



UNLOCKING FINANCIAL EXCELLENCE:

HARNESSING CLOUD ERP FOR MID-MARKET SUCCESS

October 2023

Sarah Clayton
Senior Research Analyst, IT

[LinkedIn](#)

Overview

Leaders in mid-market companies today are challenged by core business issues like maintaining revenue and sales growth, ensuring customer satisfaction and retention, and overcoming growing technology obstacles. They're also struggling with economic challenges such as inflation, rising costs, and decreasing purchasing power from their main consumers. Mid-market companies with growth plans may feel more vulnerable to these disruptions as they seek to implement new teams, locations, and processes. However, with the right technology infrastructure, such as the use of a cloud ERP, they can efficiently scale their business with confidence. Best-in-Class (see sidebar) companies have invested in resilient process capabilities to enhance security and increase operational efficiency. This report sheds light on how these companies rely on current, accurate, and accessible data to understand past performance, evaluate current trends, and intelligently plan to capture future opportunities for growth and innovation.

Mid-market companies with 500–5,000 employees face many challenges for their overall business while also trying to grow revenue, improve efficiency and expand within existing markets and into new geographies. On top of this, they're tasked with using technology to improve data analysis and decision making. This can be problematic, as accurate and complete data lies at the heart of intelligent planning and forecasting. Disruptions to finance workflows can be detrimental, and mid-market businesses must find ways to anticipate and prevent disruptions and keep plans for improved business priorities such as operational efficiency, compliance, and data management on track.

In July 2023, Aberdeen Strategy & Research conducted a survey of 622 technology decision makers across the globe to discover market trends driving organizations to invest in Enterprise Resource Planning (ERP). 253 participating organizations had a total headcount between 500 and 5,000 employees. In this Knowledge Brief, we focus on mid-market organizations to investigate how these companies are running their ERP activities, the business challenges they face, and how technology impacts their ability to maintain and even decrease time to market amidst today's ever-changing business environment. We also review findings from our August 2021 study which surveyed 270 finance leaders on their financial planning, budgeting, and Enterprise Performance Management (EPM).

Mid-Market Leaders are Facing Growing Financial Pressures, But Have a Plan to Overcome Them

When considering how to be a mid-market leader that must navigate ongoing finance and/or ERP-related issues, it's critical to first acknowledge and understand the obstacles that must be overcome. When asked about the top pressures their organizations will face in 2023, maintaining data security and

The Aberdeen maturity class framework is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics, each respondent falls into one of three categories:

Best-in-Class ^{Top} 20%

Industry Average ^{Middle} 50%

Laggard ^{Bottom} 30%

Sometimes we refer to a fourth category, All Others, which is Industry Average and Laggard combined.

Mid-market companies are defined as companies with **500–5,000** employees.

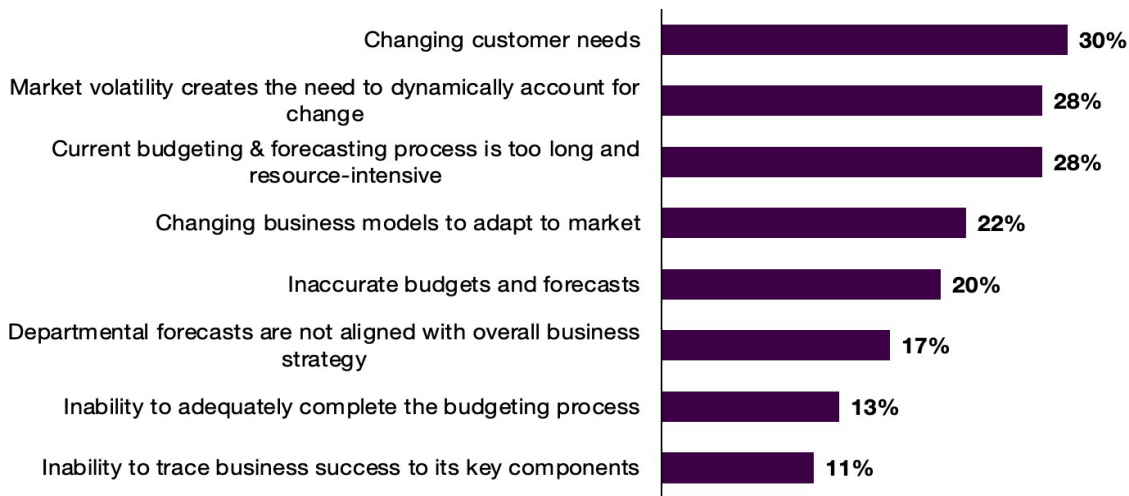
stability rose to the top with 32% of mid-market leaders selecting this as a top pressure. These companies struggle with data management—mainly security, stability, volume, and complexity. As they’ve expanded over the years, their data infrastructure has not matured with them. Leaders must often find ways to connect disparate data sources to give executives a 360-degree view of the business but without the proper systems to handle different types of data securely, mid-market companies are open to cyber threats, data loss, and the inability to reliably process data for analysis. Not only are they pressured with maintaining data security in the face of increased volume and complexity of data, but they’re also challenged by ensuring customer data is secure and that the business isn’t disrupted by security breaches.

32%

Of mid-market organizations are struggling with maintaining data security and stability.

The challenges shift when asked which pressures are driving their organization to improve its financial planning, budgeting, and forecasting processes (Figure 1).

Figure 1: Market Pressures to Improve Finance Operations



% of mid-market finance leaders rating each pressure as one of their top two

n=270, Source: Aberdeen, August 2023

Looking at Figure 1, there are three main points that stand out:

1. Changing customer needs are top of mind for all respondents (30%).
2. Not only is the market impacting what mid-market customers need from their financial systems, but market volatility that creates the need to dynamically account for change is also a top pressure (28%).
3. Budgeting and forecasting round out the top three pressures (28%). Specifically, mid-market leaders feel that the budget, planning, and forecasting process is too long and resource intensive.

Leading mid-market companies can update their forecasts monthly or even more frequently but may require automation to do so.

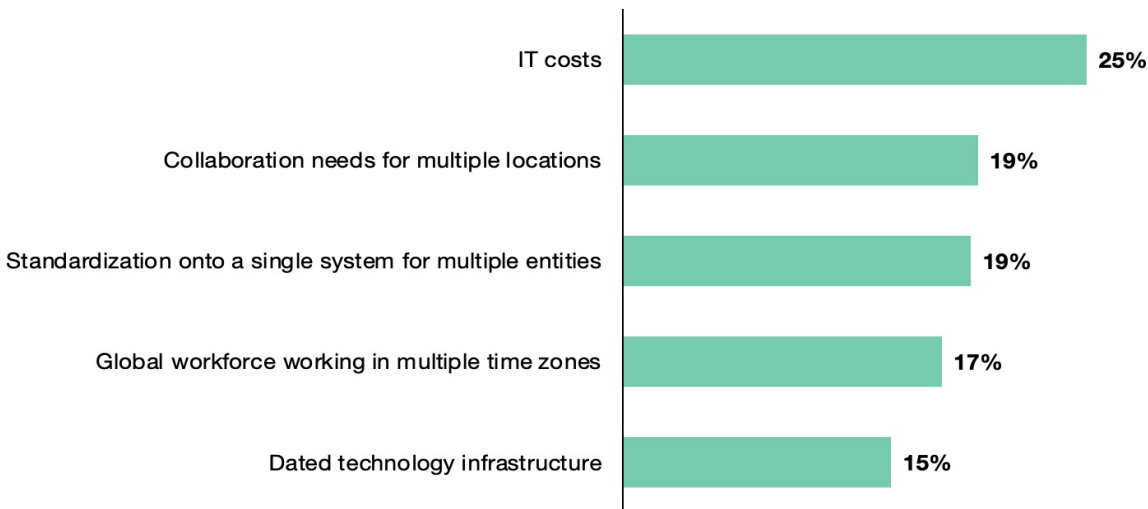
These changing customer and market needs, arduous budgeting and forecasting processes, changing business models, and other pressures are holding back mid-market organizations from achieving their goals. That said, finance leaders are building strategies to overcome these pressures (see sidebar).

In the future, these organizations plan to involve more decision-makers in the planning-budgeting-forecasting process (39%). An issue here is that more people doesn't necessarily mean an improved process as there is a greater chance for error. The good news is that the next top strategy is to eliminate the need for manual work and use automation within these processes (33%). They also plan to make data more accessible for those that need it by relying less on IT for relevant information (30%). By expanding data access and removing the human element of the collection process, these businesses have created a model for success as they aim to grow in the future.

Drivers for Implementing a Finance-led Cloud ERP

Centralizing data in a Cloud ERP system may provide an opportunity for mid-market businesses to overcome many challenges in the FP&A process discussed so far in the brief. However, executive teams will likely require hard data on why they should approve the investment in such a system (Figure 2).

Figure 2: Top Drivers to Implement Cloud ERP



% of mid-market companies rating each reason as one of their top two

n=622, Source: Aberdeen, July 2023

A quarter of respondents said that the rising IT costs would be the main driver to implement a cloud ERP (25%). Cloud-based ERPs may prove cheaper, by

Top Strategies to Overcome Financial Pressures

1. Involve more decision-makers in the planning / budget / forecasting process, **39%**
2. Automate the process flows associated with the budget process, **33%**
3. Minimize the reliance on IT for access to management information, **30%**
4. Improve ability to access and utilize data to inform forecasts, **26%**
5. Promote accountability within the organization through effective communication and monitoring, **24%**

% of mid-market finance leaders rating each strategy as one of their top 2

eliminating physical maintenance costs and related in-house IT staff. There can also be fewer upfront costs as businesses don't need a sizeable investment in hardware components or perpetual license fees. In today's hybrid work environment with employees potentially spread across the country and even the world, the need for collaboration between teams in multiple locations (19%) and globally with different time zones (17%) are also important drivers. Disparate systems that lead to the need for standardization onto a single system for multiple entities (19%), and lastly, dated technology infrastructure (15%) round out the top drivers for cloud ERP.

Mid-market companies that have outgrown or will soon outgrow their existing ERP, or those that have siloed, disparate systems typically require more manual support to aggregate, structure, and analyze financial data. This hints that they could benefit from exploring cloud ERP. Migrating may also allow businesses to take advantage of embedded, industry best practices, more frequent innovation releases, as well as new opportunities in process automation to ensure they can run their business in the most optimized way. Best-in-Class companies have already adopted technology to gain these capabilities, and other organizations can use them as a model for success.

The Best-in-Class Approach for Financial Excellence

Best-in-Class (BIC) organizations are investing in technologies that tear down data silos and provide unified, actionable insights that enable planning, enhanced reporting, and improved productivity. These technologies are automating processes and improving data sharing, as well as enhancing employee trust in data. They are doing this by utilizing a platform that's efficient, compliant, and accurate.

Aberdeen's Best-in-Class methodology (see definition on page 2) identifies the top 20% of companies based on their performance in specific KPIs and then utilizes those companies to determine what it takes to achieve such levels of success. For this analysis, Best-in-Class companies were defined based on on-time delivery, accuracy, productivity, and profitability (Table 1).

Table 1: Mid-Market Maturity Matrix for Finance Excellence

Performance Metric	BIC	All Others
Current % of financial reports that were delivered in the time needed by business managers	91%	63%
Current % of financial reports in the last 12 months that were 100% accurate	90%	64%
Average % increase in productivity over the past 2 years	+41%	+9%
Average % increase in profitability over the past 2 years	+41%	+11%

Best-in-Class Mid-Market businesses are

44%

more likely than All Others to **deliver financial reports on time** and

41%

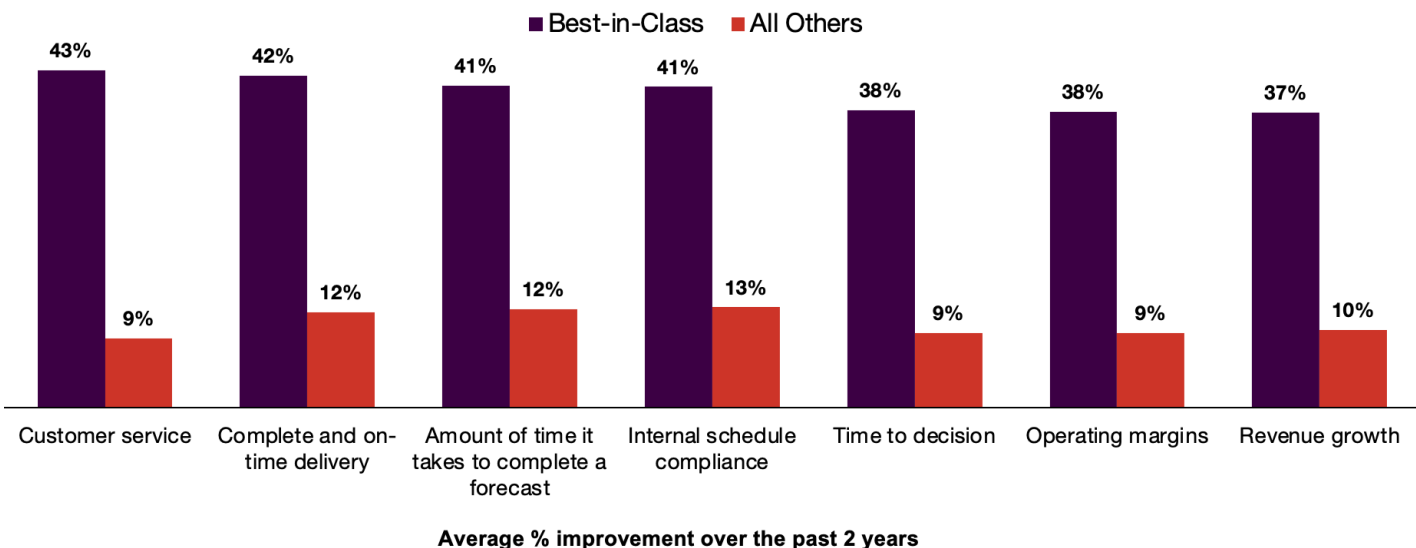
more likely to have financial reports that were **100% accurate.**

Compared to All Others, the Best-in-Class get their financial reports delivered in the time needed by business managers more quickly and accurately, and they're seeing greater annual growth in productivity and profitability. These metrics indicate that these top performers are in a better position financially to address disruptions before they migrate into bigger issues.

To set their operations up for success, the Best-in-Class also invest in capabilities that allow them to monitor compliance. In fact, **BIC companies are 30% more likely to have the capability to monitor regulatory compliance already implemented.**

The powerful results that BIC companies enjoy are amplified when compared to all others in their improvement in key metrics over the past 2 years (Figure 3).

Figure 3: Best-in-Class Performance Over 2 Years



n = 270, Source: Aberdeen, August 2023

Solutions that enable improved financial metrics are helping the Best-in-Class achieve superior time to forecast (**3.4x**), operating margins (**4.2x**), and revenue growth (**3.7x**) when compared to all others, truly showing the power of a cloud ERP.

Summary & Key Takeaways

The demand for timely and accurate financial information to enable insightful and data-driven business decisions has been a constant strain on financial teams at mid-market companies. It requires strong data management capabilities and the ability to continuously monitor the company's financial position given the ever-evolving business environment.

Finance teams must ensure all data is accurate, timely, and compliant, as they must adhere to regulatory and supervisory requirements for financial reporting. They also must optimize and automate manual processes to reduce costs and increase profitability.

Best-in-Class mid-market companies are much more likely to have invested in cloud ERP solutions that bring innovation and efficiency to alleviate top challenges for financial teams. Cloud ERP can provide a strong data management foundation that addresses the core challenges for financial teams in a challenging business climate, as well as improvements in key business metrics. Aberdeen Strategy & Research recommends following in the footsteps of the Best-in-Class by investigating whether Cloud ERP solutions are a good fit for your finance and technology strategies. Early adopters have shown its potential and your planning, budgeting, and forecasting processes may see value as well.

About Aberdeen Strategy & Research

Aberdeen Strategy & Research, a division of Spiceworks Ziff Davis, with over three decades of experience in independent, credible market research, helps **illuminate** market realities and inform business strategies. Our fact-based, unbiased, and outcome-centric research approach provides insights on technology, customer management, and business operations, to **inspire** critical thinking and **ignite** data-driven business actions.

This document is the result of primary research performed by Aberdeen and represents the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen.

18642