



I D C A N A L Y S T C O N N E C T I O N



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Achieving Greater Productivity Through Business Solutions

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The overall enterprise resource management application market continues to grow as the economy improves. Enterprises of all sizes are updating and modernizing existing applications. Adoption of cloud applications is starting to pick up in areas such as financial accounting, while small and medium-sized businesses are generally leading the leap to the cloud as they look for applications that will enable their business to scale for rapid growth and reduce the need for internal IT resources.

The following questions were posed by Microsoft to Randy Perry, vice president, Business Value Consulting, and Christine Dover, research director, Enterprise Applications and Digital Commerce, on behalf of Microsoft's customers.

Q. What role can ERP systems play in enabling people to be more productive?

A. The core value proposition of ERP is that it can increase employee and organizational productivity. For example, data analysis helps people make more informed decisions. IDC research shows that organizations implementing ERP systems have experienced operational productivity increases across the entire organization leading to an increase of \$1,141 in revenue per employee.

ERP systems also help organizations avoid risk by contributing to increased confidence in decision making and reducing errors, which in turn reduces operational costs by an average of \$170 per employee annually. Data analysis from ERP systems helps with predicting trends, too — enabling organizations to use data to anticipate changes in their market and adjust their operations to capture opportunity.

Overall, data analysis keeps businesses ahead of the curve. The net result is a more confident, agile company able to get to market faster and increase annual revenue per employee by \$2,628. These numbers underscore the fact that ERP is essential for businesses, and having a good ERP system that provides the right data, insights, and flexibility to adapt to the needs of an organization can directly impact the success of a business.

Q. What can businesses do to ensure that their people get the most out of their ERP systems?

A. The key to optimizing the value of ERP systems is to quickly get the applications into the hands of *all* the employees who will use the information and data processing to positively influence critical business outcomes. We think the following are keys to user adoption:

- **Time to deploy.** ERP rollouts can fail because of time lags between announcements and training and the actual deployment as users' attention has moved on to other issues. This is true for application updates and repairs as well. Organizations need to streamline their development and deployment processes to make them predictable and standardized.
- **Customer experience.** Organizational strategy most often fails when execution falls short. Strategies pivoting on widespread adoption and use of applications are at the mercy of customer experience. With ERP apps, the customers are the employees who expect:
 - **Intuitive, simple-to-use apps.** Apps that are easy to access and use are more important than training.
 - **High performance.** ERP apps need to be fast to keep pace with users' needs for information, especially in the case of applications drawing from multiple sources and crunching numbers. The key is a high-performing infrastructure, whether converged/private cloud in-house or outsourced public cloud, which can improve performance by 10–200%.
 - **High availability.** Application availability is the determining factor. Studies of ERP usage have shown that running applications on converged/private cloud in-house or outsourced public cloud can reduce unplanned application downtime by 98% and increase the adoption and usage of the application, adding about \$220 in value per ERP user.
- **Maximizing the number of users.** Information in an ERP system should not be limited to a small set of people. The transformational value of ERP systems and the use of data in business operations can be realized only through extensive use across the organization. Today, with the rapid growth of mobile employees and the acceptance of BYOD, organizations must plan on a mobile ERP system. We have seen where extending ERP to mobile users has increased mobile user productivity by 17%.
- **Fully integrated system.** ERP needs to connect with productivity apps, collaboration apps, other line-of-business systems such as CRM, and all legacy systems. Companies that have deployed ERP applications integrated with other applications to optimize data use, availability, and relevancy have seen a 10% advantage in increasing revenue and a 13% advantage in reducing operation costs compared with companies using nonintegrated ERP.

Q. What criteria should organizations use to evaluate an ERP system that empowers people to propel business forward?

A. The days of using a feature/function checklist to evaluate an ERP system are over. When an organization is evaluating an ERP system that empowers the business and its people to quickly adapt to changing business models and grow revenue, it should examine two categories of criteria: system and business. System criteria include the following:

- **Fast deployment options.** It is important to get applications up and running quickly and into the hands of users across organizational lines. Most software vendors provide implementation methodologies to help you get up and running quickly and then adapt the system to meet changing requirements. It's no longer necessary to conduct lengthy "as is" and "to be" business requirements documentation along with a lengthy and

expensive implementation. Many modern applications self-document configuration changes, business processes, and workflows, so there is always a complete picture of the changes that were made. Organizations with more agile deployment can reduce deployment costs by 70% per person.

- **Intuitive, easy-to-use interfaces.** You don't need to train people on how to buy something from Amazon. Why do you need training to buy something on the internal procurement system? Many people have become used to using apps for shopping, social networking, watching video, and calculating taxes. Modern ERP applications that look and behave more like consumer applications can reduce training costs by over 80%. This is also important as the workforce changes because there's not much difference between watching a video and attending a training class or collaborating in a workstream by posting project status updates and updating your social network with weekend activities.
- **Interconnectivity with productivity apps.** Email, spreadsheets, documents, and presentations aren't going away anytime soon because too many organizations and business processes rely on them. But it is important to pull data from these productivity apps back into the system of record (i.e., ERP) so that activities are documented, auditable, and reportable. Interconnected productivity apps give organizations a 13% advantage in reducing operations costs.
- **Agile and flexible configuration that adapts processes to fast-changing business models.** Agile applications enable an organization to change its business model quickly and compete in this new economy — can we "uber" our business before someone else does? Modern ERP applications enable organizations to roll out new product bundles, experiment with pricing models, and connect assets to update status and location automatically to create new opportunities to generate revenue.
- **Dashboards that are accessible from anywhere, on any device, and by everyone.** Dashboards are not just for executives — everyone in the business needs to be current with real-time activities and updates that are within their sphere of responsibility. And because work happens from anywhere and at any time, the information needs to be available from any device, putting actionable information in the hands of workers days and sometimes weeks faster than non-real-time systems. Additionally, these dashboards are not just static reports — users can drill into information and take action to solve problems quickly and efficiently.

Additionally, organizations that are evaluating ERP applications should look for software vendors that:

- Are well financed, profitable, and well managed. Customers who are making ERP decisions are making long-term decisions. Generally an organization will work with a vendor for 10–15 years and needs to know the company will survive.
- Invest in product innovation and provide detailed road maps for future product innovation and have a track record on delivering that innovation.
- Have an open API strategy that makes integration easy. No single vendor can supply everything a business needs, and integration is essential.
- Have developed a large ecosystem of partners and trained/qualified resources that are readily available locally. If the customer can't find qualified resources to hire as employees or help with the implementation, it won't be able to afford to make the software work for its business.
- Have an excellent reputation for customer support and service.

ABOUT THESE ANALYSTS

Randy Perry developed IDC's Maximizing Business Value practice and has led the practice for over seven years. As IDC's thought leader in promoting the financial benefits of IT, he has pioneered return-on-investment and cost-of-ownership methodologies and Business Value sales tools development and sales training, completing more than 75 studies over the past 10 years. He is currently building the IDC Business Value database to support IDC vendor and enterprise clients.

Christine Dover is research director, Enterprise Applications and Digital Commerce research with IDC's Software Business Solutions Group. Christine provides insight and analysis into enterprise application software vendors' product portfolios, go-to-market strategies, and ecosystems. She also provides qualitative and quantitative market sizing and research on enterprise applications and digital commerce.

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