

P A N O R A M A
CONSULTING GROUP

The 2022 ERP Report

Introduction

Every year, Panorama analyzes industry trends to understand organizations' selection and implementation practices when it comes to enterprise software. This year's report provides data and insights on recently completed and ongoing projects that have at least one phase live. These trends are relevant across industries, organization sizes, and geographic locations.

The year 2021 brought economic recovery, and with it, an increased confidence among organizations when it came to spending money on IT.

In addition to this increased confidence, there was understandably a note of urgency as supply chain disruptions and the rise of the mobile workforce continued to present challenges to underprepared organizations.

Our report found that efficiency and mobility were top of mind as organizations clamored toward Tier I ERP systems and accompanying process improvement initiatives.

At the conclusion of their project (or at least phase one of their project), most of these organizations said that their project met their ROI expectations.

All these data indicated that organizations' increased IT spending did not go to waste – at least on the surface. However, we dug deeper and discovered a more nuanced story of **limited use of consultants, low benefit expectations, and overlooked benefit opportunities**. Read on for the full story.

Table of Contents

01. Respondent Overview	04
02. 2021 Lookback	07
03. Software Selection & Implementation Decisions	
▶ Understanding the ERP Vendor Landscape	09
▶ Software Selection Decisions	10
▶ Deployment & Hosting Decisions	13
▶ Digital Business Transformation	17
▶ Implementation Approach	19
▶ Third-Party Guidance	22
04. People & Process Decisions	
▶ Business Process Management	26
▶ Organizational Change Management	27
▶ The Importance of Focusing on People & Processes	29
05. Project Results	
▶ Business Benefits & ROI	32
▶ Project Cost	37
▶ Project Duration	39
06. Year-Over-Year Comparison	41
07. Conclusion	42

Respondent Overview

Dec 2020 - Oct 2021

Data Collection Timeframe

151

Median Number of Software Licenses Purchased

140

Number of Respondents

59.3%

Percentage of Multinational Organizations

\$400.5 million

Median Annual Revenue

99.9%

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

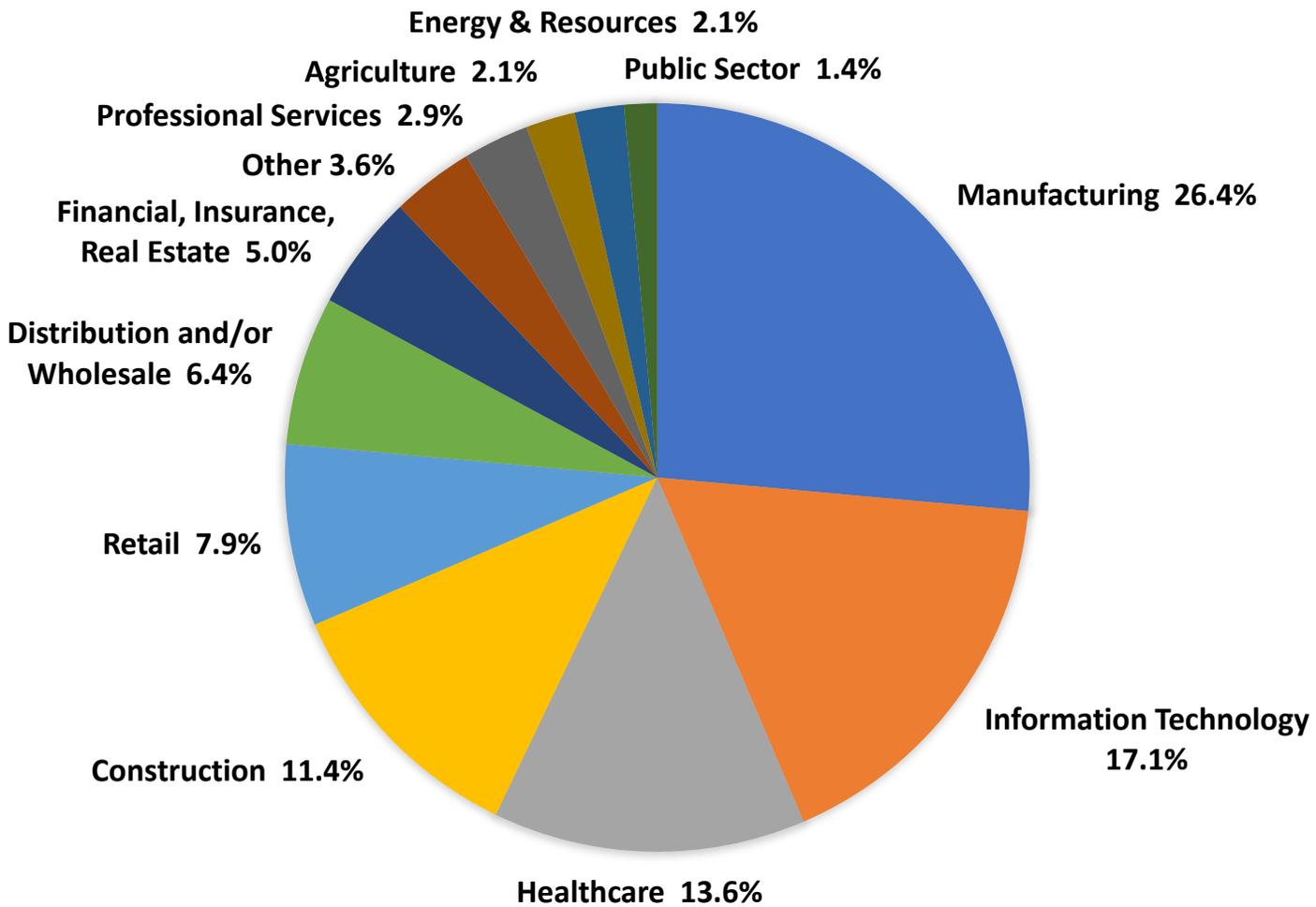
2,006

Median Number of Employees

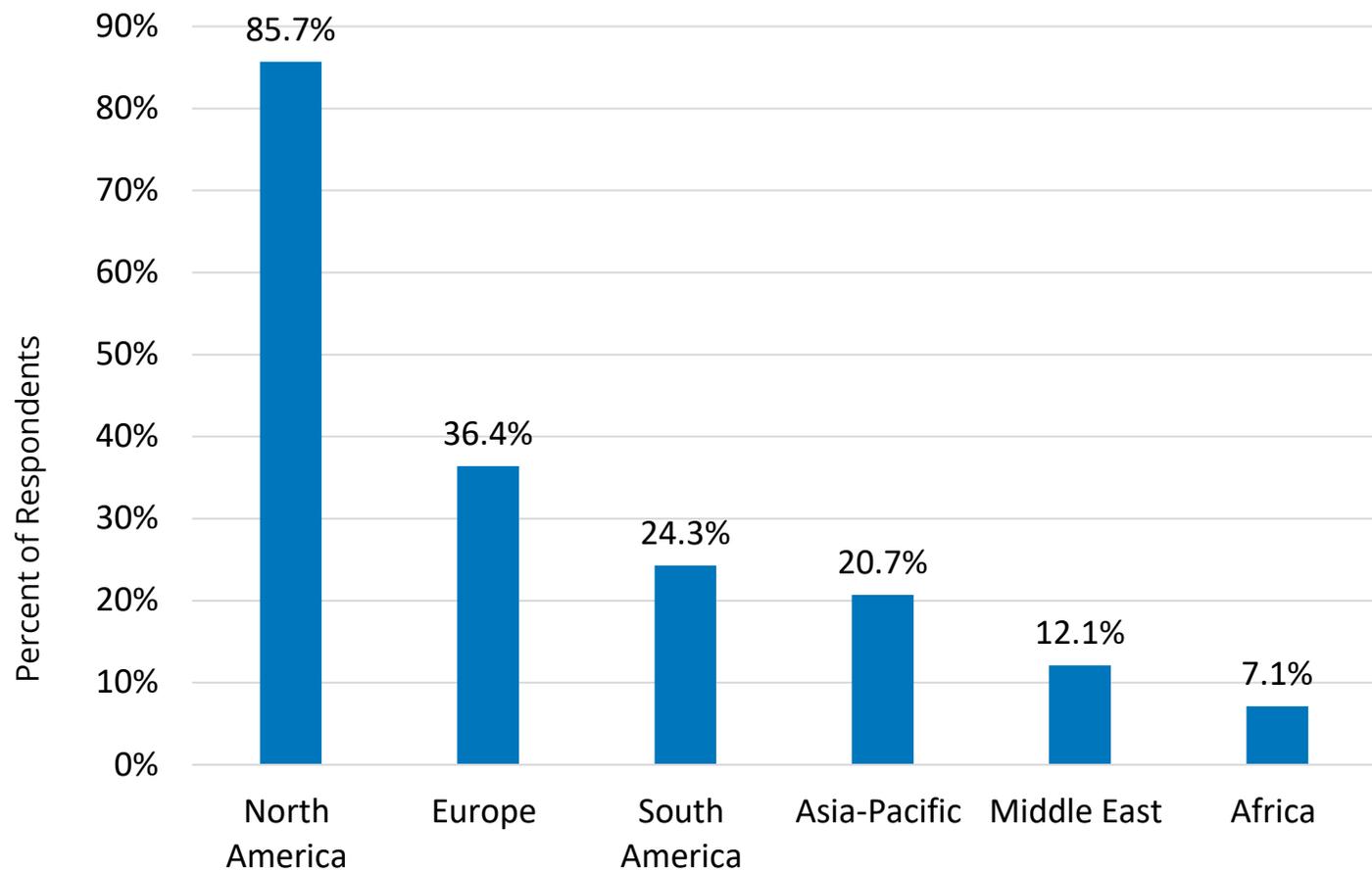
85.7%

Percentage That Reported at Least One Location in North America

Industry Breakdown



Geographies Where Companies Have at Least One Location



2021 Lookback

- In April, Microsoft acquired Nuance Communications, a speech recognition and AI provider
- In May, Epicor acquired KBMax, a CPQ software provider.
- In June, Oracle acquired GloriaFood, provider of an online ordering system for restaurants.
- In July, IFS acquired Customerville, provider of a customer feedback platform.
- In August, SAP acquired SwoopTalent, provider of an AI-powered human resources platform.
- In October, Infor acquired Lighthouse Systems, a provider of MES software.
- In December, Oracle acquired Cerner, provider of healthcare solutions.
- In December, Sage acquired Brightpersl, provider of SaaS retail management software.

SOFTWARE SELECTION & IMPLEMENTATION DECISIONS

In today's competitive business environment, organizations are finding they have no choice but to replace their legacy systems if they want to keep pace with their competitors.

Legacy systems are unable to integrate and analyze large amounts of data and thus are unable to provide real-time data insights. These insights are especially important when it comes to improving the customer experience and optimizing supply chain operations.

Recognizing the need for data insights is only the first step. The next step is coming to terms with the ever-increasing number of enterprise systems on the market.

This section of the report provides selection advice relevant to overwhelmed project teams and analyzes the decisions of the organizations involved in our study.

Understanding the ERP Vendor Landscape

Panorama 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 ERP Cloud, Infor CloudSuite

Upper Tier II

These systems typically serve small to mid-sized 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, Sage X3, Epicor E10, DELMIAworks

Continued on following page . . .

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, abas, IQMS, Plex Systems, Microsoft Dynamics 365 Business Central, 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

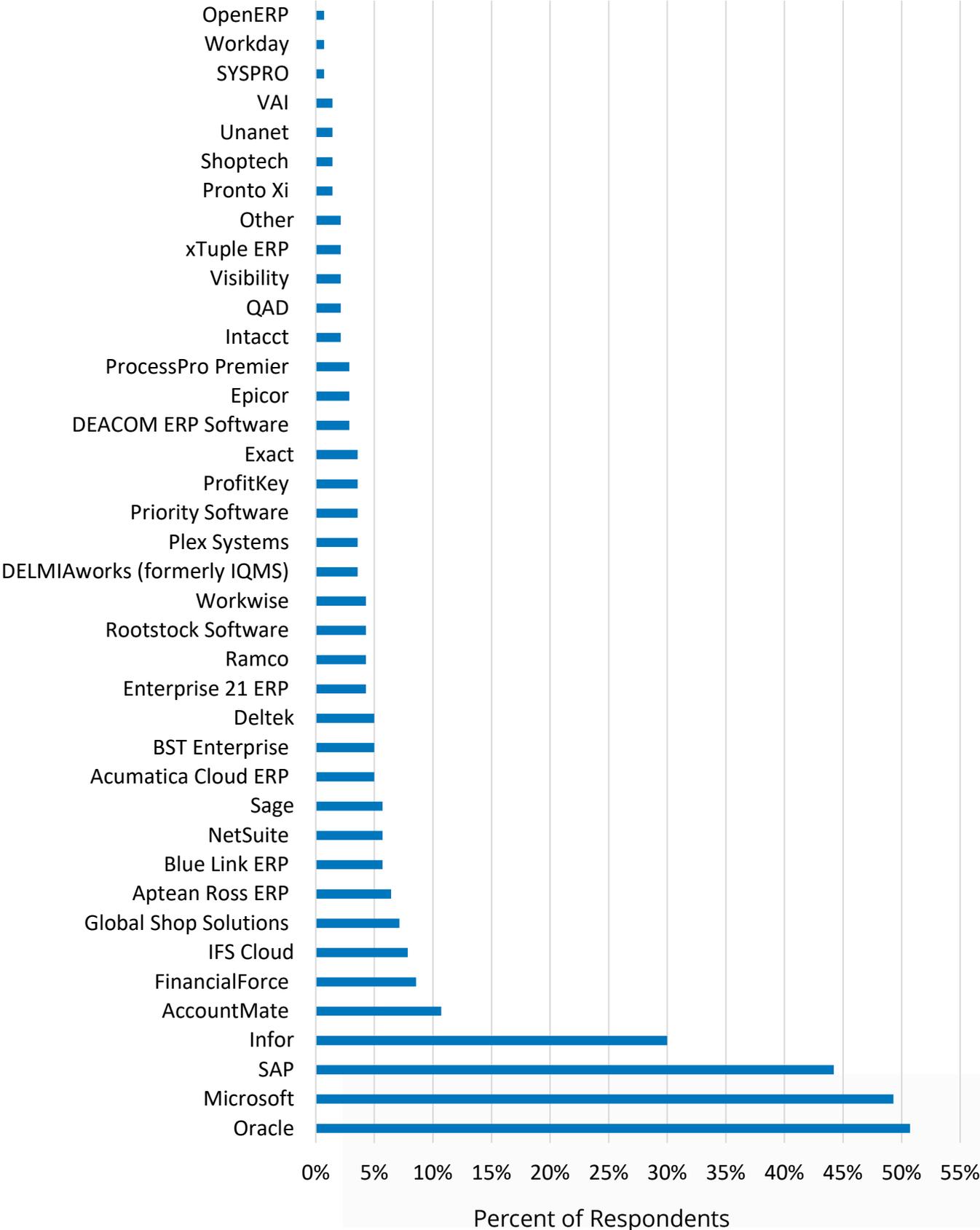
Sage ERP 100, Sage ERP 300, Aptean, ECI, ASC

Software Selection Decisions

When selecting an enterprise system, it is important for organizations to consider what functionality they will need within the next five to ten years. Once an organization understands its organizational goals, it can determine if a particular vendor would be a good fit in the long-term.

On the following page is an overview of the variety of systems selected by organizations in our study. Most organizations selected multiple vendors, meaning they used a best-of-breed approach.

Vendor(s) Selected



→ Tier I Systems Were the Most Popular

The most selected systems were SAP, Oracle, Microsoft, and Infor systems. About half of respondents selected systems from at least one of these vendors.

The median annual revenue of these respondent organizations was less than \$750 million, but this did not dissuade these organizations from selecting a Tier I vendor. These four monolithic vendors actually provide systems for a variety of company sizes.

Of course, these vendors also provide systems for enterprise-sized organizations, but even this isn't a deterrent to smaller organizations as these systems can often be implemented module by module, depending on what functionality an organization needs.

→ Cloud-Only Solutions Were the Least Popular

The least commonly selected systems were SYSPRO, Workday, and OpenERP. Less than 1% of respondents selected one of these systems.

These vendors only provide cloud solutions, which isn't ideal for many organizations. In fact, as discussed later, only 65% of overall respondents selected cloud software.

Another limiting factor for these three vendors was the location of our respondents – less than half had locations in Europe where SYSPRO has a strong presence. SYSPRO is not as strong in the US market, but it is working toward an increased presence.

Understand Your Needs

Enterprise software vendors have a variety of different types of solutions – some stand alone, some fully-integrated. Your choice of software will heavily depend on what functional areas you prioritize.

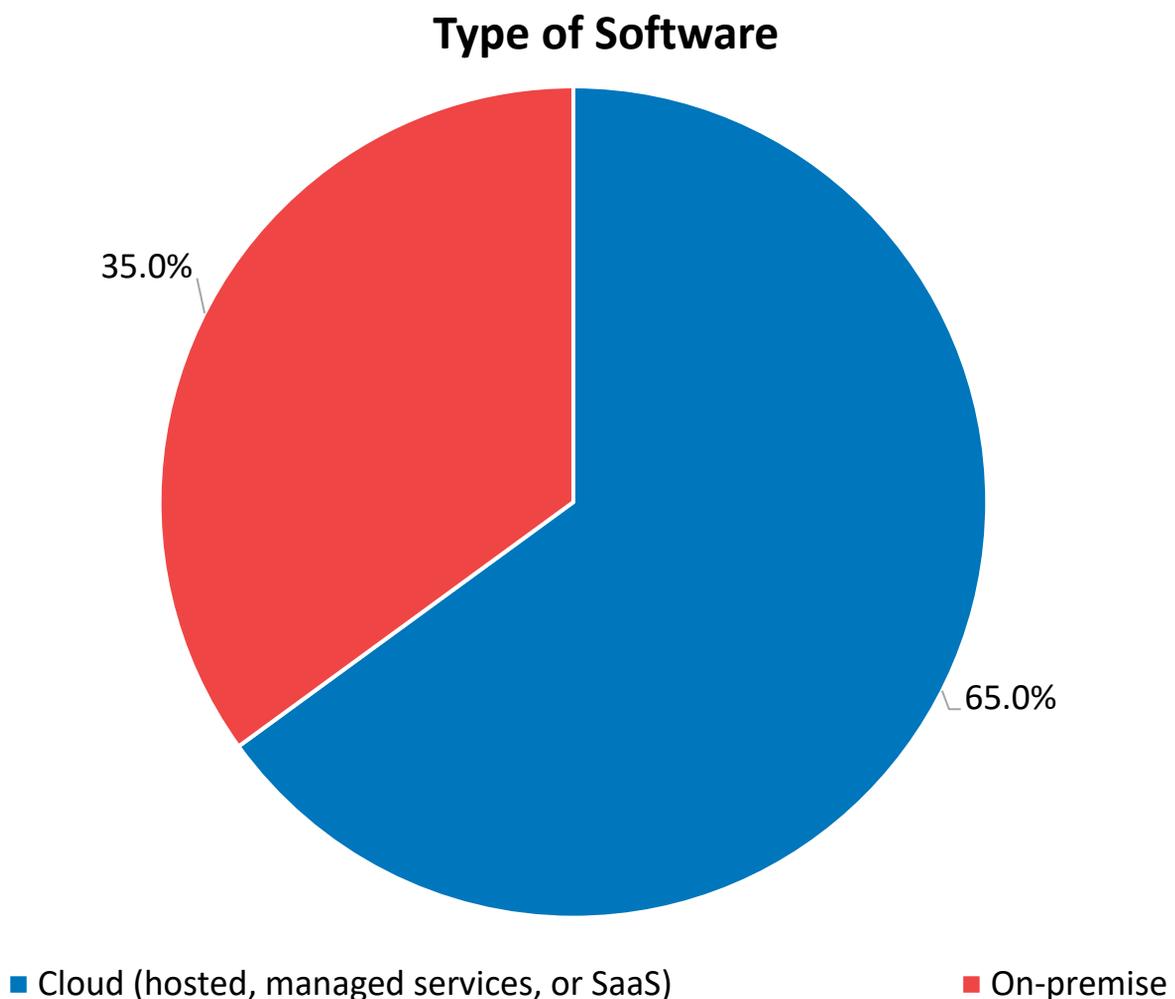
For example, if you want to optimize your supply chain, you need a solution that, at minimum, handles financial management and operations management.

Similarly, if you want to improve the customer experience, you need a system that handles marketing and customer relationship management. More specifically, you probably need an e-commerce platform that integrates with a core ERP system. This allows you to integrate customer data, dynamic pricing information, and other real-time data with your supply chain.

Deployment & Hosting Decisions

Over the last decade, most ERP vendors have increased their focus on cloud and software as a service (SaaS) solutions. Despite this trend, the cloud is not the right option for every organization.

In fact, our data show that more than a quarter of organizations selected on-premise software instead of cloud software:



This data doesn't appear to tell the whole story – later in this report, we discuss digital initiatives like mobility, artificial intelligence, and other emerging technologies. Here, we found a relatively strong focus on mobility. Thus, it's surprising to see so many respondents implementing on-premise software.

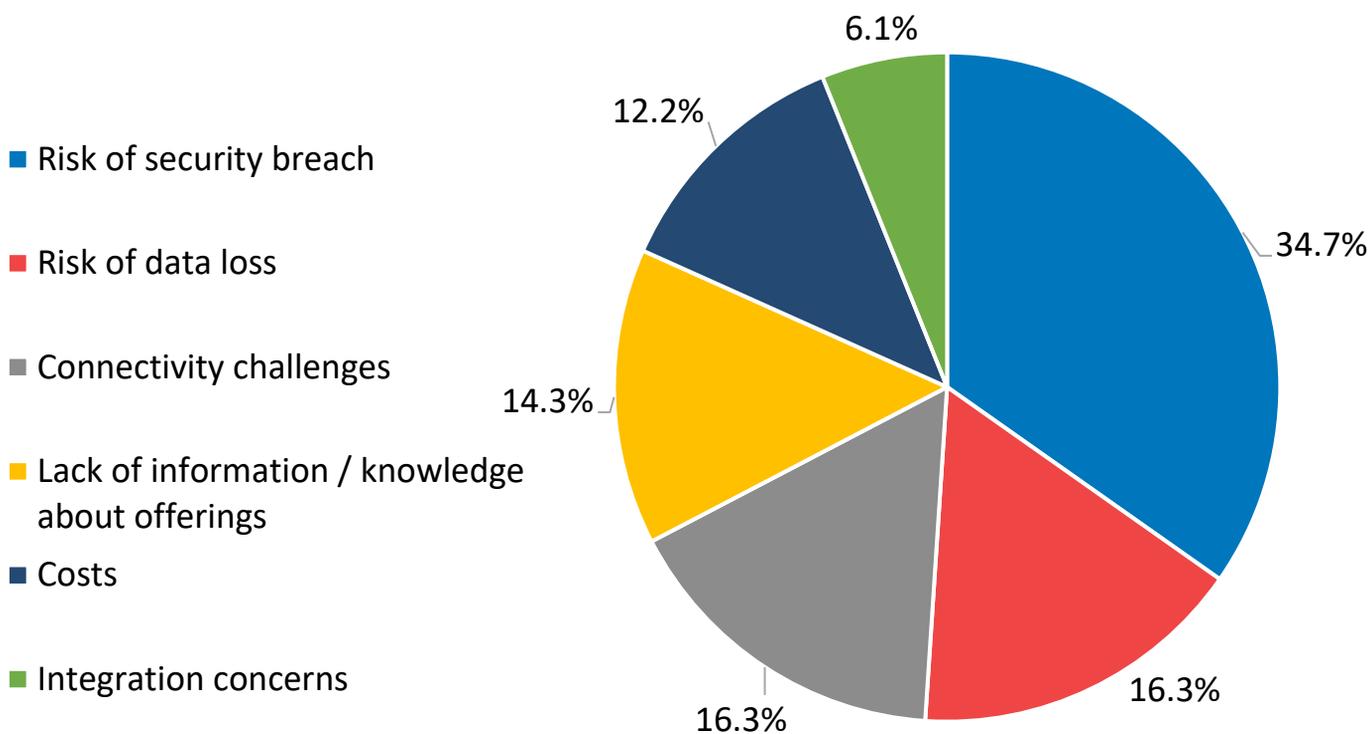
Another reason that this strong focus on on-premise software is puzzling is because, among our clients, the need for real-time data is typically what instigates software projects, so naturally these projects focus on cloud technology.

It's possible that respondent organizations differ from our client base, not in their need for real-time data, but in their level of fear regarding security. It appears that the same fear remains that existed among respondents in years prior.

→ Security Fears Drove Cloud Hesitancy

The most common reason for not choosing cloud software was “risk of security breach.”

Reasons for Not Choosing Cloud



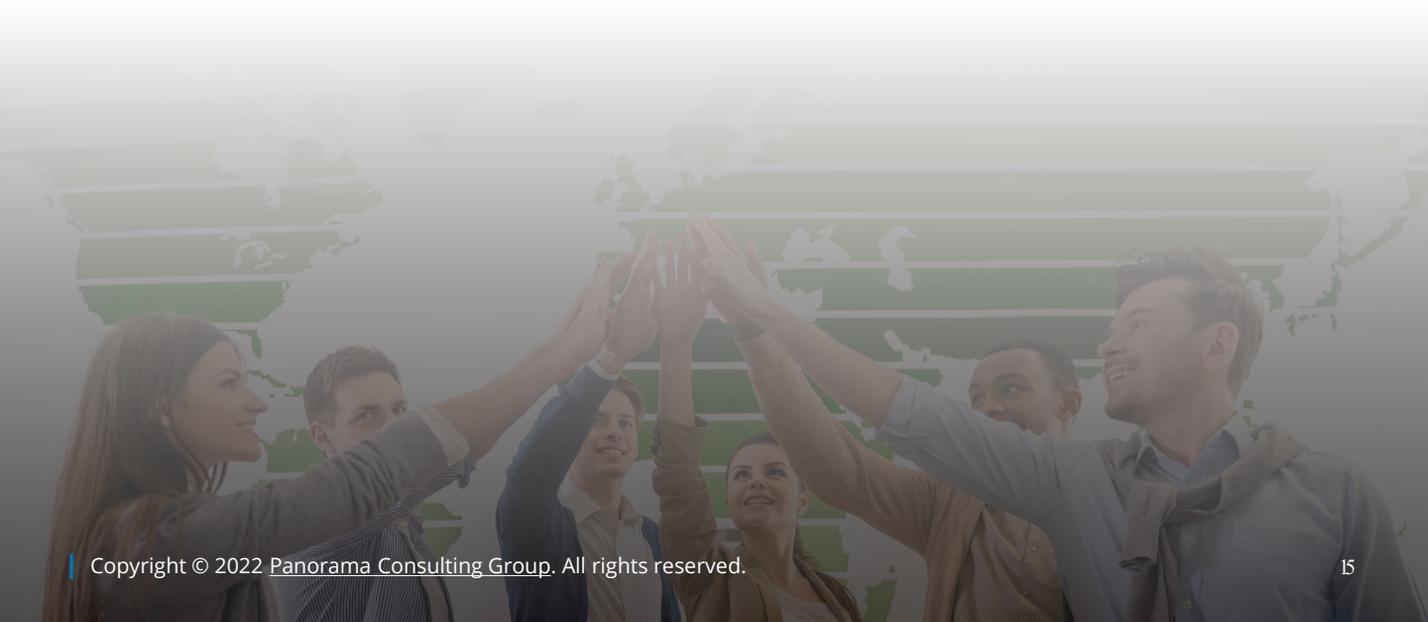
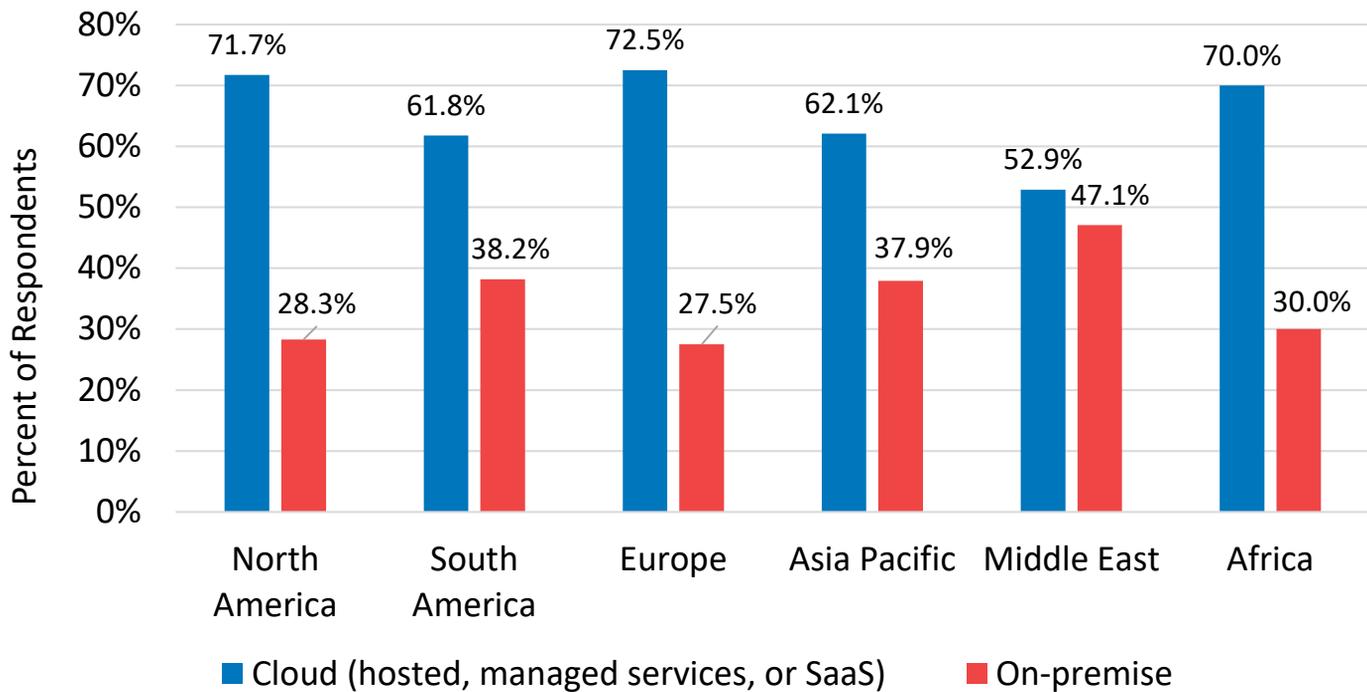
Security is a significant concern these days because of the prevalence of data breaches, but also because the EU is exerting more control over cloud software companies in the US. Potential customers of these vendors may be wary of getting fined if one of the vendors is non-compliant with a new regulation.

The least common reason for not choosing cloud software was “integration concerns.” Cloud ERP systems generally integrate well with ancillary systems. The problem arises when you're trying to integrate with legacy technology.

→ Connectivity Constraints Can Influence Deployment Decisions

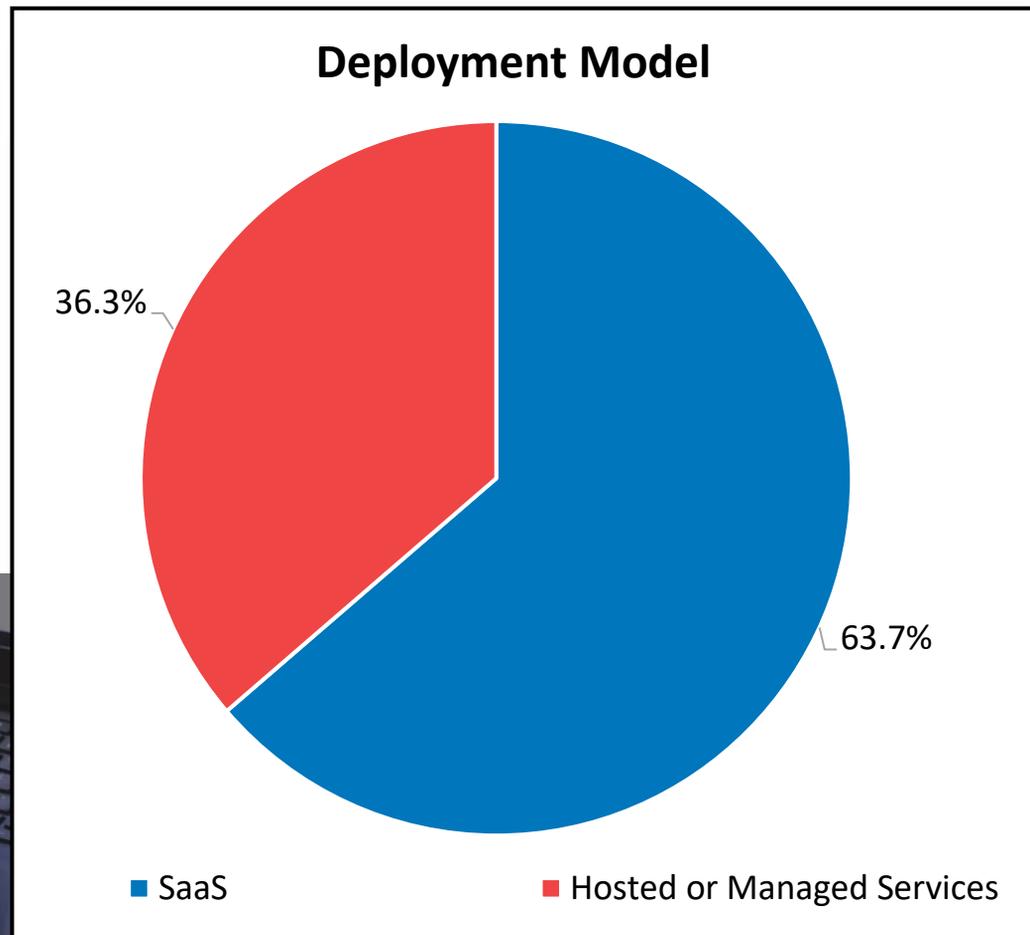
When we look at a subset of the data and isolate organizations with at least one location in Europe or North America, we see that the ratio of cloud to on-premise was slightly higher compared to respondents overall:

Type of Software by Location



→ Organizations had a Slight Preference for SaaS Deployment

Slightly more than half of organizations that selected cloud software chose a SaaS model rather than a hosted or managed services model:



The pandemic has made organizations more cost-conscious, so they aren't eager to set up and operate their own servers and databases. With SaaS software, they can fully rely on external resources for managing their software.

At the same time, SaaS models do have drawbacks. Automatic updates can change process flows, which means organizations need to invest in continual training and process documentation. Another disadvantage is that organizations have limited ability to enhance the software themselves.

Digital Business Transformation

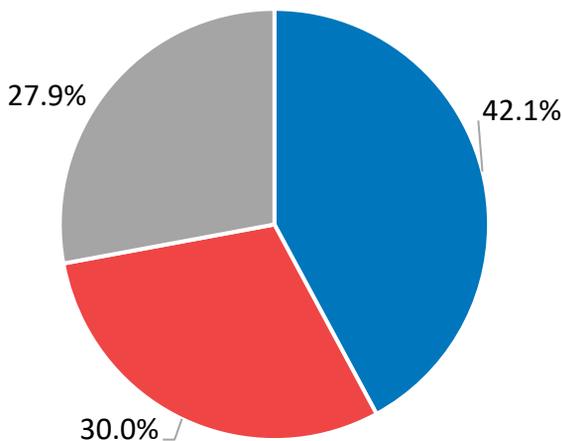
Digital transformation is an umbrella term that has come to refer to a variety of types of IT projects, including:

- IT modernization
- Digital optimization
- Creating new digital business models

Though “digital transformation” and “digital business transformation” might be used interchangeably, the latter is the more accurate term for projects focused on creating new digital business models.

Barely more than a quarter of organizations described their project as a digital business transformation:

Type of Project



■ ERP Implementation

■ Digital Business Transformation

■ Technology Enabled Business Improvement

While digital business transformation typically involves customer journey mapping and business process reengineering, an ERP implementation involves less significant organizational changes. In these projects, organizations improve most of their processes to fit the industry pre-configurations of their chosen enterprise system.

In our experience, most projects fall somewhere in between an ERP implementation and a digital business transformation.

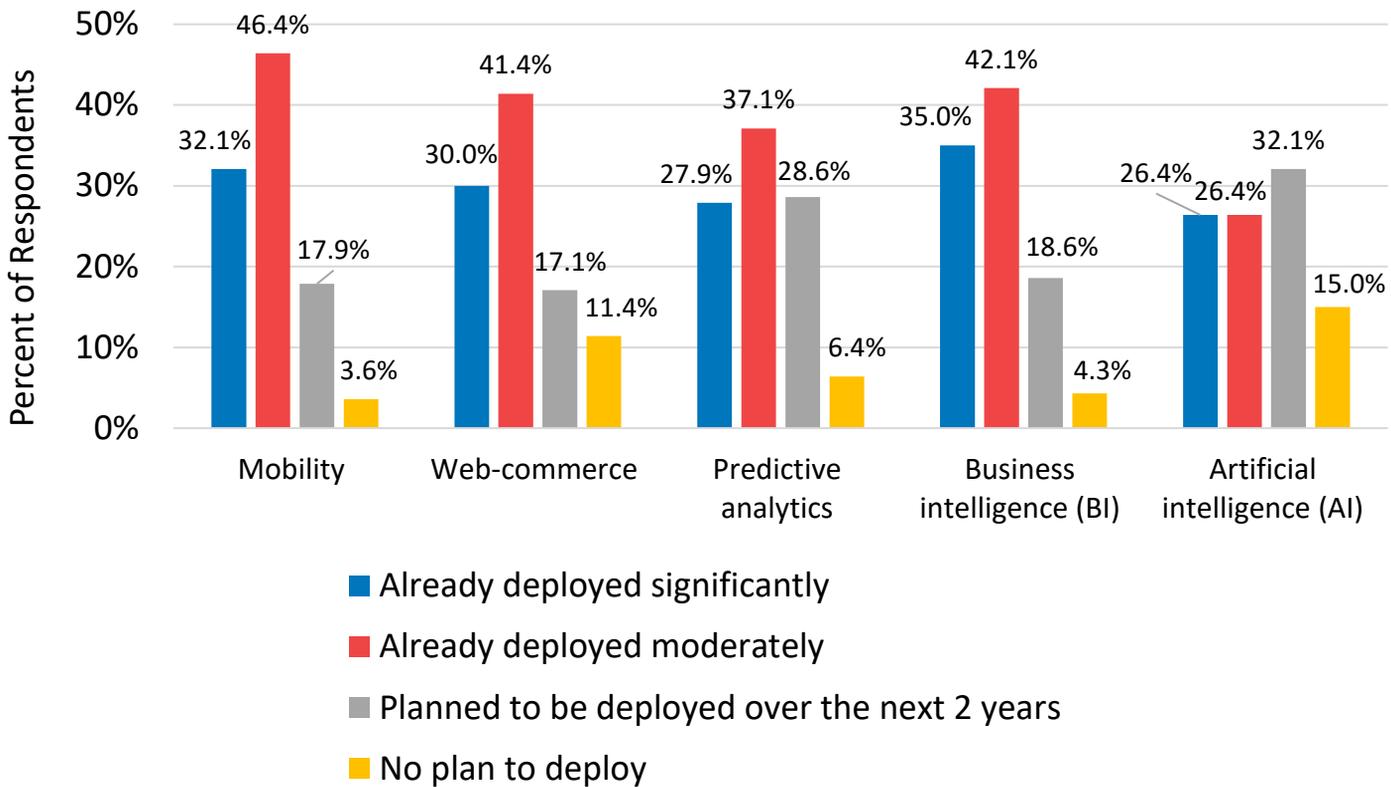
→ Mobility was a Popular Digital Initiative

Many digital business transformations and ERP implementations involve modern digital initiatives like mobility and artificial intelligence.

Regardless of the type of project they were pursuing, we asked respondents which initiatives they had deployed (or were planning to deploy) as part of that project.

As seen on the following page, organizations were most likely to deploy/plan to deploy mobility. This is likely due to the increase in remote and hybrid work environments.

Focus on Various Digital Initiatives



Business intelligence was also popular among respondents. This makes sense as most of our clients tell us that their primary reason for implementing enterprise software is needing access to real-time data.

Only 52.8% of respondents deployed artificial intelligence (AI). This technology is still in its infancy, so organizations are more wary of it than mobile or business intelligence capabilities. In addition, many organizations do not have the infrastructure or business processes to support AI.

Regardless, 52.8% is still a large percentage considering the complexity of AI. Perhaps the percentage is so high because the average respondent organization was mid-sized rather than small.



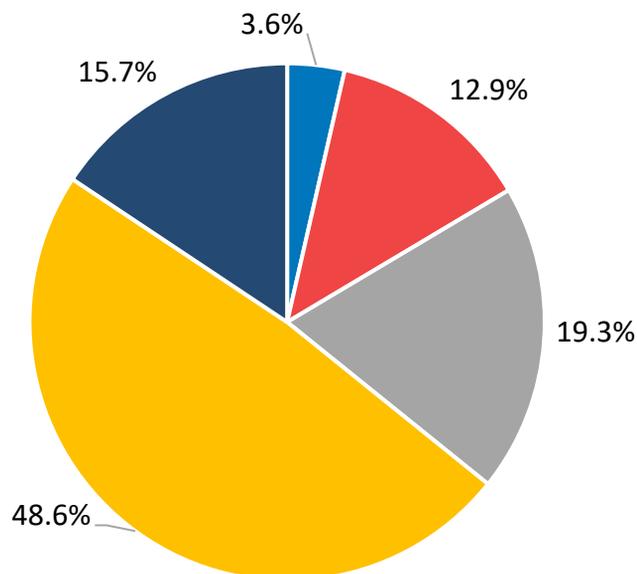
Implementation Approach

Before an enterprise software project, organizations not only need to determine their rollout strategy, but they need to determine how much software customization they will undertake. Our analysis reviewed both decision points.

→ Customization was Common

Almost half of organizations implemented their software with moderate customization:

Level of Customization



- No customization - strong out of the box functional match
- No customization, but system configuration and personalization
- No customization, but system configuration and personalization with process modifications
- Moderate customization with process modifications
- Heavily customized to fit our processes

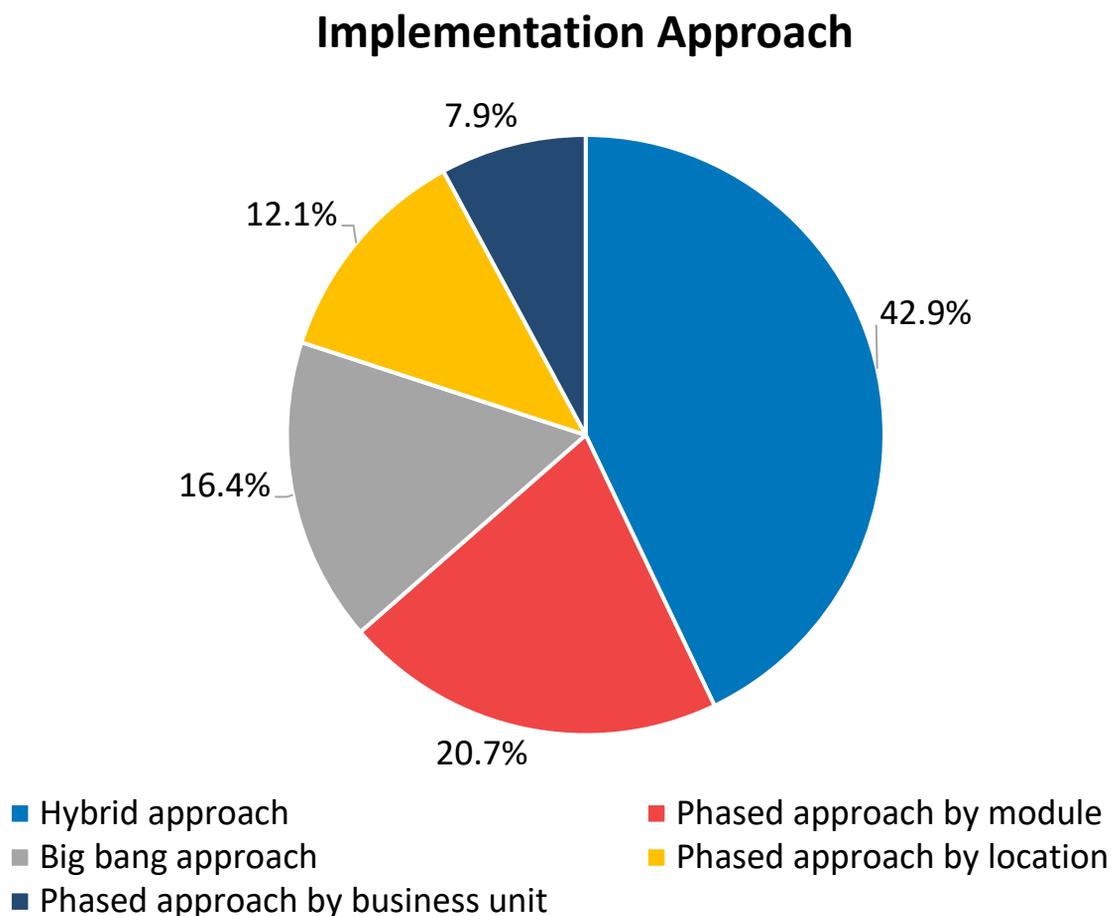
Considering the expense and time commitment of customization, why is it so common? In our experience, many organizations like to keep their competitive differentiators and don't want to standardize all their processes to fit their system's best practices.

However, in such situations, customization isn't the only option. Instead of customization, most of our clients opt for configuration, which doesn't touch the source code.

Configuration is the approach we recommend, so it's encouraging to see that only 16% of respondents ended up performing heavy customization. It's likely that this percentage is so low because organizations understand the cost of customization and know that the uniqueness of their processes might not necessarily be a source of competitive advantage – at least for most functional areas.

→ A Hybrid Implementation Approach was the Rollout Strategy of Choice

Almost half of organizations used a hybrid implementation approach:



The hybrid approach combines several different rollout approaches based on an organization's unique needs. This 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.

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.

→ Phasing by Module Makes Sense for Today's ERP Systems

While the phased approach was also common, few organizations phased their implementation by business unit. Many of today's ERP systems are modular, so it often makes more sense to phase by module than by business unit.

In a phased implementation, employees move to the new system in a set of predetermined steps. This is not only less risky from a technical perspective, but it is also less risky from an organizational perspective – users have more time to learn the new system.



Third-Party Guidance

Often, the best way to find software implementation, process management, or change management expertise is by engaging a third-party. This is also a great way to find industry-specific expertise from operational experts who've been in their clients' shoes.

However, only 64% of organizations used a consulting firm for project guidance. This is surprisingly low, especially when compared to our last report where 75% of respondents used consultants.

Justifying the cost of consultants would understandably be difficult in 2021's economic climate. This was a year where many organizations had a do-it-yourself mentality as cost savings became ever more important with the ongoing pandemic.

"Learning from past experience . . .

. . . we decided to do an RFP process at the beginning of this project to find a partner to assist us. There were five total companies under consideration and Panorama was by far the most qualified. They stood out for a few reasons including their status of being vendor agnostic . . . They were also willing to help with all phases of the project, whereas a lot of companies will only assist in the discovery and selection phase but not the implementation phase. Their depth of knowledge and experience also helped us select them."

– ERP Project Manager at a wood pulp manufacturer



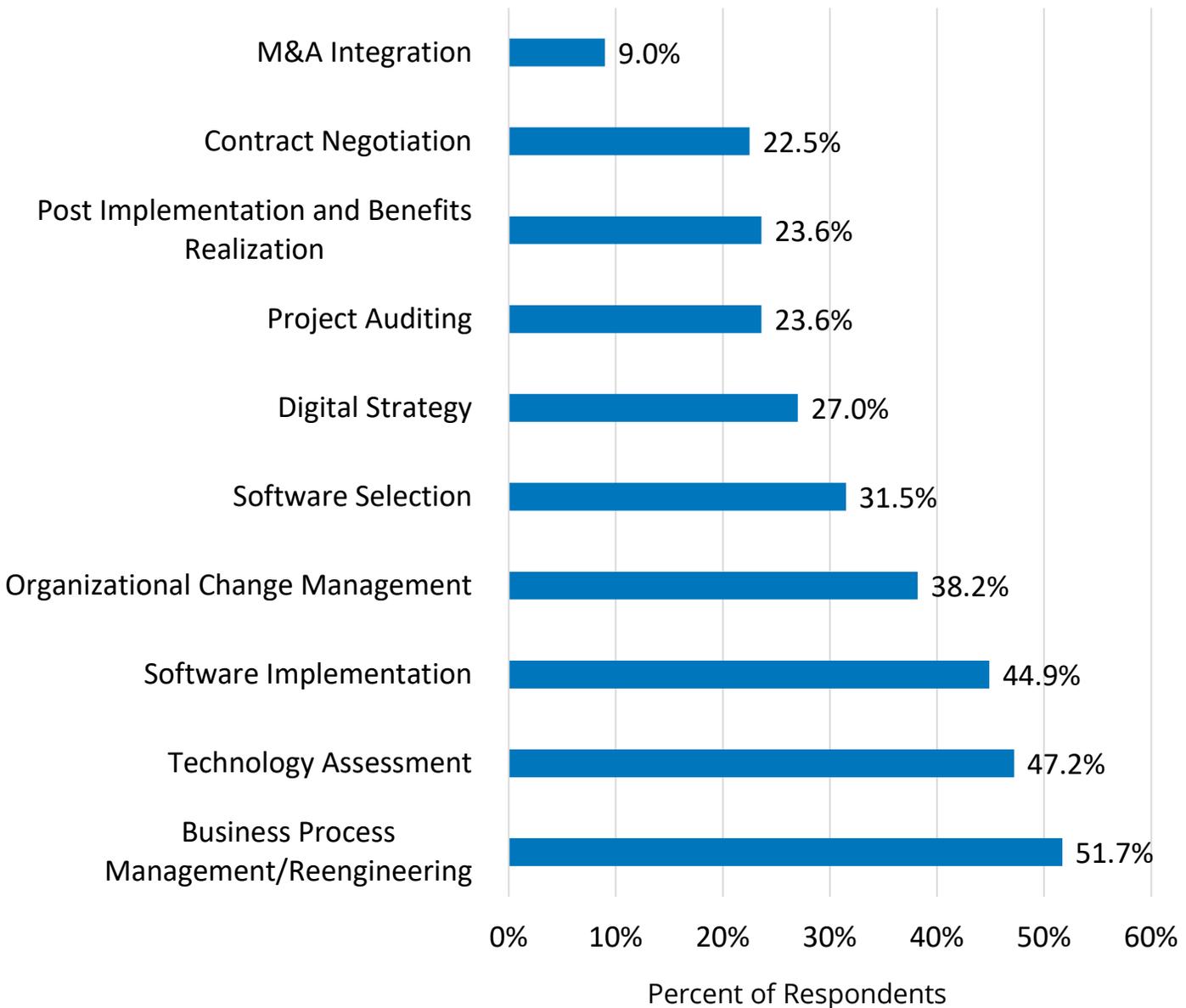
Still, almost half of organizations did work with consultants, so this begs the question: what was different about these organizations?

One difference was a stronger preference for cloud technology. Among those who used consultants, 75% chose cloud instead of on-premise. Cloud technology is typically associated with advanced technology, like artificial intelligence, so these organizations likely had more need for third-party guidance as they pursued digital business transformation.

→ Organizations Sought Process Guidance More Than Strategy Guidance

Among organizations that sought consultant guidance, the most common type of guidance sought was business process management and/or process reengineering:

Consultant Guidance



This need for process guidance aligns with our findings later in the report regarding expected business benefits. These findings reveal that productivity/efficiency was the most common type of benefit organizations hoped to realize.

The need for process management guidance also aligns with our findings on the popularity of mobility and business intelligence. These types of digital initiatives often require significant business process changes.

The least common type of guidance sought was digital strategy guidance. This is unfortunate considering how many organizations deployed a modern digital initiative, like mobility. These types of initiatives are challenging, especially for organizations that have a limited understanding of how modern technology should fit into a long-term digital strategy.

In our experience, many organizations don't understand the importance of digital strategy nor what it means, so they're less likely to seek guidance for it.

Defining a digital strategy involves thinking through the possibilities of using connectivity and data to transform the customer experience and reshape services by allowing all stakeholders to interact in new ways.

We recommend defining a clear digital strategy that includes key performance indicators (KPIs) to ensure executives and middle management are aligned around the same expectations.

"We spent time with . . .

. . . the [Nevada Irrigation District] executive team documenting project goals and overall organizational goals so we could determine which systems would be the best fit. This strategic alignment also helped us recommend process improvements that would drive benefits realization."

– Rich Goluskin, Director of Client Services, Panorama Consulting Group

→ Using Consultants for Implementation Guidance is Becoming Less Common

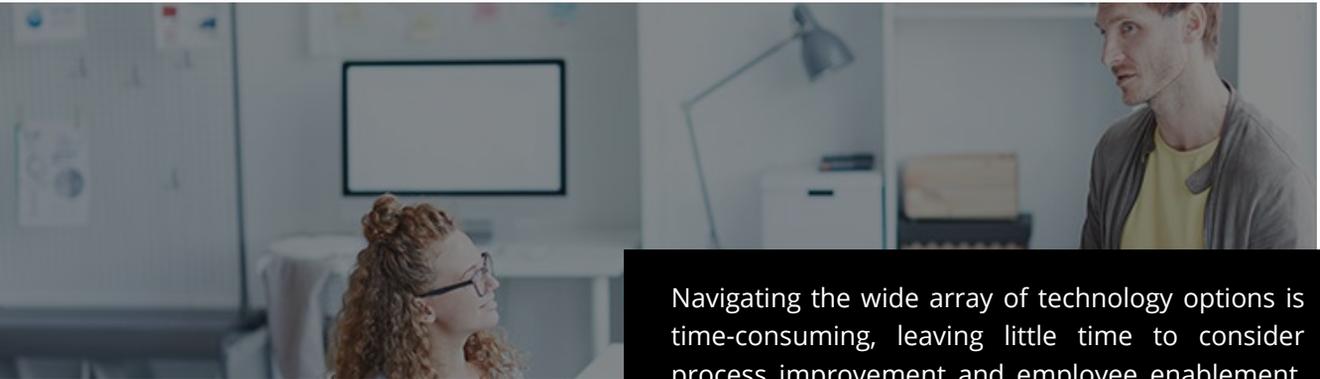
There was a sharp year-over-year decrease in organizations using consultants for implementation guidance (from 81% to 45%).

The value that consultants typically bring to the table (compared to system integrators and implementers) is strategic and business-related expertise, so organizations often rely on consultants for areas where other partners are "weaker."

Technical implementation falls under the expertise of systems integrators, so many organizations don't look elsewhere. In making this decision, they overlook the value that consultants can bring to the implementation process.

There are many different interpretations of what consultants' implementation services include. While this varies from consultant to consultant, there is typically a plethora of additional value that consultants can bring to the technical implementation process that systems integrators don't provide. This includes implementation oversight, project management, and more.

PEOPLE & PROCESS DECISIONS

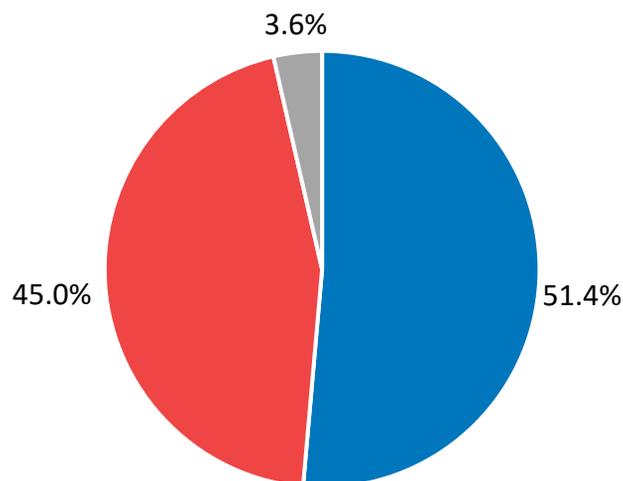


Navigating the wide array of technology options is time-consuming, leaving little time to consider process improvement and employee enablement. However, when an organization doesn't optimize its processes and prepare its employees, even the most sophisticated technology will fail to deliver expected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

Business Process Management

Most organizations improved key business processes as part of their project as opposed to improving most processes or no processes:

Focus on Business Process Management



- Improved key business processes
- Improved most business processes
- We did not improve business processes

Most organizations do not have the time or budget to improve every single process nor is this necessary in most cases.

Of course, implementing advanced technology, like artificial intelligence or business intelligence, without improving any processes provides limited value, so that's why so few organizations improved zero processes.

Overall, organizations seem to be taking the right approach (improving key processes), which is probably because so many respondents hired consultants for business process management guidance.

The preference for this middle-ground approach, where the organization improves key processes, is a reflection of both the importance of standardizing processes across locations and the importance of adopting the best practices of the chosen system.

It also means that organizations are finding opportunities for process improvement in areas that contribute to their competitive advantage.

**"Panorama Consulting Group
successfully helped us . . .**

. . . prepare for the implementation of a new ERP system. Their [process mapping] workshops have helped us to improve internal organization and adaptability. They're extremely professional and knowledgeable."

- Daniel Baldauff, Business Innovation Manager at SKC, Inc.

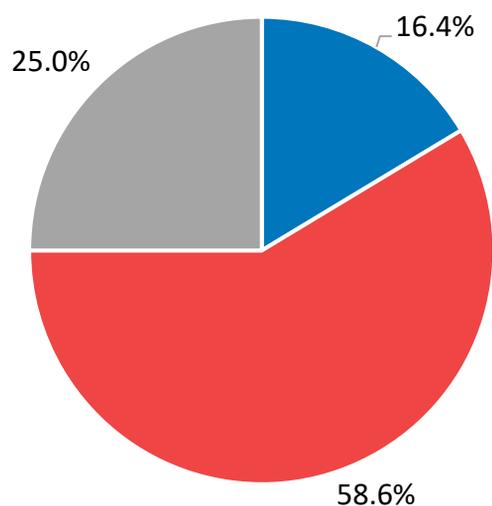
Organizational Change Management

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 do you get everyone on the same page? The answer is organizational change management. This is the recommended approach for preparing stakeholders for new processes, technology, and organizational culture shifts.

Most organizations in our study had a moderate focus on organizational change management:

Focus on Organizational Change Management



- Very little or no focus on change management
- Moderate focus on change management
- Intense focus on change management

In our experience, many executives are hesitant to invest too heavily in change management. We typically find they are only willing to invest a moderate amount at best, until we make our case for the importance of change management.

Why You Need Change Management

Enterprise software projects fundamentally change an organization's operations. They affect culture, structure, workflows, processes, and expectations around digital competencies.

We had a client whose executives initially said, "We don't need change management. Please don't mention change management activities."

Four years later, they were behind in their implementation, so they finally decided to focus on change management.

→ Few Organizations Neglected Change Management

Only 16% of organizations had very little or no focus on change management. This is good news considering the strong focus on modern digital initiatives that we discussed earlier. Neglecting change management for these initiatives would be especially disastrous because the more advanced the technology, the more encouragement and training employees require.

In fact, end-user training is an essential aspect of any IT initiative, regardless of the technology involved. When employees are sufficiently trained, they work more efferently.

In addition, they understand the importance of data and its upstream and downstream effects.

For example, when the sales team captures the right amount of data around pricing, this has a ripple effect throughout the organization. The more pricing data fields employees populate, the more empowered other departments, like operations or finance, will be to meet customer expectations.



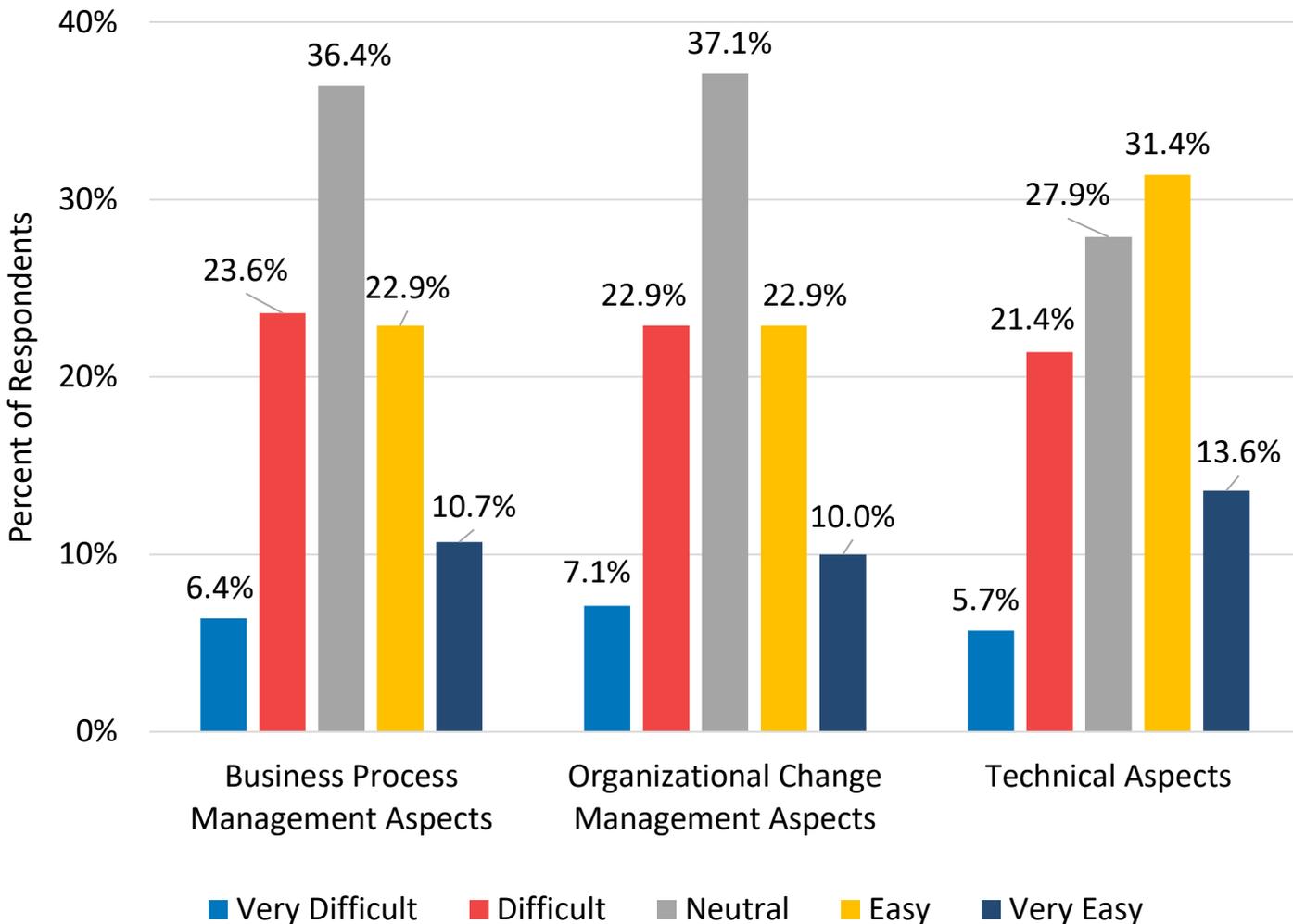


The Importance of Focusing on People & Processes

As discussed, a strong focus on people and processes helps organizations maximize benefits realization. However, this statement can be unconvincing without data to back it up.

The data we'll use to support this statement relates to the difficulty of various project aspects. Overall, our findings show that the process and people aspects of projects are just as difficult as the technical aspects:

Difficulty of Various Project Aspects



Even with the technical complexity of implementing advanced technology, like artificial intelligence, respondent organizations still said the non-technical aspects were just as difficult.

While it's true that last year's report showed an even greater percentage of respondents reporting process management and change management difficulty, the data above are still impressive (and probably surprising to many organizations).

However, these data are not surprising to us. From our perspective, they make sense because we've worked with more than a few clients with a history of disastrous IT implementations and a determination to dedicate more focus to people and processes in forthcoming projects.

"We recently advised . . .

. . . [a pulp mill] client on the need for a comprehensive training strategy and plan. Feedback from our initial readiness assessment indicated this was an area of great concern because of past failures."

– Rick Platz, Senior Consultant, Panorama Consulting Group

PROJECT RESULTS

In addition to looking at how organizations approached their projects, we also wanted to understand what kind of results they saw.

So far, we've found . . .

- Relatively few digital business transformations
- A strong interest in digital initiatives involving mobility
- A strong focus on process improvement
- A moderate focus on organizational change management

The results of these projects are discussed below:

Benefits Realization & ROI

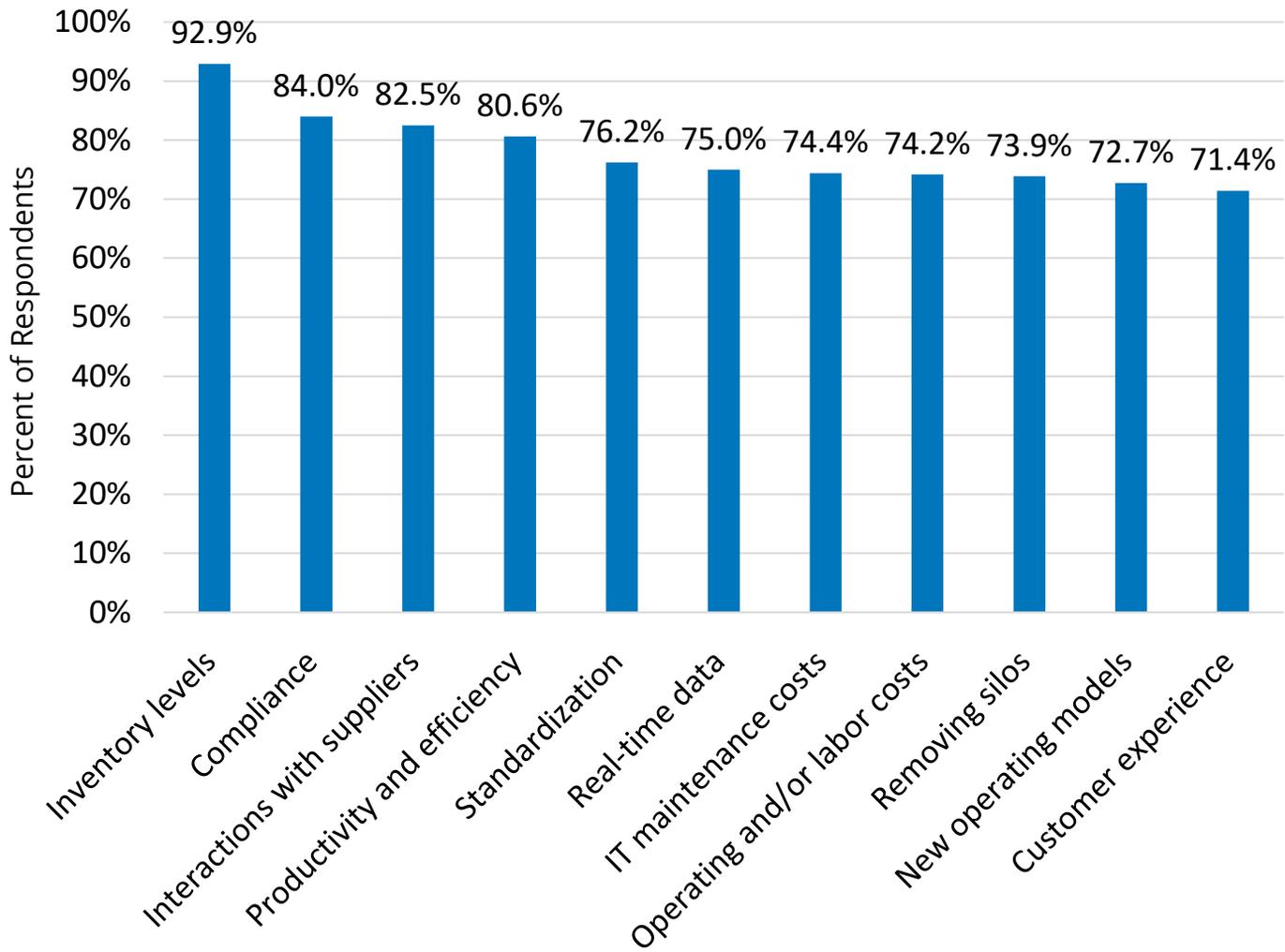
When organizations quantify how they expect new technology to improve their business, they can refer to these metrics throughout the project to ensure their efforts stay on track.

Ultimately, achieving benefits is about achieving ROI. Organizations can achieve this from a financial perspective, but they can also achieve it via innovation and employee retention.

Of those that performed an ROI analysis prior to their project and have been live for at least a year, 81% said their project met their ROI expectations. This makes sense considering that benefits realization looked good across all categories.

As seen in the graph on the following page, among the organizations that quantified benefits in any of the following categories, at least 70% realized those benefits.

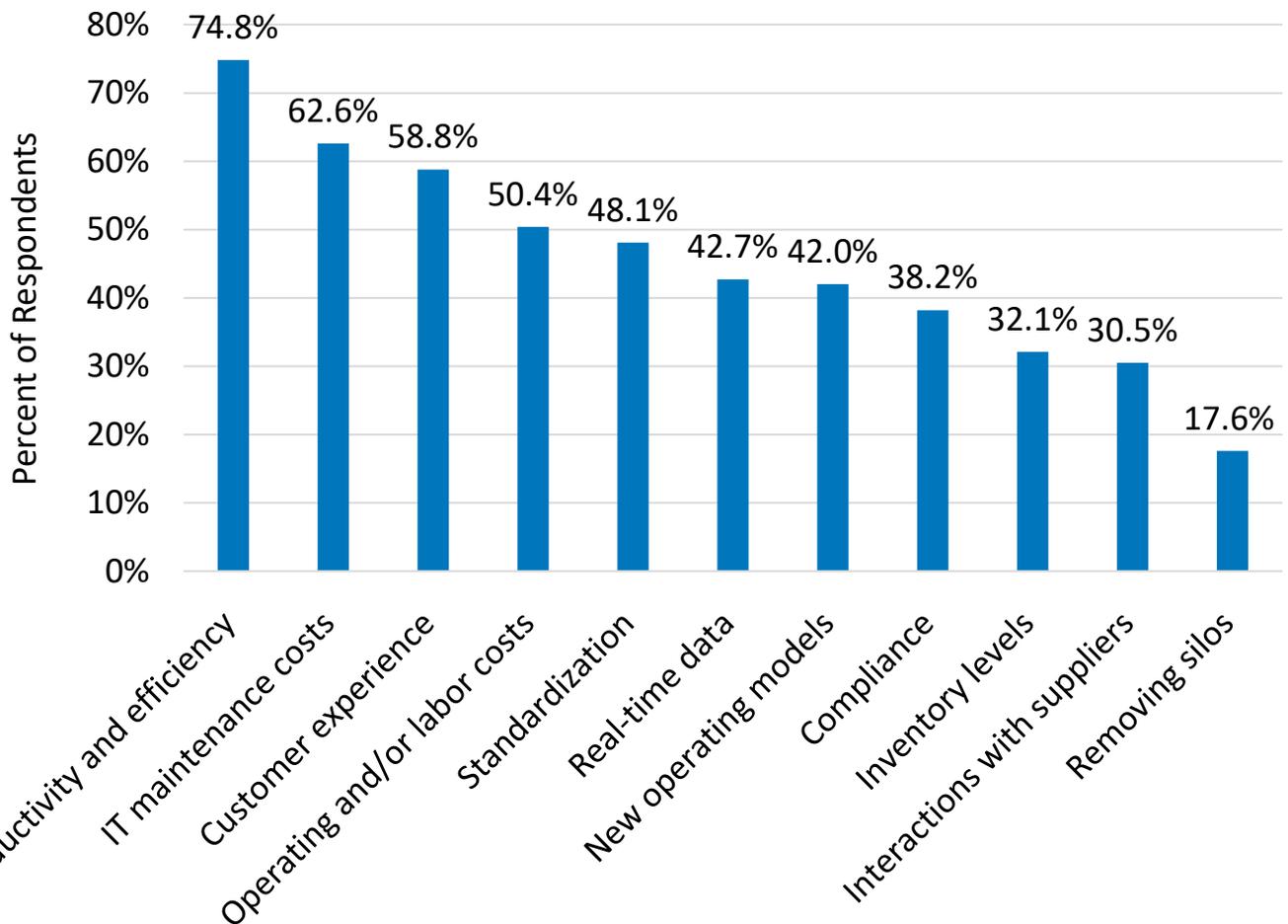
Organizations That Realized Expected Benefits



→ Quantifying Benefits is Half the Battle

As mentioned, 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, IT maintenance costs, and the customer experience.

Organizations That Quantified Expected Benefits



The least common benefits organizations quantified were removing silos and improving interactions with suppliers. Organizations aren't always aware of their organizational silos, so that explains why most didn't aim for this benefit.

Organizations don't always take the time to outline all the benefits they hope to achieve, so many benefits aren't quantified before implementation. The exception is widely-recognized benefits, like improved efficiency and optimized customer experience.

Creating a benefits realization plan is essential to measuring ROI and demonstrating to executives that the project achieved measurable benefits. We recommend assembling a dedicated team with stakeholders from across the organization to ensure no expected benefit is left un-quantified.

→ Less Than Half of Organizations Hoped to Gain Access to Real-Time Data

This is lower than we would expect given our experience with clients, but it goes back to the point above that all an organization's goals are not always quantified prior to implementation.

Experienced consultants can provide the strategic mindset necessary to align stakeholders around specific, quantifiable goals. Without specificity and alignment, an organization will fail to realize the full potential of the technology they implement.

For example, many organizations in our study implemented business intelligence capabilities, but without quantifying benefits related to real-time data, the full potential of this technology will be unrealized.

While organizations did say their ROI expectations were met, how much additional ROI was left on the table simply because organizations didn't expect an even higher ROI?

→ Some Industries Were More Intentional About Real-Time Data Than Others

Organizations in the information technology industry were the most likely to quantify specific benefits related to real-time data access.

It's interesting that it wasn't the manufacturing or distribution industry

because most of our respondents overall were in these industries. Perhaps the expectation of real-time data access was lower in these industries because they don't have as much of a skillset to leverage real-time data.

Another characteristic of the respondents who expected to realize real-time data benefits was that they had a stronger preference for cloud technology than respondents overall. Among those who expected this benefit, 77% chose cloud instead of on-premise (compared to 65% of overall respondents).

→ Organizations in the Manufacturing and Distribution Industries Built New Operating Models

All companies in the manufacturing and distribution industries reported full benefits realization when it came to benefits related to new operating models. Most of these companies (90%) also achieved full benefits realization regarding interactions with suppliers.

We have seen organizations across industries, but especially in manufacturing, create new operating models to give their companies the agility to respond to supply chain disruptions and continue to meet customer expectations.

In addition, we've seen many manufacturing organizations prioritizing benefits related to supplier interaction. This is similarly in response to supply chain disruptions.

→ **Retail Companies Achieved Customer Experience Gains Even Though They Struggled to Standardize Operations**

All companies in the retail industry realized their projected customer experience benefits to the extent they expected. This industry would naturally dedicate more resources and budget to achieving these types of benefits.

However, these companies had relatively low benefits realization when it came to benefits related to standardization. No respondents realized these types of benefits to the extent expected. This could be because many retailers were in the process of moving their brick-and-mortar business online during the past year, so they haven't had a chance to standardize their new business model.

What's a Realistic Benefits Realization Timeframe?

Many organizations think they need a great deal of advanced functionality in order to achieve business benefits. However, in our experience, as companies are implementing basic out-of-the-box functionality in phase one, they are already making significant progress towards achieving certain benefits.

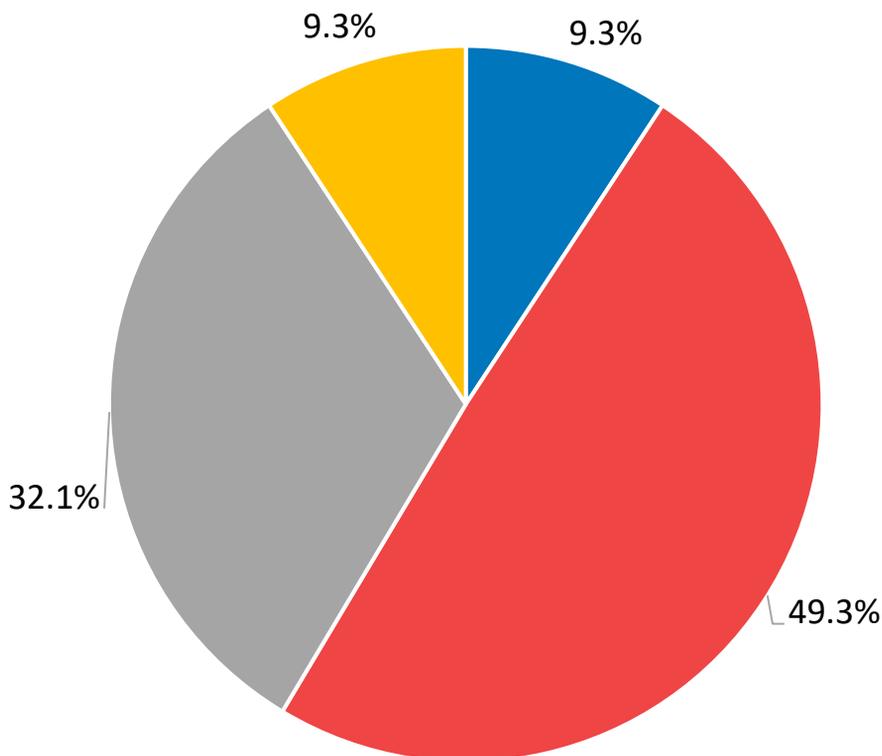


Project Cost

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.

Fortunately, more than half (59%) of organizations in our study were on-budget. This is up from 40% in last year's report:

Budget Adherence



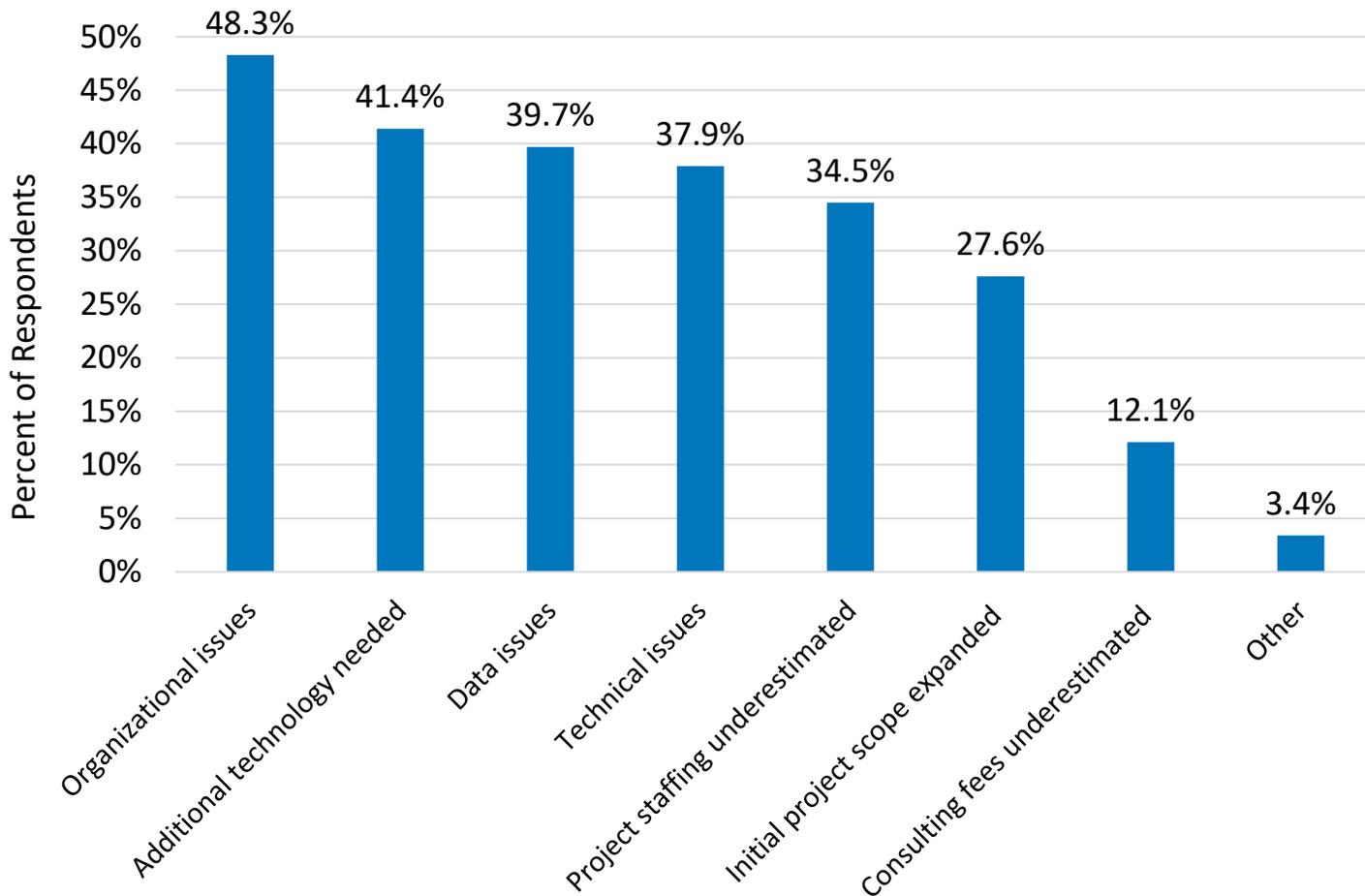
- The project was completed with less costs than anticipated
- The project was completed on budget
- The project was completed with slightly more cost than anticipated
- The project was completed with significantly more cost than anticipated

The increase in budget adherence could be related to the increase in the percentage of organizations seeking business process management guidance. Third-party guidance in this area typically leads to more realistic cost expectations as organizations can better estimate the time and resources required for thorough process improvement.

→ Organizational Issues Contributed to Budget Overruns

Of those who were over budget, the most common reason was organizational issues:

Reasons for Budget Overruns



Organizational issues encompass everything from governance issues to resistance to change to process redesign challenges. Many of these issues can be mitigated with a comprehensive change management plan, but unfortunately, as we saw earlier, only a quarter of respondents had an intense focus on change management.

The least common reason for budget overruns was underestimated consulting fees. This may be related to our findings on the use of consultants, which revealed that many organizations completed their projects without any consultant guidance.



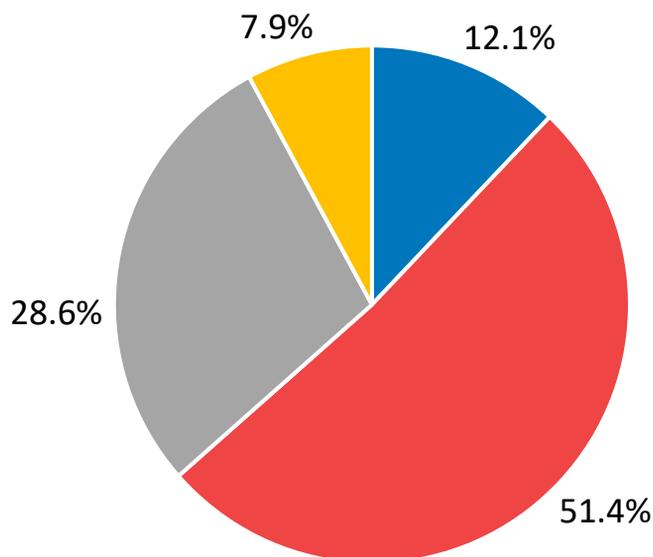
Project Duration

A project timeline is dependent on many factors, including but not limited to:

- The number of ERP modules implemented
- The type of deployment (cloud vs. on-premise)
- The total number of concurrent users
- The amount of software customization
- The level of business readiness
- The type of project (ERP implementation vs. digital business transformation)

Most of the organizations in our study appeared to have a good understanding of their project attributes and their business readiness because more than half (64%) completed their project within their expected timeline:

Timeline Adherence

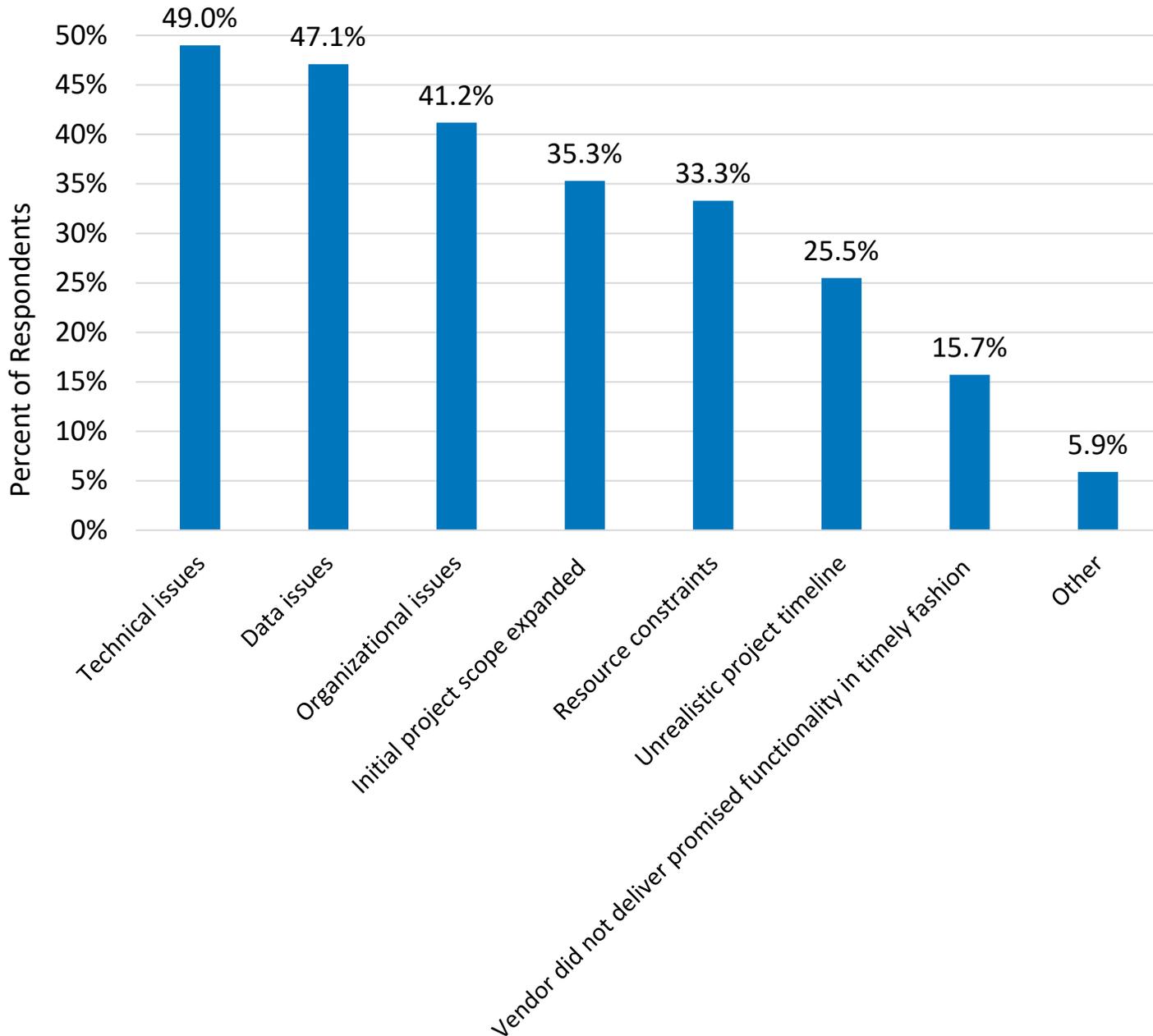


- The project was completed earlier than anticipated
- The project was completed on time
- The project was completed slightly later than anticipated
- The project was completed significantly later than anticipated

→ Technical Issues Led to Timeline Overruns

Of those who were over schedule, the most common reason was technical issues. These can include hardware issues, scalability limitations, systems integration challenges, and more.

Reasons for Timeline Overruns



In past years, organizational issues have been the most common cause of timeline overruns. However, technical issues were more common this year with the potential reason being the decrease in organizations using implementation guidance.

Year-Over-Year Comparison

	2019 ERP Report	2020 ERP Report	2021 ERP Report	2022 ERP Report
Top Industries	Manufacturing and Information Technology			
Selection of Cloud	44% of respondents	63% of respondents	53% of respondents	65% of respondents
Budget Adherence	55% stayed on budget	62% stayed on budget	40% stayed on budget	59% stayed on budget
Top Reason for Budget Overruns	Scope expansion	Scope expansion	Additional technology	Organizational issues
Schedule Adherence	42% stayed on schedule	53% stayed on schedule	54% stayed on schedule	64% stayed on schedule
Top Reason for Schedule Overruns	Unrealistic timeline	Organizational issues	Organizational issues	Technical issues

→ Observations

- ▶ There has been a steady trend of schedule adherence increasing each year.
- ▶ Budget adherence rose and fell in correlation with the popularity of cloud technology.
- ▶ Organizational issues were most common following the onset of the global pandemic.
- ▶ There was a steep increase in cloud selection beginning in 2020, likely driven by the pandemic.
- ▶ The pandemic didn't change the fact that manufacturers are typically the most likely to implement enterprise software compared to other industries.

CONCLUSION

With over half of respondents reporting that they already deployed at least one of the modern digital initiatives included in our survey (mobility, web-commerce, predictive analytics, business intelligence, and artificial intelligence), there is no doubt that organizations aimed high in 2021.

However, strong ambition requires careful strategic planning, and we saw a lack of it among respondents. Notable areas of strategic shortcomings included:

- Only 27% of the organizations that sought consultant guidance sought digital strategy guidance.
- Less than half of the organizations that sought consultant guidance sought technology assessment guidance.
- Most types of expected benefits were quantified by less than half of respondents.

The advantage of quantifying expected benefits is the ability to establish project governance that keeps project team members focused on achieving the benefits that are most important to executives and end-users *and* are most likely to deliver long-term ROI.

Without this focus, the project team may implement more functionality than necessary, approve non-value-added software customizations, or overlook certain process improvements necessary for achieving organizational goals.

When organizations do quantify expected benefits, the results speak for themselves. Our report found high benefits realization among such respondents.

If your organization is considering a digital business transformation or enterprise software implementation, the lessons from this report are clear:

Dedicate time to strategic planning so you can set specific, measurable goals, but before you do so, be sure to hire an experienced consulting firm to guide these strategic decisions.

This advice is especially important to heed if you're focusing your IT spending on business intelligence or mobility. Your real-time data will only be as useful as the strategy behind it.

About Panorama Consulting Group

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 and technology.

Panorama's Services

(click to learn more)

- ▶ [ERP Selection](#)
- ▶ [ERP Implementation](#)
- ▶ [ERP Contract Negotiation](#)
- ▶ [ERP University](#)
- ▶ [Digital Strategy](#)
- ▶ [Technology Assessment](#)
- ▶ [Change Management](#)
- ▶ [Human Capital Management](#)
- ▶ [Business Process Management](#)
- ▶ [M&A Integration](#)
- ▶ [Turnaround Analysis](#)
- ▶ [Business Crisis Consulting](#)
- ▶ [Financial Restructuring](#)
- ▶ [Operational Restructuring](#)
- ▶ [Project Auditing & Recovery](#)
- ▶ [Software Expert Witness](#)

(If viewing this in Adobe Acrobat, please follow these instructions to enable external links:
<https://helpx.adobe.com/acrobat/using/allow-or-block-links-internet.html>)

Click the Button Below to Schedule Your **Free Consultation**
With an ERP Systems Expert Today!

FREE CONSULTATION