

Moving to cloud ERP brings benefits in the form of anywhere, anytime access, along with real-time data and continuous innovation. When cloud ERP is combined with business process automation, additional benefits are found in the acceleration of cycle-time improvements, increased employee productivity, and greater operating efficiencies.

# Modern ERP Systems Paired with Business Process Transformation Strategy Can Impact Short- and Long-Term Business Performance

January 2023

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## The Metamorphosis into the Digital World

The world has changed as waves of interconnected economic, political, and social disruptions threaten to batter enterprises around the world, fracturing business plans. This constant state of change has become a continuous transformation cycle for companies as they adapt to new regulatory requirements, evolve to better serve changing customer needs, and work to drive efficiencies to maintain their market share within increasingly competitive markets. This new world is reshaping businesses into digital businesses. In IDC's *Worldwide CEO Survey* (January 2022), 95% of CEOs said they are pursuing a digital-first strategy to become a viable digital business.

Enterprises are embracing this change with a renewed vision and focus on the digital business era. The line-of-business and IT leaders in digital-first organizations are rapidly adapting to these unsettled conditions. They are slicing through the storms of disruption by transforming into resilient digital businesses where value creation is based on the effective use of fast-evolving and innovative technologies. But moving forward means the business and IT teams must work together to transform the organization by leveraging technology differently. The technology must revamp the business processes so employees can gain two things: more insights into process performance and the ability to more quickly adapt to the way the business runs. This makeover leads to improved and leaner processes, competitive differentiation, and better and more informed decisions, impacting overall performance.

## Cloud Technology

Cloud technology provides companies with the flexibility and scalability they need to move toward becoming more agile businesses. With an ability to reconfigure and reimagine processes onto a versatile technology platform, cloud technology also fosters the quick adoption of innovation. Other advantages of this approach are anywhere, anytime access as well as real-time data and continuous innovation to help frame up the cloud technology experience for the organization. Cloud technology enables the new foundation from which to bring forward a new transformative business. In fact, IDC's 2022 *Industry CloudPath Survey* found that organizations require cloud technology to compete in the digital world. However, this requirement varies depending upon the type of cloud system deployed as well as the organizational maturity and use of

## AT A GLANCE

### KEY TAKEAWAYS

- » 95% of CEOs said they are pursuing a digital-first strategy to become a viable digital business (IDC's *Worldwide CEO Survey*, January 2022).
- » 78% of ERP buyers within organizations recognize they must move toward more modern and modular applications (IDC's *Industry CloudPath Survey*, 2022).
- » Organizations indicated that adapting business processes better to match the new cloud model and standardization are reasons for the move to cloud ERP (IDC's *SaaSPath Survey*, March 2022).
- » Prioritizing business process improvements can accelerate cycle times and increase operational efficiency levels.

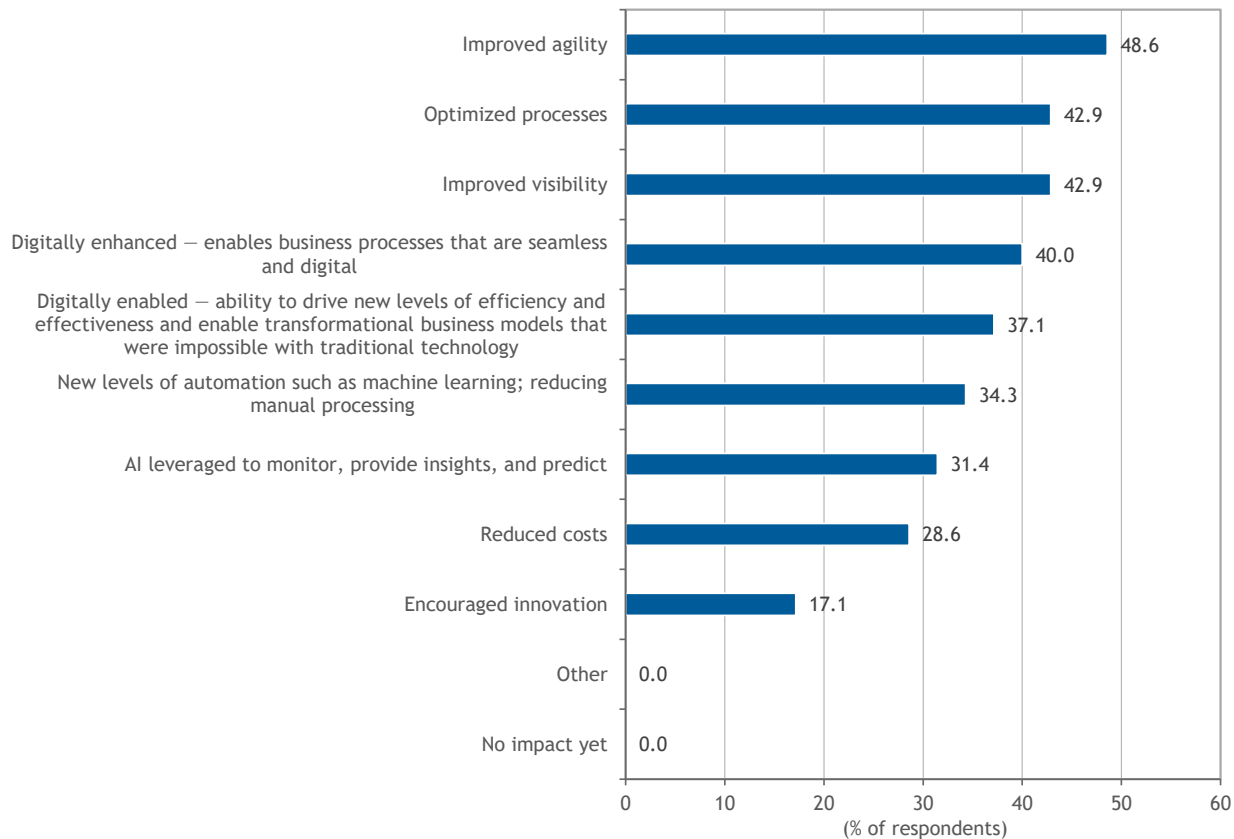
cloud technology. In fact, across 19 application areas, 72% of organizations said they will only consider or prefer to use cloud-native technology. Among ERP buyers, the percentage of respondents considering or preferring to use cloud-native technology rose to 78% as organizations recognize they must move toward more modern and modular applications.

Industry cloud solutions also leverage cloud ERP, so organizations continually utilize innovation to stay competitive and avoid being disrupted in their industry. Enterprises find that cloud ERP coupled with industry cloud solutions can enhance their ability to focus specifically on their unique business processes within their industry, setting them apart from competitors. IDC's 2022 *Industry CloudPath Survey* polled 2,070 users across 5 continents and 11 countries to understand the industry cloud practices that organizations are pursuing. According to the survey, 63% of organizations across 14 industries said industry cloud applications overall are business critical.

**Business Processes Are Improving**

As companies move to the cloud, they start to consider new methodologies and business processes. According to IDC's 2022 *SaaSPath Survey*, respondents identified "modern ERP system," "adapt our business processes better to match the new cloud model," and "standardization" as some of the underlying reasons for the move to cloud ERP. While these may be underlying reasons, the proof is in the impact of moving to the new application (see Figure 1).

FIGURE 1: **Impact of Moving to a New Application**



n = 35 U.S. respondents

Base = respondents who indicated their organization has moved/is moving to a new ERP system

Note: Multiple responses were allowed.

Source: IDC's SaaSPath Survey, March 2022

Organizations find that when they can reconfigure and reimagine processes in the digital world, they can start optimizing their processes across business areas and data sets, gaining efficiencies, economies of scale, and productivity improvements. Business process improvements can immediately provide additional value and can be done at scale to continuously improve the organization.

But this isn't just a one-time gain. As organizations refine their business, they find continuous process optimization offers endless opportunities to optimize while enhancing visibility from all fronts. For example, a manufacturing organization obtained significant benefits from continuous process optimization. Employees found faster time to insights with their business process innovation, a clear differentiating factor for the company. A plant manager with over 1,000 employees can now marry his ERP manufacturing software with business process automation capabilities, which means manufacturing can optimize the end-to-end production workflows.

This optimization removes inefficient processes, produces critical data, and redefines the process to be more effective. The continuous optimization of business processes brings forward faster, more efficient employee workflows, enabling better operational performance including throughput times and working capital. A process-centric approach helps enhance existing software, find areas for improvement, drive the change, and monitor success. Over time, this practice will lead to optimization on a continuous basis, helping with transformation strategies and execution.

Staying competitive means business processes need to be improved to provide more speed, agility, and the ability to scale. Process improvement is one of the top 5 reasons for organizations to move to cloud ERP, according to IDC's 2022 *SaaSPath Survey*.

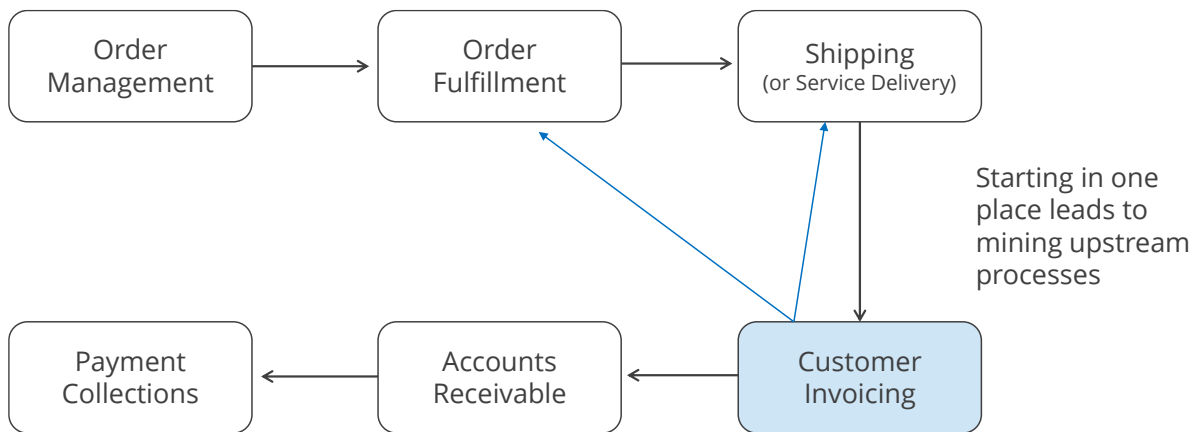
As organizations understand the benefits of the right processes in context with the varying data points, they can improve their ability to simulate new processes and design the ultimate process journey for themselves. Once these processes are implemented, companies find they have created additional value in terms of efficiency, effectiveness, and productivity.

But the benefits don't stop there. As organizations improve because of the changes they have made, they will continuously compare themselves against others with similar or even better processes. This leads to additional benefits. In fact, many organizations find that the improvement potential is enormous when they include industry benchmarks and best practices in their analysis of their own performance. Thus, business process transformation becomes a critical differentiator for their enterprise.

## ***Business Process Transformation: The Cornerstone of Operating Efficiency and Cycle-Time Acceleration***

To understand the implications of business process transformation, organizations first need to understand what the term means. Business process transformation is the practice of discovering, analyzing, designing, monitoring, managing, optimizing, and modeling business processes. It combines data science with the management of the processes to produce a statistical analysis of the business process from an efficiency aspect, and it enables the business process to be modeled and improved, ultimately generating better business value operationally.

As each individual process is improved, there is an evolution toward end-to-end improvements across the business. Figure 2 illustrates how business process changes in one place lead to changes in upstream processes.

FIGURE 2: *Individual Process Improvement Evolves to End-to-End Improvement*

Source: IDC, 2023

Finance is one key area that can yield proven benefits across the entire organization with business process transformation. Order to cash and procure to pay are two critical financial processes that stand to gain from using business process transformation capabilities. IDC finds that organizations transforming these processes have improved working capital and increased their cash-to-cash equations.

## **Benefits of Cloud Technology and Business Process Transformation**

The following are benefits of cloud solutions and business process transformation:

- » **Business transformation.** Every organization is unique, and transformation activities are part of this uniqueness. Organizations find new business models with cloud and business process transformation tools, along with process harmonization, process consolidation, and a new digital standard. As an example, the standardization of processes is transformative when a new business model such as a shared services group can be set up. Shared services consolidate operations while also improving the business overall with greater efficiencies and economies of scale. Other organizations with business transformation find industry differentiators bring more transformation in terms of optimization and innovation to their customers, such that the customers can stay competitive. Business process transformation is a clear and continuously innovative solution that allows an organization to be more agile as needed.
- » **Intelligent insights.** Employees need insightful information so they can make more actionable decisions that can affect the organization's performance for the better. Automating non-value-add tasks brings forward improved business processes, rapidly turns insights into action, and increases the ability of the organization to quickly respond and react as the business dictates.
- » **Agility, compliance, innovation, and scale.** Cloud solutions are agile, built with standardized compliant business processes. They are continually updated with innovation and ready to scale quickly as the organization grows. Cloud ERP can remain true to itself with a clean core and still reconfigure and reimagine processes onto a versatile technology platform that fosters innovation, agility, compliance, and the ability to scale continuously.

- » **Management of massive data sets.** A competitive edge requires the enterprise to outmaneuver the competition, and this capacity typically lies in the data the organization utilizes to make decisions. The digital world requires immediate and informative decisions from the data sources, but context and insights from all data sources must be managed and part of intelligent business processes. These processes can be further enhanced as more data is applied and intelligence is gathered.
- » **Collaborative process improvement.** Cloud solutions and business process transformation enable the main stakeholders across the organization to collaboratively work on the process improvements and foster greater user adoption and customer centricity.
- » **Continuous improvement.** Both cloud products and business processes undergo continuous improvement as they are streamlined, yielding additional experiences, collaborative learnings, and data sets that lead to more innovation, enhancements, and automation.

## Trends in the Market

Organizations are moving from legacy applications to more modern, modular, and intelligent applications. According to IDC's research, by mid-2025, 50% of end users will leverage artificial intelligence (AI)-infused applications moving from systems of record to systems of intelligent planning, providing a path to better outcomes. IDC finds the perfect ERP system to be a huge asset for companies as they shift to more modern systems. According to IDC's 2022 *SaaSPath Survey*, organizations indicated that their vision of the perfect ERP system is one with many of the following attributes:

- » A modern and intelligent system that enables their business to scale with speed and agility — 52.7%
- » One digital platform that handles all their internal and external workflows — 40.7%
- » Integrated digital workflows without manual workflows — 37.2%
- » Easy updates — 37.3%
- » One platform that ties easily into their CRM and front-office systems — 34.7%
- » Little to no customization — 20%

While organizations are clearly striving for the perfect ERP system, they also need to have business process transformation with it. Business process transformation improvements bring better customer experiences overall. IDC finds that as organizations mature their use of process mining, they uncover additional value:

- » Executives increasingly manage by key performance indicators (KPIs) and set goals for KPI performance.
- » Technology decisions are based on identifying improvements that will increase the quality of their process or will make a task, an activity, or a business process more efficient, faster, cheaper, or more customer responsive.
- » Technology investments are specific and aligned with each improvement.
- » Closed-loop metrics tie improvement business cases to actual KPIs and financial metrics.

As business processes continuously improve, IDC finds a new role emerging across the enterprise: the business process owner. This new role is quickly becoming a new discipline, which IDC defines as business value engineering. In addition, cross-disciplinary teams are focused on identifying structural problems across the broad context of business processes as they analyze the interconnectedness of these processes to improve them. This is business process transformation, which requires that IT and business process owners work closely together to determine how to solve problems and then monitor and produce closed-loop KPIs and financial performance metrics.

Business process transformation tools consist of process analysis and mining, process modeling and simulation, new process implementation, process automation, and process governance. IDC expects use of these tools to increase across organizations in 2026 and beyond.

### **Considering the RISE with SAP Solution**

To reduce risk and avoid disruption, enterprises need to develop new business models, drive new operational efficiencies to reinvest into growth, and modernize mission-critical systems without interruption. RISE with SAP can help organizations address those challenges. The solution is designed to enable an intelligent, sustainable enterprise in the cloud. It comes with a cloud ERP system for every business need, industry "next practices" and extensibility options, analytics and business process intelligence capabilities, and outcome-driven services from SAP and its partners. RISE with SAP is meant to drive business innovation so organizations can accomplish the following:

- » Take the lead with industry innovation for top-line, bottom-line, and green-line growth
- » Improve with live insights to continuously optimize processes
- » Secure success with a trusted partner for business needs

### **Challenges**

Organizations come in all shapes and sizes, and not all understand business process capabilities, especially when the processes are long, complex, and customized. As businesses evolve to more standard processes enabled in cloud solutions, they start to understand they can change up their own processes to bring greater value. This eye-opening understanding leads to continuous business process innovation. However, not all organizations understand this right away, and they will need to be educated on the opportunities of business process transformation.

As SAP is well-positioned to assist organizations with ERP and business process transformation, it needs to educate companies that are just starting to understand this capability.

### **Conclusion**

The business world continues to evolve into the digital world. The most advanced companies are finding business processes must continuously evolve with the organization. Such change is necessary so that organizations can perform better and meet customer expectations quickly and efficiently and so that employees can gain more insights and influence into process performance and quickly adapt to the way the business must run to be competitive. This shift leads to improved and leaner processes, competitive differentiation, and better and more informed decisions, ultimately impacting overall enterprise performance.

## About the Analyst



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Mickey North Rizza is Group Vice President for IDC's Enterprise Software. She leads the Enterprise Applications and Strategies research service along with a team of analysts responsible for IDC's coverage of the next generation of enterprise applications including digital commerce, employee experience, enterprise asset management and smart facilities, ERP, financial applications, HCM and payroll applications, procurement, professional services automation and related project-based solutions software, supply chain automation, and talent acquisition and strategies.

## MESSAGE FROM THE SPONSOR

### More About Business Process Transformation and RISE with SAP

Companies need to develop new business models to avoid disruption, gain efficiencies to drive innovation, and modernize mission-critical systems without risk. As part of that, companies need to re-think business processes and secure a successful, process-first move to cloud ERP. Business process transformation solutions from SAP can help accelerate transformation initiatives and drive process improvements by embedding process-centricity in a data-driven and collaborative way.

A value-adding business process transformation starter pack is exclusively included in RISE with SAP. It comes with a subset of capabilities of the following solutions to kick-start your transformation initiative:

- » SAP Signavio Process Insights
- » SAP Signavio Process Manager
- » SAP Signavio Process Collaboration Hub

**To learn more, contact your SAP Partner**



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