



ERP & Digital Transformation Outlook for 2023

An IT Leaders Survey Report

Introduction

Digital transformation is the process by which organizations integrate technology throughout their operations to enable a fundamental shift in the way they operate. It replaces automated, manual processes with modern technology resulting in greater levels of productivity and increased flexibility, which in turn can unlock benefits for employees, clients, and shareholders. It is not about a single application, technology, or IT project, but about utilizing a diverse set of technologies in interconnected activities.

In the 2022 PwC Pulse Survey of C Suite Executives, 60% of executives say digital transformation is their most critical growth driver. Also, 59% of the executives responded that they investing a lot in digital transformation initiatives. According to IDC, Global spending on digital transformation forecast to reach \$2.8 trillion in 2025, more than double the amount allocated in 2020.

Having a modern ERP is one of the most significant aspects in enabling complete digital transformation, being the backbone that connects all operations, from sales and customer management to inventory and finance. Many a time, even if businesses have an ERP in place, they will be running on an ERP system that is 10 to 20 years old or even earlier. The technology foundation in such cases could be an obstacle to business transformation, after multiple upgrades, customizations, and add-ons.

Executives Considering Digital Transformation a Priority



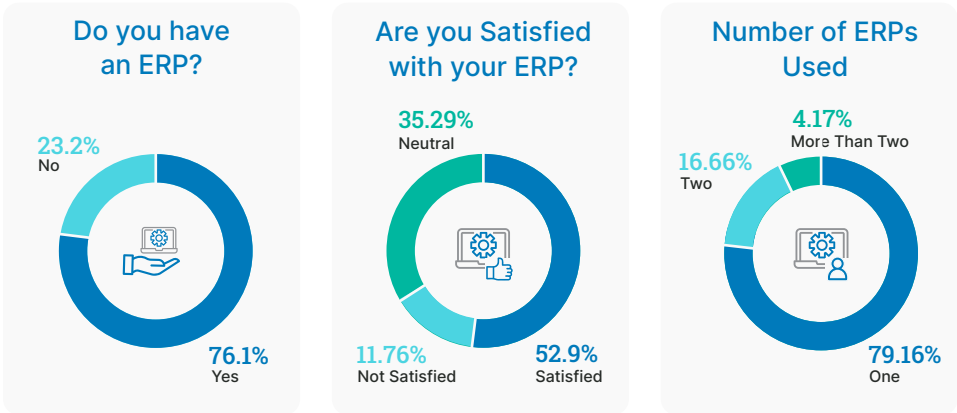
We did a survey of business executives across Europe, the Middle East and India across industries including Manufacturing, Distribution & Retail, Engineering, Procurement & Construction, etc. to understand their major challenges and digital transformation plans using ERP. The online survey was conducted from July 2022 to Oct 2022. 107 senior executives from different industries in Europe, the Middle East and India participated in the survey.

[Disclaimer:](#) Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

ERP adoption & satisfaction

Many small to medium-sized businesses still manage their needs with basic accounting software. But as the business needs grow, they may have to switch to a fully integrated ERP system to manage cross-functional aspects of their business.

While 76.1% of our survey respondents said they use an ERP, 23.8% of the respondents did not have an ERP. Out of the people who are using ERP, 52.9% said they are satisfied with their existing system, 11.76% said they are not satisfied and 35.2% said neutral.

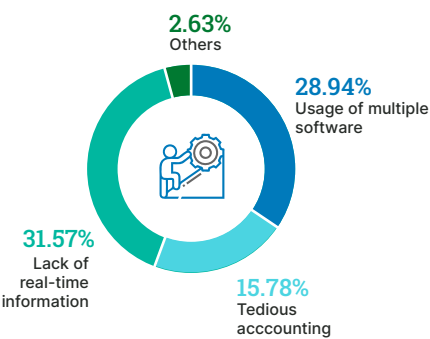


Another factor is the number of ERPs used by the organizations. While the majority of the respondents use a single ERP system, a significant number of organizations were using 2 or more than 2 ERPs.

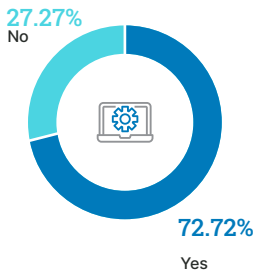
Challenges faced by organizations not using an ERP

Businesses across the world experience different challenges compelling them to invest in digital transformation projects. The lack of efficient systems and business processes is a huge barrier to businesses in achieving business growth and profitability. Their top priorities, such as managing everyday difficulties, streamlining the business processes, cost minimization, and productivity enhancements, remain unaddressed which causes them to fall behind their market

competitors. We asked businesses on what their major challenges are. 31.57% of people cited 'lack of real-time information as one of the biggest challenges followed by 'usage of multiple software (28.94%', 'tedious accounting process (15.78%)' and other (2.63%) challenges such as difficulty in managing multiple business entities, unstable systems and slow performances.



Do you think an ERP can solve your business challenges?



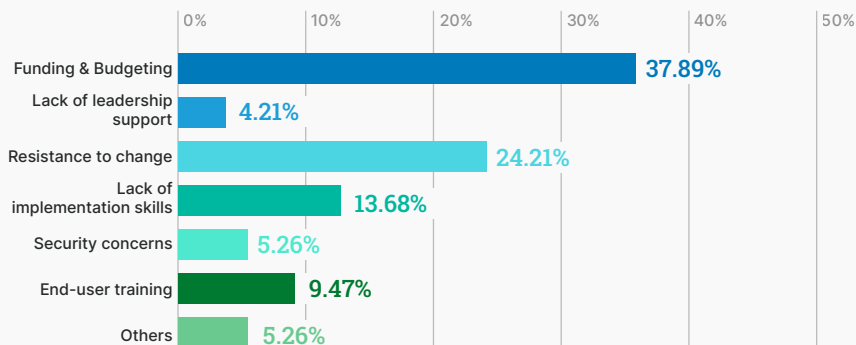
While lack of efficient systems to automate business processes seems to be a major challenge with small to medium sized businesses, even larger enterprises with software systems in place have been struggling with integration issues, data silos and poor visibility due to lack of a proper integrated system to manage business operations.

72.7% of people who responded to the above question, said they think that an ERP can help them solve their above business challenges.

Roadblocks to complete digital transformation

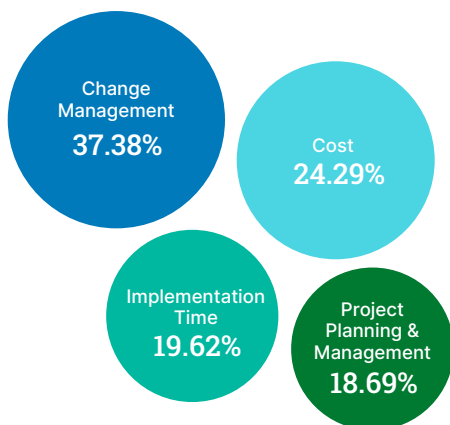
Even though most businesses now understand that digital transformation is essential to their continued growth and competitiveness, there are still numerous roadblocks that stand in the way of their goals being realized. As per the survey results, a majority of people cited 'funding & budgeting (38%)' as the key roadblock followed by 'resistance to change (24%)', Lack of implementation skills, insufficient end-user training, leadership support, security concerns, getting the right software and implementation partner, delays caused due to researching for suitable solutions, underestimation of integration complexity and standardization of processes were the other issues stated by executives.

Roadblocks to complete digital transformation



Concerns while implementing/migrating to a new ERP system

Believe it or not, an ERP project is one of the most dreaded undertakings for organizations due to the fear that it opens the door to a range of risks and costs including time and resources. Additionally, the unpredictability that comes with migration projects and their complexities raise several concerns for all the stakeholders involved.



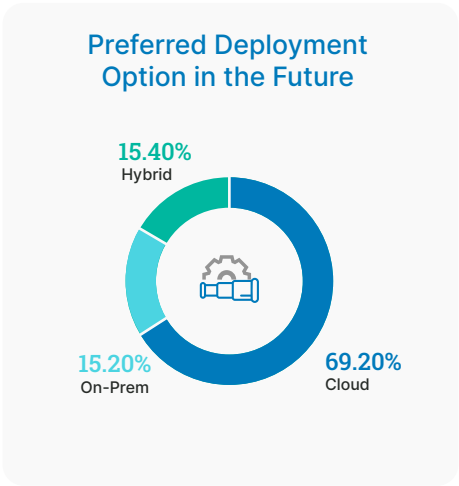
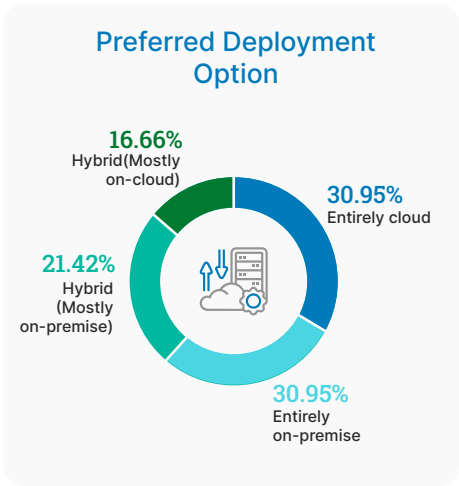
The survey revealed Change Management as the biggest concern with 37.38% of respondents choosing it as a major concern. Implementation cost (24.29%) and time (19.62%) were the other major concerns reported.

Preferred deployment option

One of the most important decisions to make when choosing a new ERP system is whether to implement the system on-premise or on the cloud. ERP solutions that are cloud-based are more prevalent than ever. Almost all ERP vendors now provide some kind of cloud deployment option, and some have completely abandoned their on-premise ERP services because of several benefits associated with affordability, ease of implementation, agility, flexible integration, mobile support and enhanced data security.

However, the traditional on-premise ERP system is still being preferred by some businesses for various reasons like optimizing their existing infrastructure, the need for greater control over security systems, the need for extensive customization and so on. In our survey, it was interesting to see that the number of respondents who have their existing systems entirely cloud, entirely on-premise and hybrid deployment were almost equal.

However, when asked about their future preference, the majority of respondents, voted for entirely Cloud (69.2%). The number of respondents who preferred on-premise and hybrid deployment options was almost the same around 15% each.

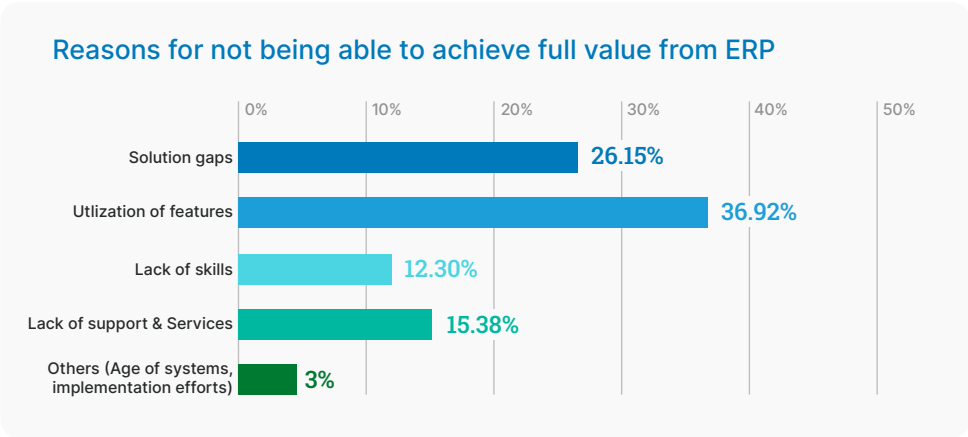


Reasons for not being able to achieve full value from ERP

A majority of organizations today spend a significant amount of time and resources on Enterprise Resource Planning (ERP) systems. However, many remain dissatisfied with the value they achieve from their ERP platform.

Although an ERP system is intended to automate and optimize the business activities of a company, many a time, it has been observed ERP implementations fail to achieve expected outcomes because of the several challenges faced during and after ERP implementation. Hence, we asked our survey respondents who already had an ERP system implemented, what were the reasons they feel were responsible for not being able to achieve the full value from their ERP system.

It was interesting to note that the maximum number of people stated ‘utilization of features as one of the major reasons for not being able to achieve the full value from their ERP.

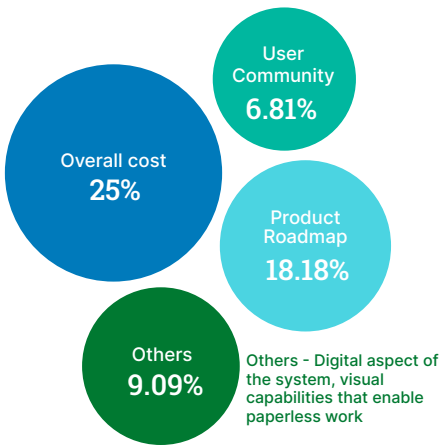


During the ERP selection phase businesses go behind finding the ERP with all the features they need. But later, many a time, they end up not using all these features efficiently, mostly due to improper end-user training or lack of awareness. Other reasons cited by the respondents included solution gaps, lack of support & services, lack of skills, age of the system, and implementation efforts, etc.

Key factors that drive the ERP selection process

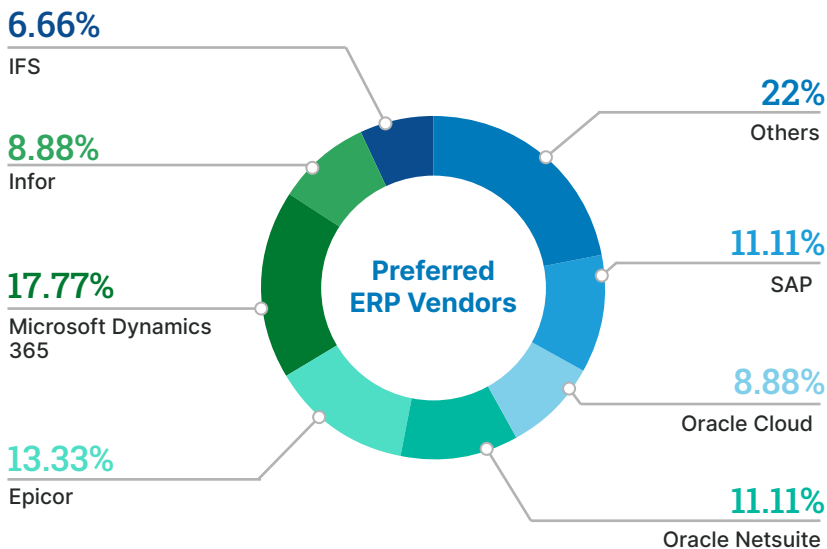
An ERP system affects every aspect of your business and has the potential to improve or undermine your business processes impacting the business performance itself over time. As a result, it is critical that you get it right from the start, since a wrong decision in selecting an ERP may devastate your organization. Before choosing a solution, businesses usually take into account a wide range of factors such as functionality, fit, pricing, complexity, etc. It is crucial that you take your time to weigh your alternatives since selecting the best solution and provider is essential to the project's success.

In our survey for key factors that drive their ERP selection, the maximum number of people voted for the overall cost (25%). Other factors included product roadmap (18.18%), user community (6.81%) and several other (9.09%) criteria such as the digital aspect of the system, usability and capabilities that enable paperless workflow, etc.



Preferred ERP vendors

Keeping up with the features and solutions of ERP systems is crucial for getting the most out of any technology. Today as organizations rely more and more on ERP software to manage their operations; ERP vendors also continue to develop and adopt new technologies to cover a wider range of functionalities. We asked in our survey the potential vendors they might consider, and Microsoft Dynamics, Epicor, Oracle NetSuite and SAP topped the list. Oracle Cloud, Infor and IFS were the other contenders. Some respondents also mentioned other vendors like Acumatica, e-Promise and a few others mentioned they were considering open-source ERPs such as Odoo.



Conclusion

Organizations have to build an enterprise that can respond immediately and intelligently to real-time data, modern business systems and challenges, and this requires agility across the information framework. Companies must develop and transform their digital landscape – from raw materials and the earliest supply chain tiers to managing customer relationships with personalized services or products to modernizing and innovating traditional business models. For this, businesses must adopt modern ERP systems and many a time, a change in an organization's ERP system is talked about as digital transformation. A modern ERP helps to optimize operations across finance, supply chain, etc. with the help of technology to better manage the challenges of the future.

Contact us if you need any help with kick-starting your digital transformation initiatives. We at RheinBrücke offer ERP implementation advisory and implementation services. Our industry vertical solutions are built to cater to the unique needs of specific industries.

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