infrastructure, business processes, pain points, and future state requirements.

Implementing AI

Of those who implemented/planned to implement AI, the most common type of guidance sought was no different – Technology Assessment services were in high demand.

Technology Assessment guidance is essential to AI implementations because AI technology must seamlessly integrate with existing systems.

Business Process Management (BPM) guidance is also essential. More than half (54.3%) of respondents who implemented/planned to implement AI sought BPM guidance.

Integrating AI effectively into existing workflows requires careful analysis of business processes. Organizations must streamline processes to maximize AI effectiveness and minimize disruptions caused by automation.

Top Services Used for AI Projects

1. Technology Assessment
2. Software Implementation
3. Business Process Management

Who Cares About Project Auditing?

Every organization should care about project auditing. However, few organizations consider it a priority or even know it is a service that exists.

Among organizations in general, regardless of their interest in AI, few sought guidance for project auditing.

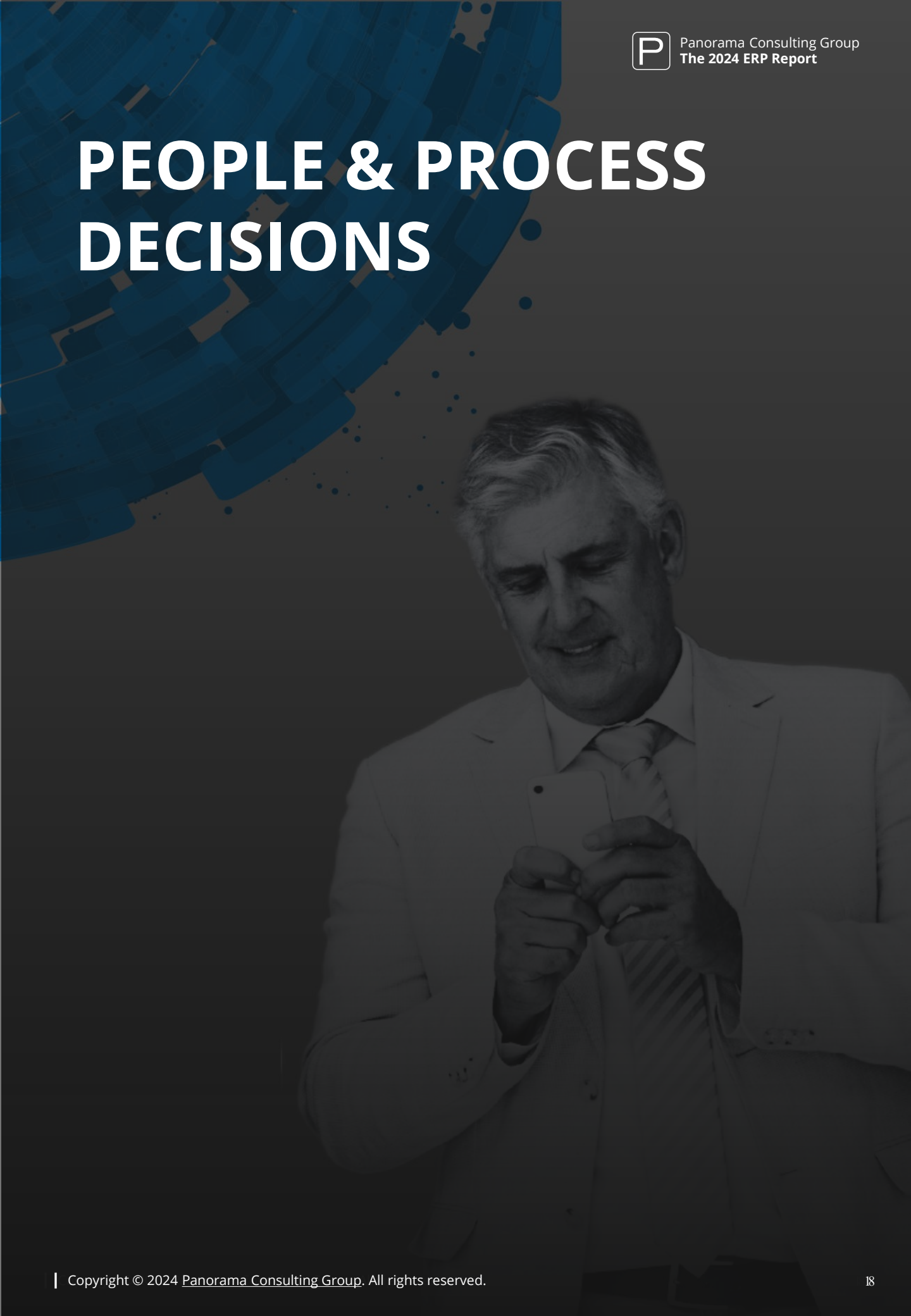
This might be a sign that projects are going smoothly, but more likely it's because organizations don't know what they don't know. In other words, they lack awareness about potential project pitfalls.

For example, they might never think to check if their vendor's project plan includes all essential deliverables.

Without knowledge of the common gaps within project plans, organizations might see no reason to audit the plan.

Similarly, without understanding what constitutes an effective project plan, organizations would not know how to audit the plan even if they wanted to.

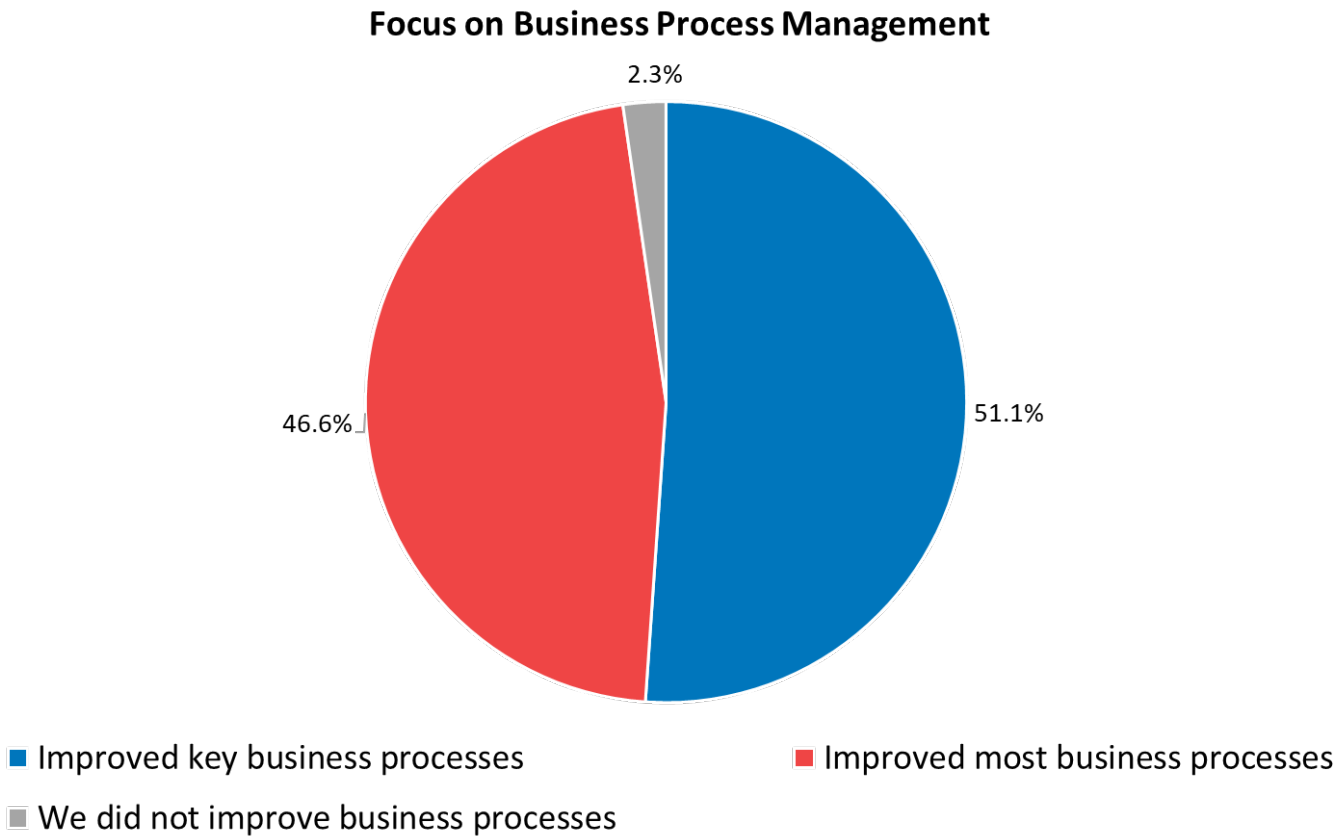
PEOPLE & PROCESS DECISIONS



Navigating the wide array of technology options is time-consuming, leaving little time to consider people and processes. However, when an organization doesn't optimize its processes and prepare its employees, even the most sophisticated technology will fail to deliver benefits.

Business Process Management

Almost half of organizations improved most of their business processes as opposed to key processes or no processes.



The percentage of organizations that improved no processes decreased compared to last year's report where only 8.7% of respondents improved no processes.

In our experience, organizations are increasingly embracing a culture of continuous improvement, recognizing the need to constantly optimize their processes to stay competitive. This mindset motivates them to tackle improvements across multiple processes, rather than focusing solely on a few processes.

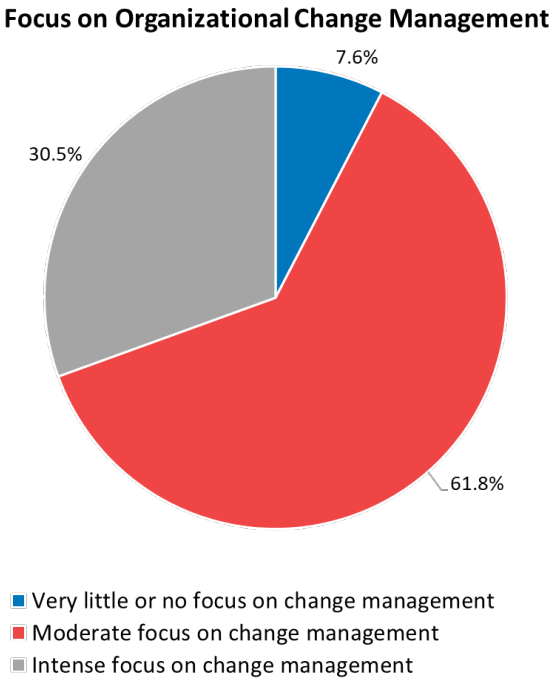
It is also worth noting that external factors, like market changes, customer demands, and regulatory requirements, often necessitate process improvements across multiple areas.

Organizational Change Management

Any time an organization experiences a major shift, some employees will be eager to embrace the change, while others will be hesitant to let go of the familiar.

How can a company get everyone on the same page? The answer is organizational change management. This is the recommended approach for preparing employees and other stakeholders for new processes and technology.

Less than half of organizations in our study had an intense focus on change management.



Among organizations with less than 3,000 employees, 8.5% said their project had little to no focus on change management. This is slightly higher than the 4% of organizations with over 3,000 employees that had little to no focus on change management.

In other words, the smaller organizations were more likely to minimize change management. This could be because they thought that change resistance could be addressed on an ad-hoc basis due to the small size of their end-user base.

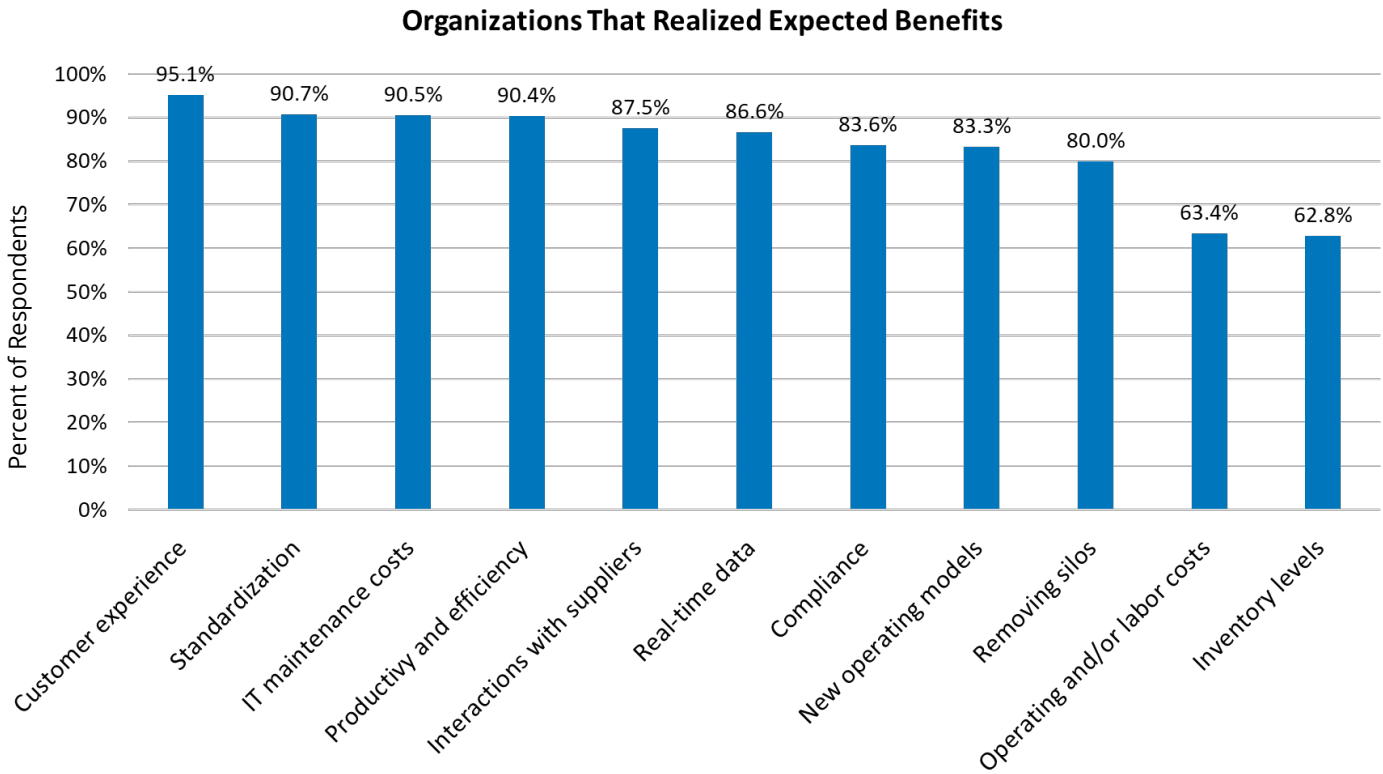
In our experience, this is rarely successful.

PROJECT RESULTS

Benefits Realization

Organizations should quantify how they expect new technology to improve their business. This gives them performance metrics to track throughout the project to ensure it stays on track.

Every benefit category in our survey was attainable to well over half of the respondents who anticipated such benefits. This was true of everything from compliance-related benefits to benefits related to operating and labor costs.



→ Optimizing the Customer Experience

Of the respondents that have had at least one phase live for at least a year, the expected benefits that were most commonly realized to the extent expected were those related to customer experience.

In last year's report, only 70.1% of organizations realized these types of benefits.

One possible reason for the increase in organizations realizing benefits related to customer experience is the increase in cloud adoption.

Some advantages of cloud over on-premise software when it comes to the customer experience include:

- **Agility and Innovation:** The cloud's flexibility and scalability empower organizations to quickly adapt to evolving customer needs and market trends. Cloud-based systems enable quick adaptation to customer feedback and faster development of customer-centric initiatives.

- **Smooth Integrations:** The cloud facilitates smooth integrations with customer-facing platforms, like CRM and eCommerce tools. This gives organizations a comprehensive view of each customer, encompassing every interaction across various touchpoints. As a result, organization can personalize interactions and resolve issues faster.

→ Struggling to Optimize Inventory Levels

The expected benefits that were least commonly realized to the extent expected were those related to inventory levels. This is the opposite of last year's report where this was the most commonly realized type of benefit.

Possible reasons for the decrease in realization of these benefits include:

- **Disruptions in Global Supply Chains:** The world saw significant disruptions in global supply chains due to the lingering effects of the COVID-19 pandemic, geopolitical tensions, and logistical challenges. These disruptions impacted the availability of raw materials, components, and finished goods, leading to longer lead times and difficulties in maintaining optimal inventory levels.

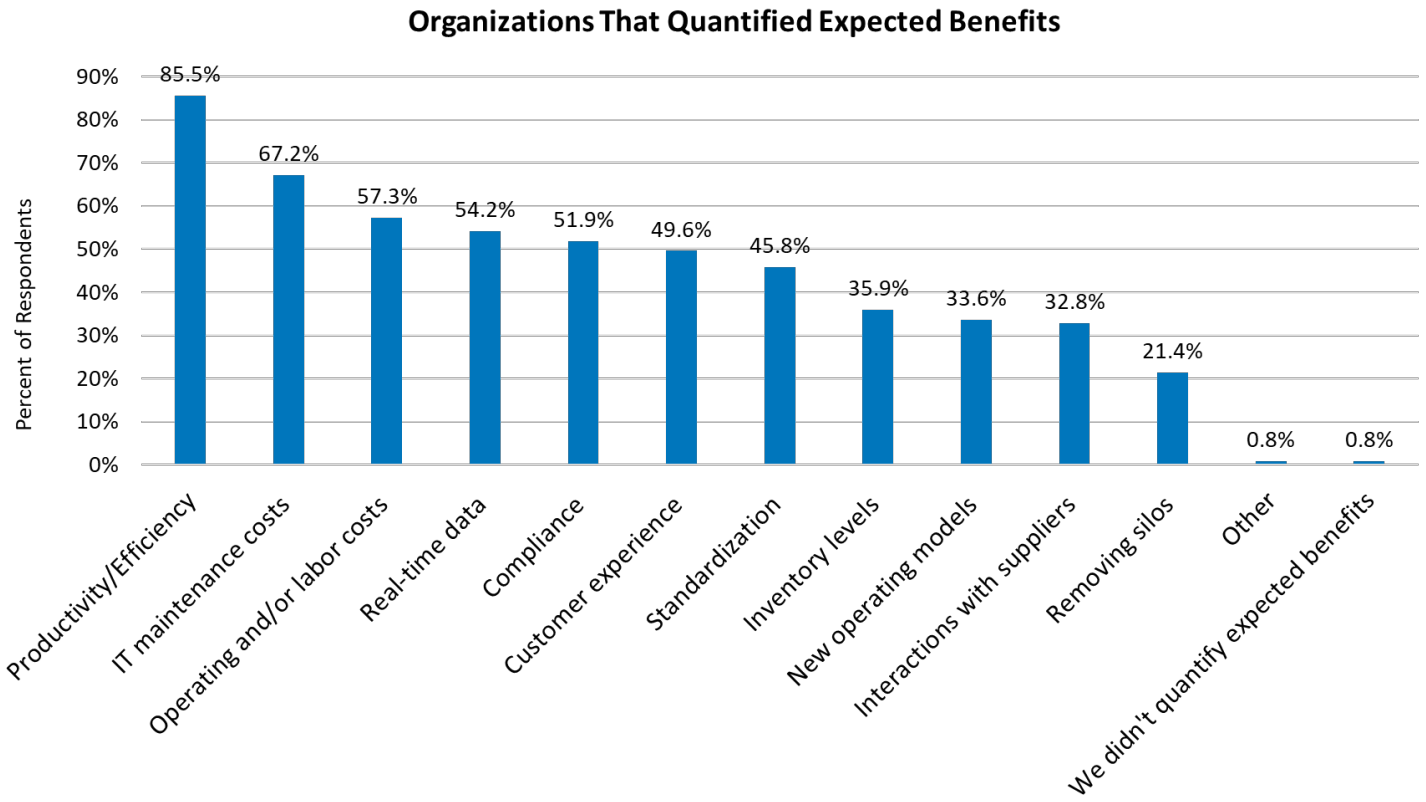
  Organizations that previously had success in optimizing their inventory found their predictive models and strategies less effective as the supply chain variables became increasingly unpredictable.

- **Rapid Changes in Consumer Demand:** Economic factors, such as inflation, meant businesses had to adopt to new consumer spending habits and extreme demand fluctuations in certain sectors. These rapid changes posed challenges for organizations when it came to demand forecasting and inventory management.

  Even the most advanced enterprise systems may not have been able to keep pace with the speed and volatility of these changes.

What do Organizations Expect From Their Enterprise Software?

The first step to realizing benefits is quantifying them before implementation. As seen in the graph below, the most common benefits organizations quantified were those related to productivity/efficiency.



The 14.5% of respondents that did not expect their project to lead to productivity and efficiency benefits may sound like anomalies, but there seems to be logic behind these findings.

Several of these respondents didn't quantify any benefits at all, and the remainder mostly selected "IT maintenance costs" as the main benefit they expected.

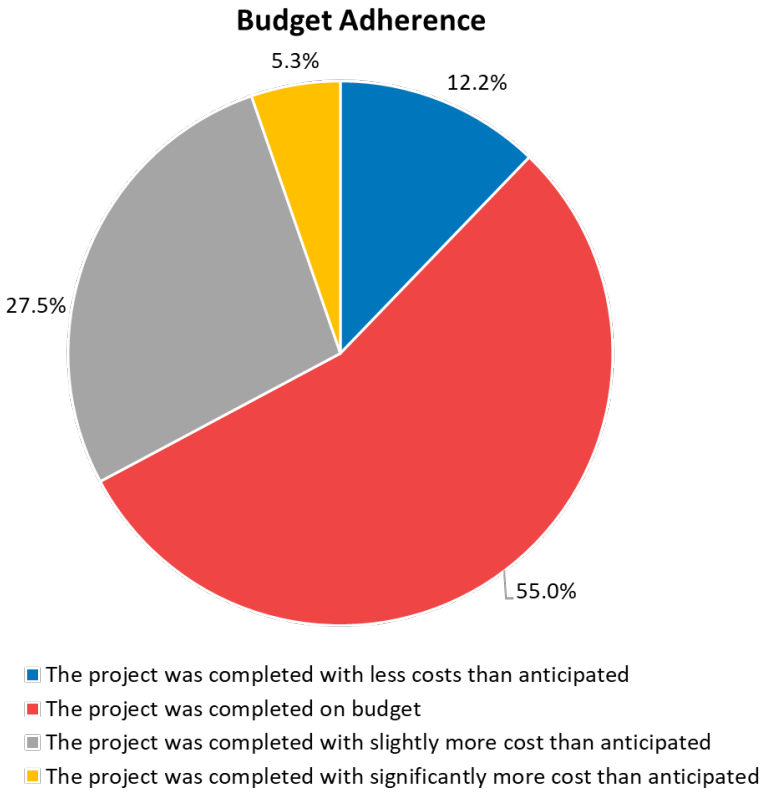
It's true that many organizations view technology as something in the background rather than an active driver of business objectives.

For some businesses, the primary motivation for their software implementation is to maintain operational stability and reduce overhead. These organizations prioritize investments in technology that can streamline IT operations and cut costs, viewing these outcomes as sufficient return on investment.

Project Cost

The cost of an enterprise software project can be difficult to estimate. There are many activities organizations overlook, which can lead to unexpected costs and budget overruns.

More than half of organizations in our study stayed within their expected budget. The median project cost was $450,000.



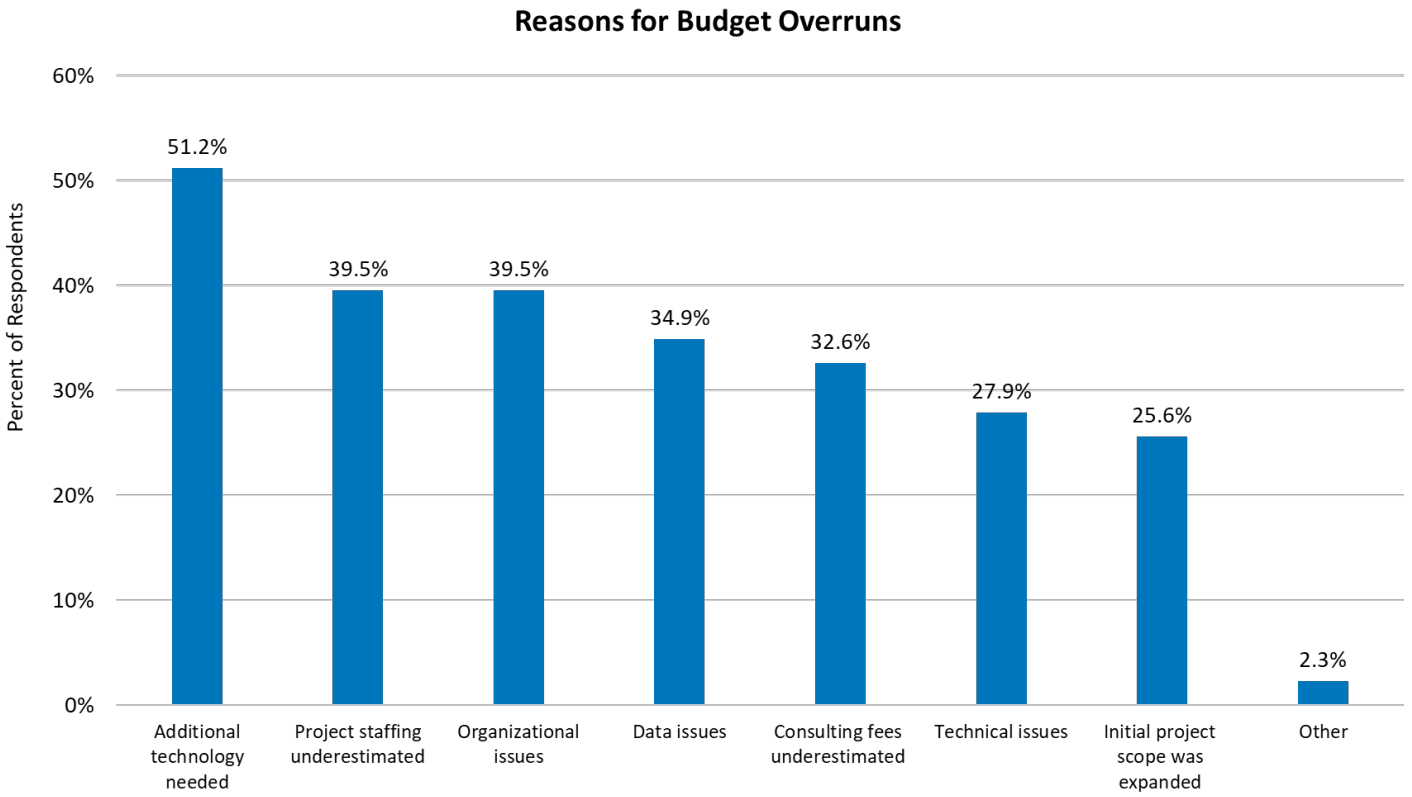
Of those who significantly went over budget, only 33.3% said they used technology assessment services.

There are many ways that a technology assessment conducted by an ERP consultant can help an organization stay on budget:

- By mapping out existing software tools and their interactions, organizations can gain insights into integration requirements for new and existing systems.
- A technology assessment sheds light on which existing systems should remain and which should be replaced.
- Understanding data architecture and quality issues allows organizations to preemptively develop an information strategy and data migration strategy.

Additional Technology Needs Contributed to Budget Overruns

Of those who were over budget, the most common reason was the unexpected need for additional technology.



The percentage of respondents selecting this reason increased since last year's report where only 32.8% said it was a contributing reason.

There could be a connection between this trend and the increased popularity of cloud technology. Some reasons that organizations selecting cloud software might be more likely to encounter unplanned technology purchases include:

- **Cloud Complexity:** Cloud software implementations often involve integration with additional technologies and services like data warehousing, business intelligence tools, and security solutions.

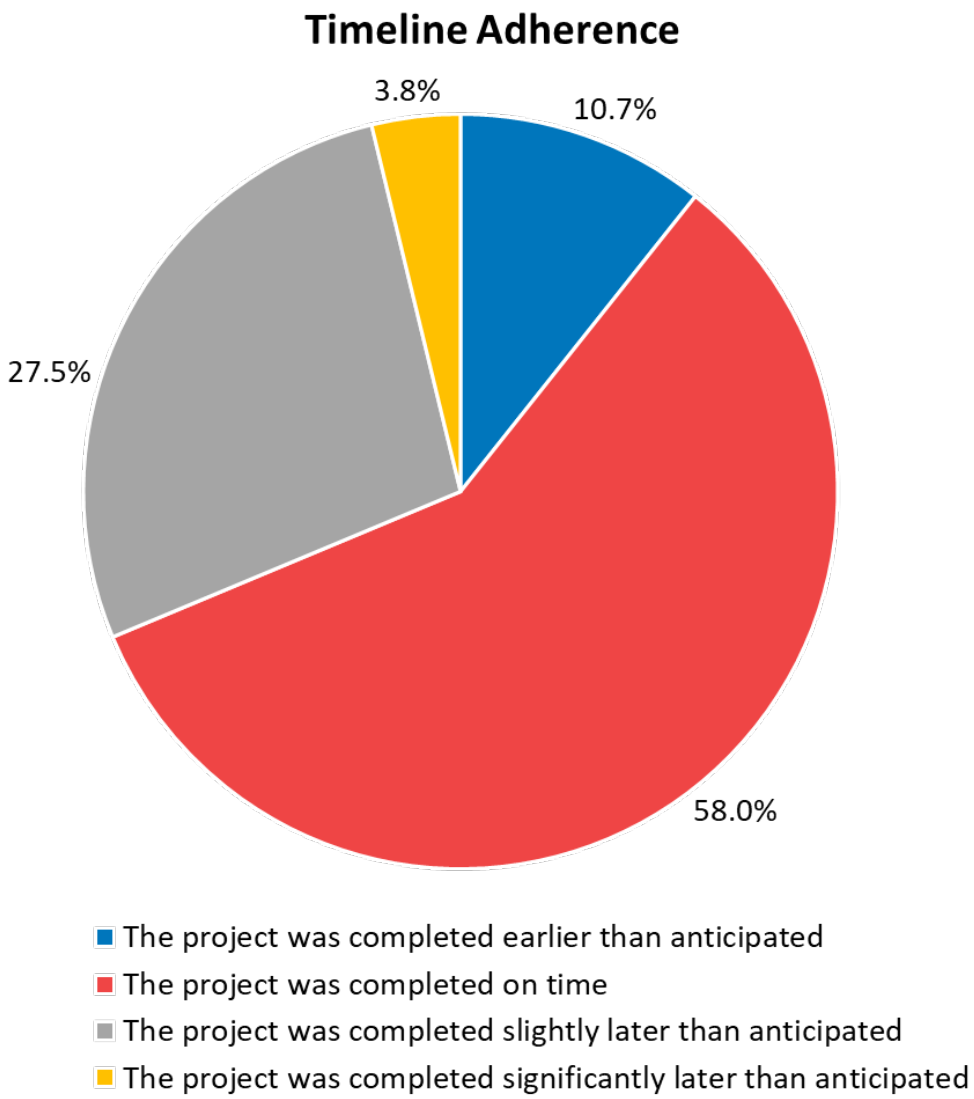
- **Underestimating Implementation Needs:** Migrating to the cloud can involve unexpected data migration challenges and ongoing maintenance needs. These unforeseen complexities can necessitate purchasing additional tools or services.

- **Technology Advances:** Rapid evolution in cloud technologies and services might mean that initial project planning doesn't anticipate the latest tools or functionalities that emerge during implementation.

Project Duration

A project timeline is dependent on many factors, such as the number of modules implemented and the amount of software customization.

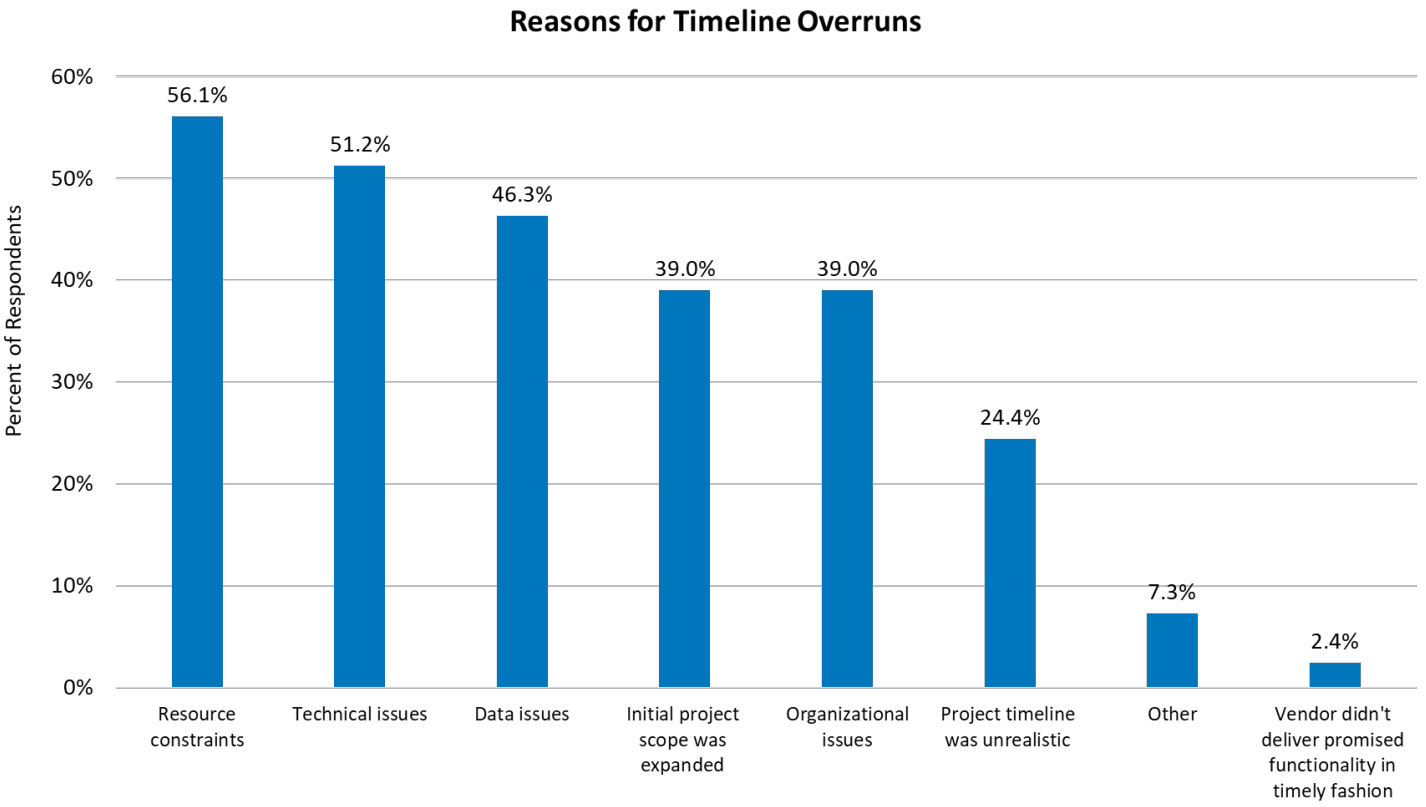
More than half of organizations in our study completed their project within their expected timeline. The median project timeline was 15.5 months.



This could indicate that organizations had realistic expectations about the impact certain factors would have on their timeline. In other words, they understood their project attributes and organizational attributes, which helped them estimate a realistic project timeline.

Resource Constraints Led to Timeline Overruns

Of those who were over schedule, the most common reason was resource constraints. These can include issues regarding staffing and/or budget.



In last year's report, only 37.7% of organizations reported resource constraints. Some possible reasons for increased reporting in this area include:

- **Talent Shortage and Skills Gap:** The IT industry, particularly in areas like AI and analytics, faces a global talent shortage. Finding qualified personnel for these specialized roles can be challenging, especially for smaller organizations or those competing with larger players.

- **Increased Reliance on AI Solutions:** Integrating AI solutions necessitates additional expertise. This unexpected demand for skilled professionals can lead to resource constraints, especially if organizations didn't factor these needs into their initial budget.

CONCLUSION

The findings in this year's report show a pivot toward more agile, data-driven, and customer-centric decision-making.

Cloud computing is no longer just an IT infrastructure choice but a strategic business decision. It allows organizations to deploy sophisticated AI and BI solutions and harness the power of predictive and prescriptive analytics.

However, as organizations navigate the path of digital transformation, they must be aware of the risks associated with implementing new technologies.

One of the primary concerns is data security and privacy. Another concern is the complexity of integrating new technologies with legacy systems.

There are many other risks to consider, including user resistance, project management issues, and more.

Regardless of the challenges you face, you can mitigate risk by establishing clear business goals and ensuring you have the data to drive those goals.

Panorama Consulting works with organizations every day that are seeking more reliable data. We help them develop an information strategy, understand their current state, set KPIs, and make smart technology purchases.

Contact us to learn how our ERP consulting team can help you leverage the full potential of your data.

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FREE CONSULTATION

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Panorama Consulting Group is an independent, niche consulting firm specializing in business transformation and ERP system implementations for mid- to large-sized private- and public-sector organizations worldwide. One-hundred percent technology agnostic and independent of vendor affiliation, Panorama offers a phased, top-down strategic alignment approach and a bottom-up tactical approach, enabling each client to achieve its unique business transformation objectives by transforming its people, processes, technology, and data.

Panorama's Services

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- ERP Implementation
- ERP Contract Negotiation
- ERP University
- Digital Strategy
- Technology Assessment
- Change Management
- Human Capital Management
- Business Process Management
- M&A Integration
- Project Auditing & Recovery
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