

P A N O R A M A

CONSULTING SOLUTIONS

2015 ERP REPORT

A Panorama Consulting Solutions Research Report



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Introduction

Panorama Consulting Solutions developed the **2015 ERP Report** to investigate ERP software selection, implementation and satisfaction trends across industries, organization sizes and geographic locations. The report summarizes Panorama’s independent research into the experiences of ERP customers with regard to enterprise software, vendors, consultants and overall implementations.

To ensure that our findings reflect the current conditions as accurately as possible, polling for the **2015 ERP Report** was conducted on two platforms: 1. Panorama’s website (Panorama-Consulting.com) during a recent twelve-month period (February 2014 to February 2015); and 2. Mint Jutras, an independent research firm, during a four-month period (December 2014 to March 2015). A total of five hundred sixty-two respondents completed the surveys upon which this data is based. The data in this report combined two data sets, and therefore, may not match that published by Mint Jutras. For example, some survey questions were included in Panorama’s survey, but not by Mint Jutras and will not be found in other reports.

Data Summary by Year

YEAR	COST	% OF COST OVERRUNS	DURATION	% OF DURATION OVERRUNS	% RECEIVING 50% OR LESS BENEFITS
2014	\$4.5MM	55%	14.3 months	75%	41%
2013	\$2.8MM	54%	16.3 months	72%	66%
2012	\$7.1MM	53%	17.8 months	61%	60%
2011	\$10.5MM	56%	16 months	54%	48%
2010	\$5.5MM	74%	14.3 months	61%	48%

According to Panorama’s independent ERP research over the past five years, the average cost of ERP implementations has been approximately \$6.1 million with an average duration of 15.7 months. Of these projects, approximately 58-percent exceeded their planned budgets, and 65-percent experienced schedule overruns. Post implementation, 53-percent of organizations achieved less than 50-percent of the measurable benefits they anticipated from new ERP software.

Of those respondents who exceeded their planned durations, a large percentage indicated that “unrealistic timelines” was the primary reason. Of those who exceeded their planned budgets, a large percentage reported “expanded scope” as the main reason.

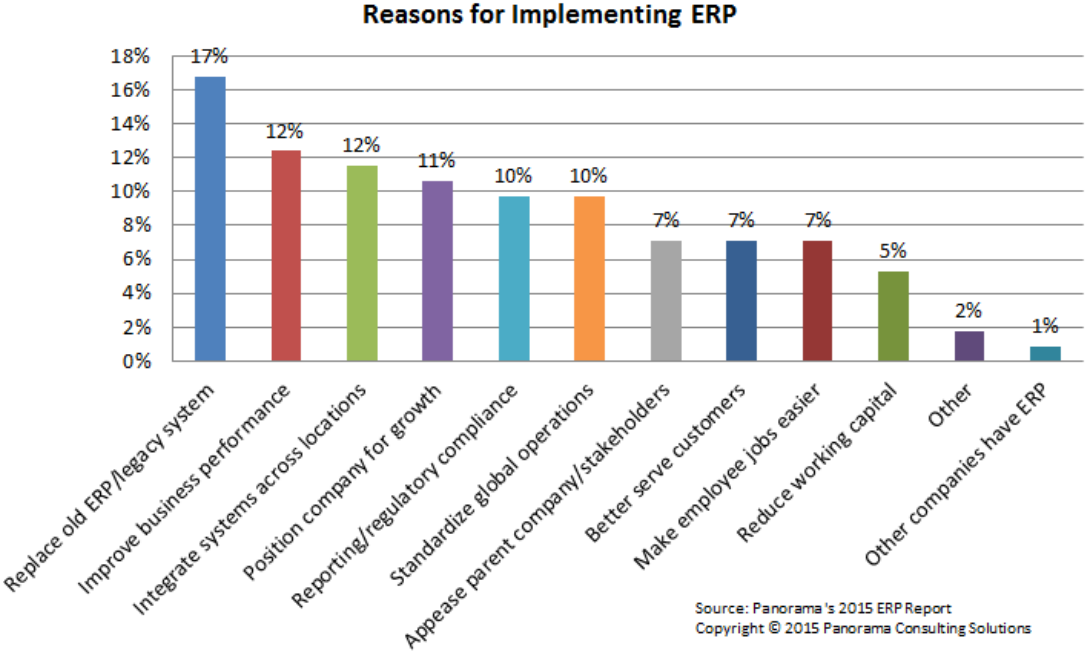
While costs, durations and benefits fluctuate year-to-year due to economic conditions, implementation trends and dataset makeup, the facts remain: organizations that do not allocate time and money to organizational change and business process management are more likely to face organizational issues, such as low buy-in, which can lead to extended durations and budget overages.

Respondent Overview

Respondent organizations represented a diverse sample of industries, sizes, revenues, goals and vendors selected. However, all respondent organizations reported having recent ERP experience. Approximately 47-percent of organizations are either in the process of implementing ERP software or have completed implementation. Of the remaining respondents, 22-percent of organizations are in the process of selecting software, 13-percent are in the process of upgrading software, and 18-percent are working on a project such as adding a functional area to an existing ERP system.

Improving Business Performance is Priority One

Among the various reasons for implementing ERP, the most common reason that organizations reported was to replace their old ERP or legacy system (17-percent). In comparison to last year, the most common reason was to improve business performance (12-percent). Overall, organizations anticipate significant benefits from their ERP systems – they expect to improve business performance, integrate systems across multiple locations and position their organization for growth.



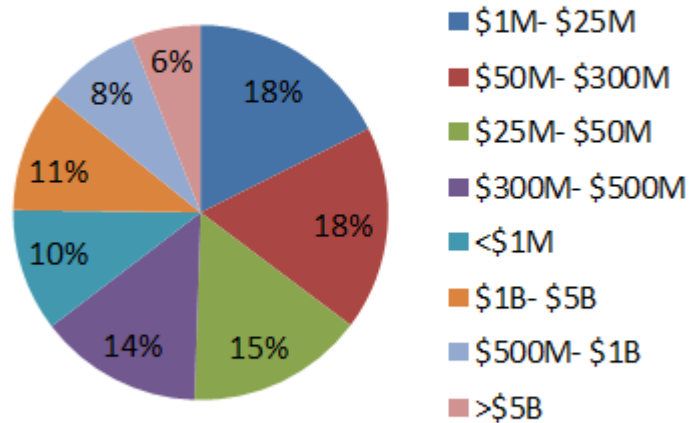
More Organizations Going Multi-site

An increasing percentage of organizations are implementing ERP across multiple offices, warehouses and sites. Last year, only 77-percent of respondents implemented ERP at two or more locations. This year, 85-percent of respondents implemented ERP at two or more locations. The largest percentage of respondents (28-percent) implemented ERP at four to five locations. Consistently, the majority of the respondent organizations (55-percent) reported that they are multinational.

Organizations that implemented ERP software did so in order to replace out-of-date, existing ERP software (33-percent), accounting software (22-percent) or homegrown systems (20-percent). The remaining 25-percent implemented ERP software in order to replace non-ERP systems or because they had no true system (i.e., paper-based processes).

Since last year, there was an increase in the percentage of manufacturing organizations represented in our survey (from 27-percent to 43-percent). Manufacturing still represents the most common industry among respondents. This may be a result of an increasing number of vendors incorporating more robust manufacturing functionality into their software. Logistics, production planning, inventory management and production functionality continue to be significant aspects of vendor software roadmaps.

Total Annual Revenue (U.S. Dollars)



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Interestingly, respondent organizations represent a much more diverse range of company sizes this year compared to last year. Last year, approximately 66-percent of organizations reported annual revenues between \$1 million and \$300 million. This year, only 51-percent of

organizations reported revenues within this range. Organizations with an annual revenue between \$300 million and \$500 million represented 5-percent of respondent organizations last year and 14-percent of respondent organizations this year. The increasing percentage of large-sized organizations participating in our survey may explain the increase in the average project cost from \$2.8 million last year to \$4.5 million this year.

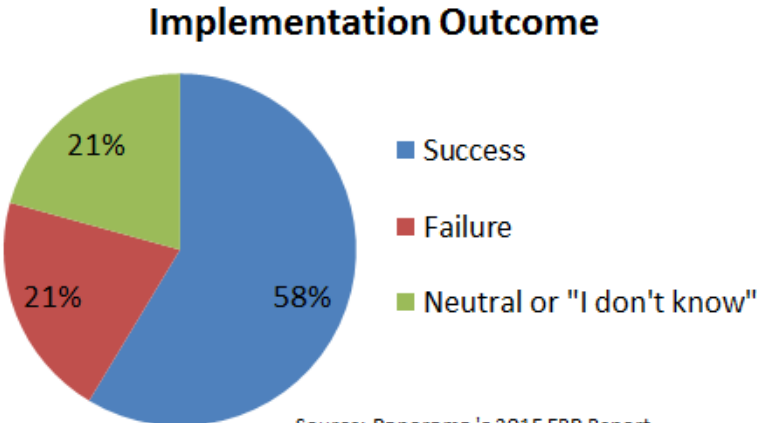
The data reveal that a large percentage of respondents (34-percent) have a total implementation cost of 3- to 5-percent of their organization's annual revenue. A significant amount of respondents (28-percent) reported implementation costs of 1- to 3-percent of their annual revenue. No respondents reported total implementation costs exceeding 30-percent of their annual revenue. **In terms of cost as a percent of organizations' annual revenue, our data show that this number is up from 4.6-percent last year to 5.9-percent this year.**

ERP Software Satisfaction Levels

Overall satisfaction with selected software has continued to decrease over the last few years. Last year, 76-percent of respondents reported that they would select their chosen software again if they had to start over. This year, only 69-percent would select their chosen software again. Although this is a decrease from the previous year, the majority of respondents still appear to be satisfied with their ERP software.

Last year, 63-percent of respondents noted that their ERP project was successful. Like the decrease in overall software satisfaction, this percentage has decreased as well. This year, only 58-percent of respondents noted that their ERP project was a success, and 21-percent considered their project a failure. Interestingly, nearly one-quarter of respondents (21-percent) are "neutral" or "do not know" if their project was a success.

Confusion or neutrality regarding ERP success is typically an indicator that organizations did not invest adequate time in software selection, business case justification, benefits realization measurement or post-implementation audits. This can also lead to ERP failure. Twenty-one percent of respondents noted that their ERP implementation was a failure, which is an increase of 5-percent from last year.



ERP Vendors

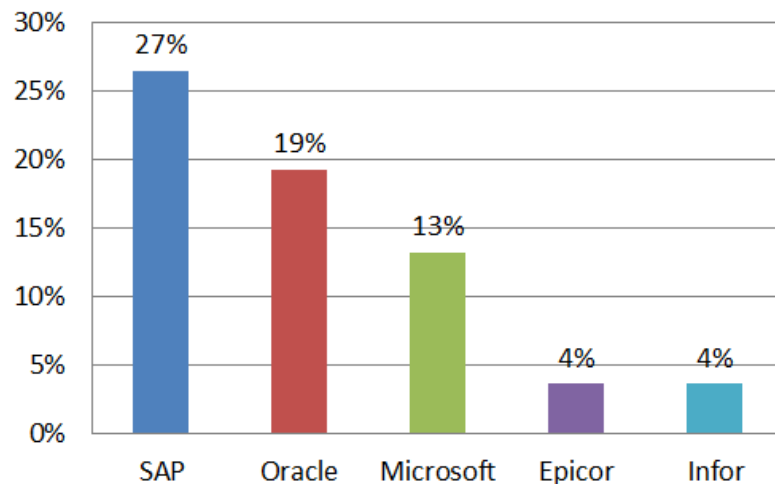
Sample ERP Vendors Included in Dataset

CDC Software
 Comcash ERP
 CresCloud
 Edible Software
 Epicor
 Evosys
 Godesys
 Infor
 IFS
 Lawson
 Microsoft Dynamics
 NetSuite
 Odoo
 Oracle
 Peoplesoft
 Plex Systems
 Produce Pro
 QAD
 Sage
 SAP
 SYSPRO
 Tyler Technologies
 Unit4

As seen in the table on the left, vendor selection continues to span a variety of vendors and software packages. This reflects the increasing number of solutions available in the enterprise technology market.

SAP continues to be the vendor most frequently shortlisted by the organizations (27-percent), followed by Oracle (19-percent) and Microsoft Dynamics (13-percent). These data points are consistent with the previous year. Epicor and Infor are also frequently shortlisted.

Most Frequently Short-Listed Vendors



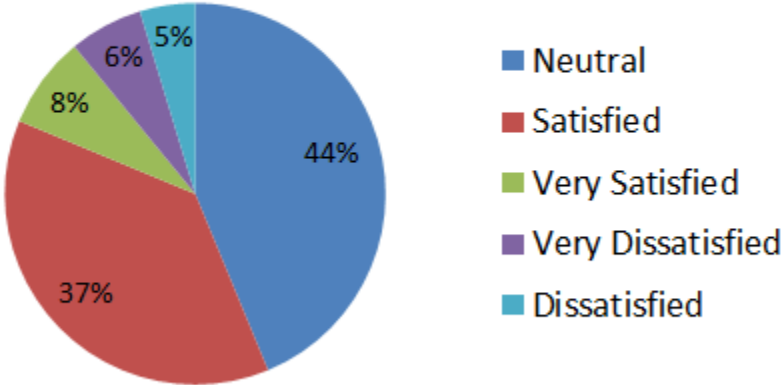
Source: Panorama's 2015 ERP Report
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After a being shortlisted, SAP is the vendor most frequently selected (39-percent), followed by Microsoft Dynamics (27-percent), Oracle (26-percent) and Epicor (6-percent). These data points may indicate that SAP has gained a larger portion of market share over the last year in comparison to Oracle and Microsoft Dynamics.

Additional vendor-specific research and analysis is available in Panorama's ***Clash of the Titans Report***.

As seen in the graph below, only 45-percent of respondents are satisfied or very satisfied with their overall ERP vendor experience. This is a relatively low percentage given the increase in reported ERP failures and decrease in overall software satisfaction. Nearly half of respondent organizations are neutral about their overall experience with ERP vendors (44-percent).

Overall Experience With ERP Vendors



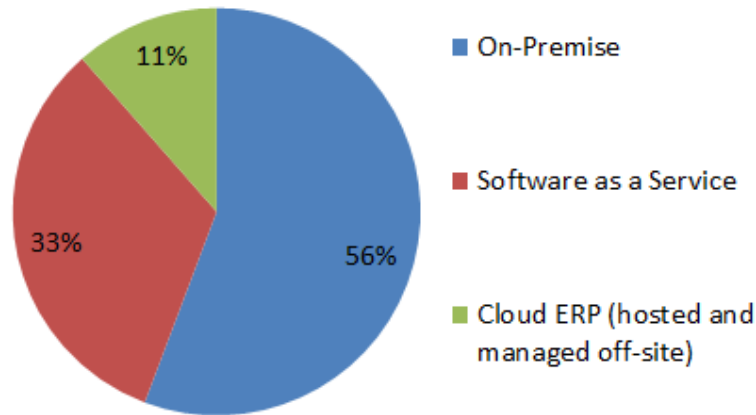
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Deployment Options

Consistent with previous years, the majority of respondents have chosen to implement on-premise ERP software. Last year, 85-percent of organizations selected on-premise software, while this year, only 56-percent of organizations implemented on-premise software. However, the implementation of software as a service (SaaS) has grown exponentially, from 4-percent last year to 33-percent this year. This year, as well as last year, 11-percent of organizations implemented cloud ERP software.

The significant increase in the use of SaaS software is not unexpected, as an increasing number of vendors are providing this deployment option. Consumers also are becoming more aware of the benefits associated with SaaS software, including the reduction of IT costs, increased reliability, accessible updates, flexibility and scalability.

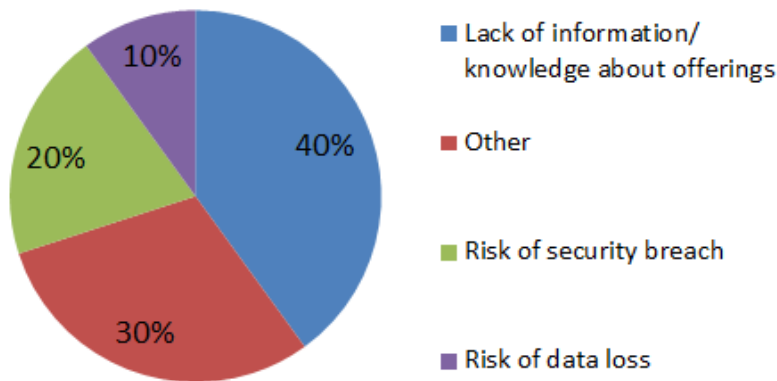
Type of ERP Software



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A commonly cited benefit of cloud ERP is reduced implementation costs. Although data points collected in previous years have not supported this standpoint, this year's respondents reported significant cost savings when implementing cloud ERP software. In fact, 56-percent of the respondents who deployed cloud technology reported implementation cost savings of 41- to 60-percent.

Reasons for not Implementing Cloud ERP



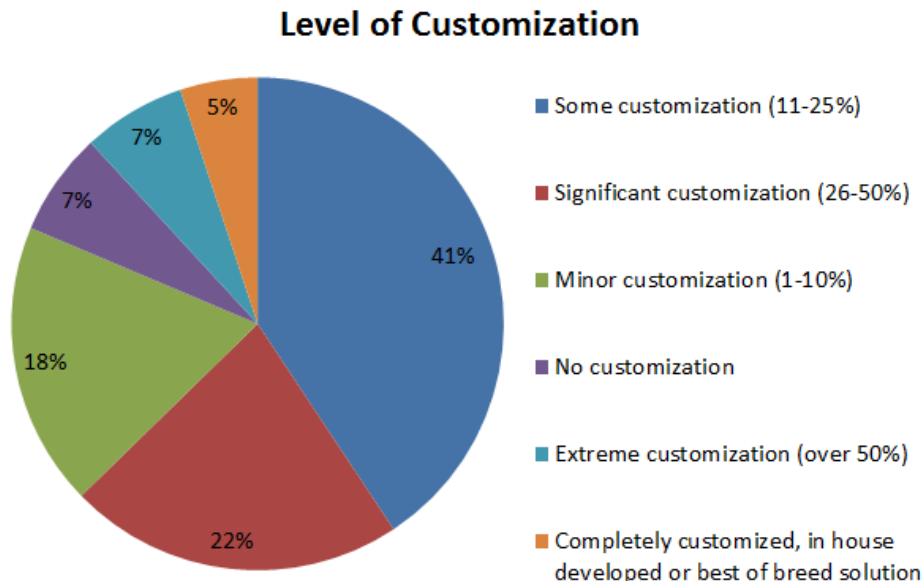
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While the market for cloud ERP is growing, the majority of respondents selected on-premise software. Reasons for this include not having sufficient information about cloud products (40-percent), perceived risk of security breach (20-percent) and perceived risk of data loss (10-percent). Based on Panorama's experience, we have found that these are misconceptions. In reality, cloud ERP vendors typically provide secure and reliable solutions. It is important for

executives to thoroughly perform their due diligence in evaluating these risks during the selection process.

Software Customization

Unforeseen costs can lead to over-budget projects. Many of these unforeseen costs are attributable to the variable cost of software customization. Performing due diligence in initial blueprinting and requirements gathering ensures the selection of an ERP system that is aligned with key business processes. Organizations that perform due diligence during software selection, generally find that the software they select requires less customization. As shown in the graph below, only 7-percent of respondents did not customize any aspect of their ERP system. An overwhelming 63-percent of organizations had some customization or significant customization.



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In comparison to last year, there was an increase in the percentage of respondents who reported extreme or complete customization. Organizations reporting extreme customization increased from 4-percent to 7-percent over the past year, and organizations with complete customization increase from 1-percent to 5-percent.

Organizations that do not clearly define their business processes before software selection likely will find that their chosen ERP system requires heavy customization to meet business requirements. While some level of customization is inevitable in most ERP implementations, avoiding unnecessary customization can significantly reduce implementation costs.

ERP Consultants

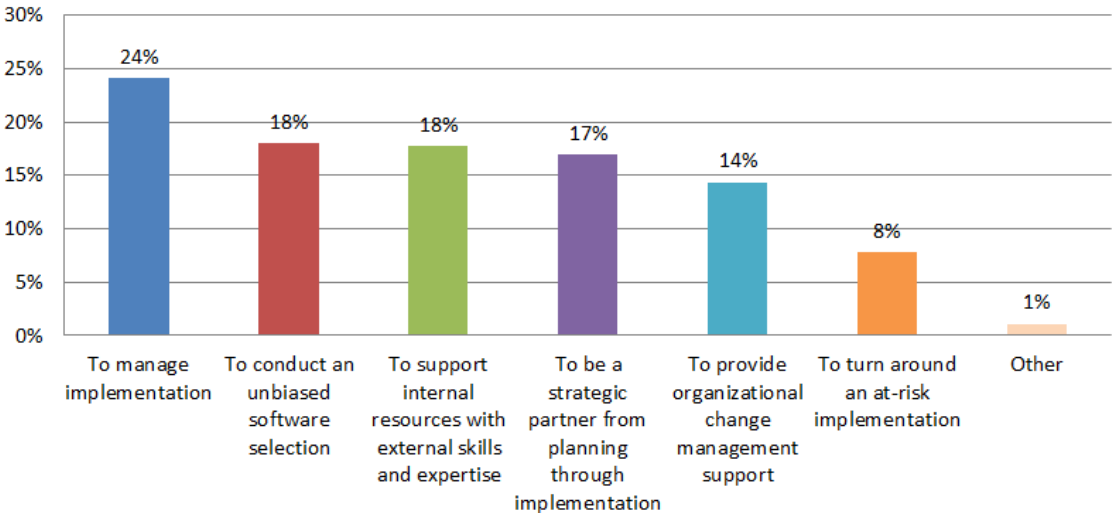
There has been a slight decrease in the percentage of respondents who have employed the services of ERP consultants. The use of ERP consultants dropped from 83-percent last year to 77-percent this year. Despite this trend, the majority of organizations continue to rely on ERP consultants in their ERP selection and implementation initiatives. As enterprise solutions continue to saturate the marketplace and the number of viable software options continues to increase, organizations are finding that ERP consultants with industry-specific expertise and experience are particularly helpful in guiding them through the selection process.

The data also indicate that organizations understand the importance of working with ERP consultants throughout the entire lifecycle of an ERP implementation. Consistent with last year's findings, a large percentage of respondents (40-percent) brought in consultants during the selection and purchasing stage of their ERP projects. One out of four respondents (25-percent) engaged consultants in the implementation stage, and 22-percent engaged consultants in the planning stage.

Interestingly, the percentage of respondents working with consultants in post-implementation phases shows an increase since last year (from 3-percent to 13-percent). The increase in ERP failures this year appears to be having a direct impact on the way that organizations are working with ERP consultants.

More organizations are seeing the value of ERP consultants when it comes to managing an ERP implementation (from 19-percent last year to 24-percent this year). Organizations also prefer to rely on ERP consultants to help them conduct an unbiased software selection (18-percent) and to support internal resources with external skills and expertise (18-percent).

Why Organizations Used ERP Consultants

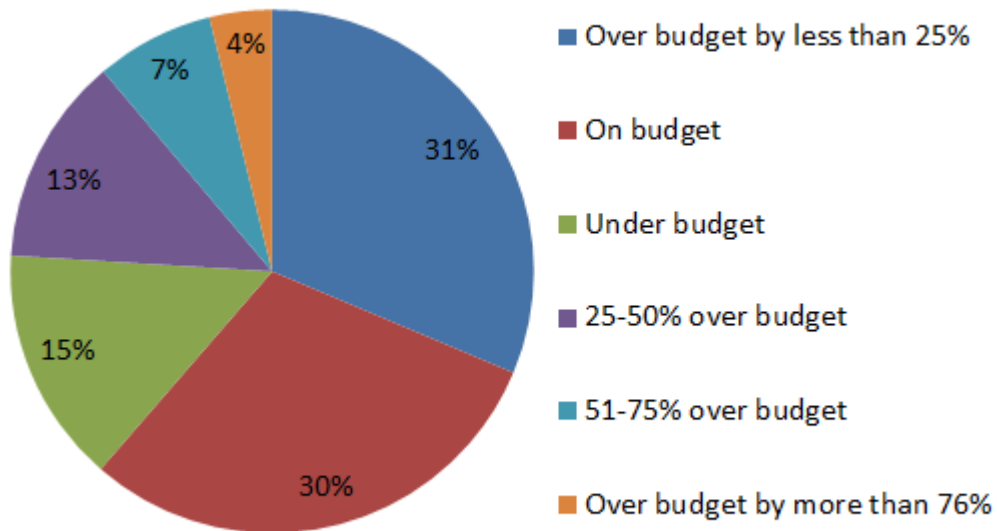


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Project Budgets

More than half of respondents reported that they exceeded their implementation budgets (55-percent), which is 1-percent higher compared to last year's findings. Respondents reporting that their projects were on-budget decreased from 37-percent last year to 30-percent this year. This could explain why the average project cost increased by \$1.7 million since last year.

Implementation Costs

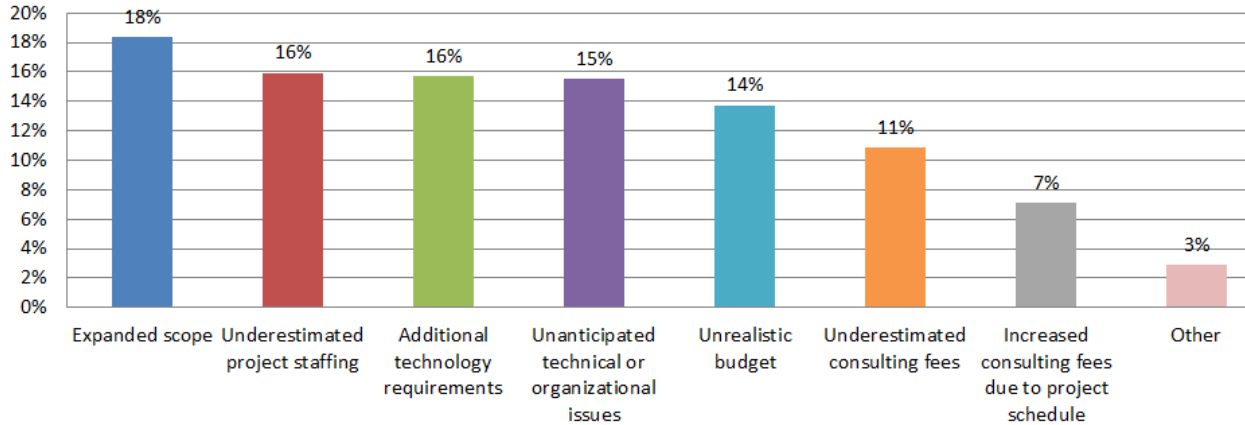


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Of the projects that exceeded budget, a large percentage exceeded budget by less than 25-percent (31-percent). Compared to last year, a higher percentage of respondents completed their implementations under-budget (from 9-percent last year to 15-percent this year).

The most common reason for projects going over budget remains the same as last year – the initial project scope was expanded (18-percent). Other common reasons for budget overages include project staffing underestimates in the initial budget (16-percent), and additional technology needed to meet project goals (16-percent). Although “increased consulting fees” and “underestimated consulting fees” are often viewed as common causes of budget overages, these were the least common reasons reported by respondents.

Reasons for Budget Overages



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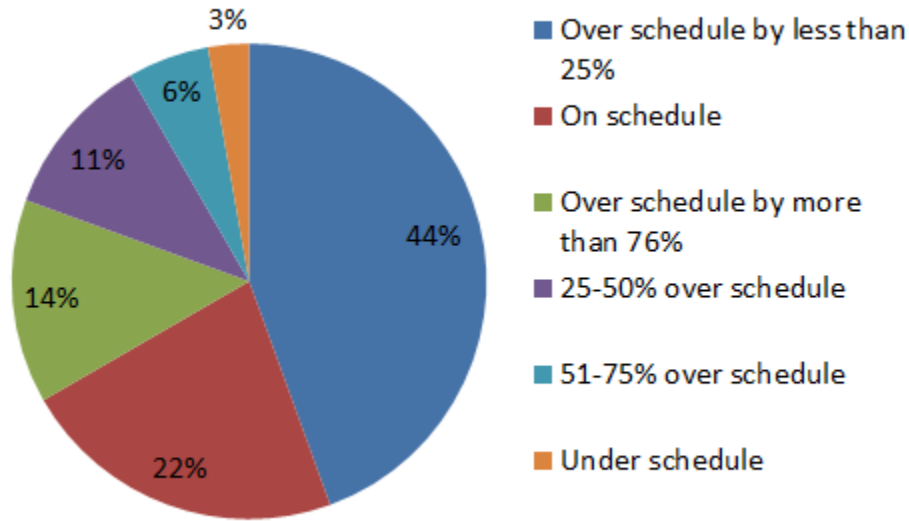
As noted, implementation costs increased by approximately \$1.7 million, from an average of \$2.8 million last year to \$4.5 million this year. This may indicate that organizations are getting smarter about investing in important project components upfront – such as organizational change management – so they do not encounter higher costs down the road when investing in last-minute training and communication. This increase in implementation costs may also be a result of the increase in the number of implementation sites and the increased level of software customization.

A large percentage of respondents (41-percent) used 25-percent or less of their budget on business process management or organizational change management activities. Respondents were more likely to allocate a large portion of their budget to consulting fees (35-percent). These respondents reported that 61- to 75-percent of their project budget was used for consulting fees. Although this year's data may point to organizations' stronger understanding of organizational change and business process management, organizations still appear to invest little of their budget in these critical success factors.

Project Durations

In addition to budget overages, extended timelines also plague ERP implementations. The data reveal that 75-percent of projects exceeded their initial estimated timeline. The average duration of these implementations was 14.3 months.

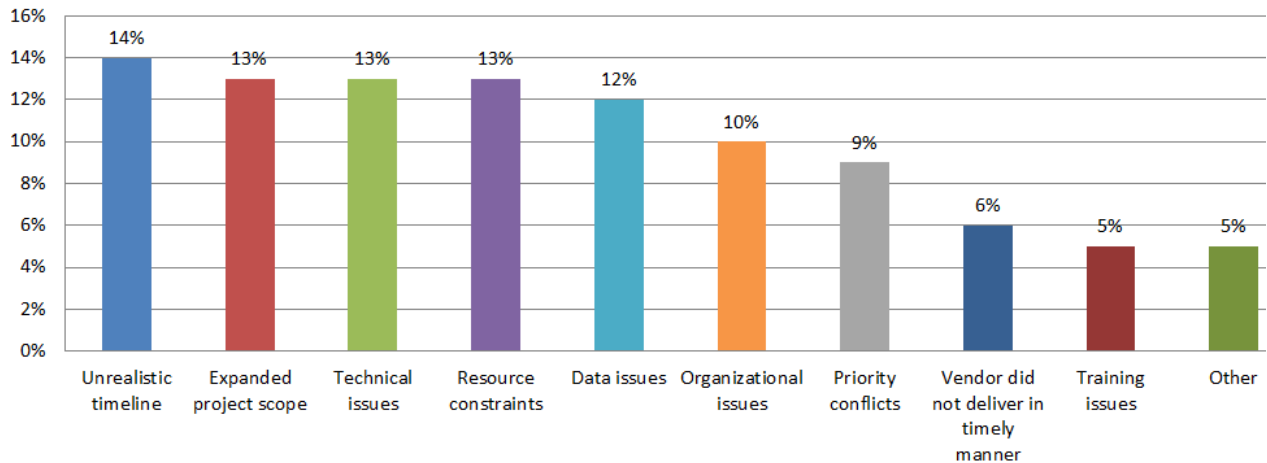
ERP Project Duration



Source: Panorama's 2015 ERP Report
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In comparison to last year, smaller schedule overages (over schedule by less than 25-percent) are becoming more common. In fact, the percentage of organizations experiencing this degree of schedule overage increased by 8-percent since last year. However, very few organizations implement on-schedule, as they struggle to estimate timeline and scope. The percentage of projects that were on-schedule remained quite low (25-percent).

Reasons for Timeline Overages



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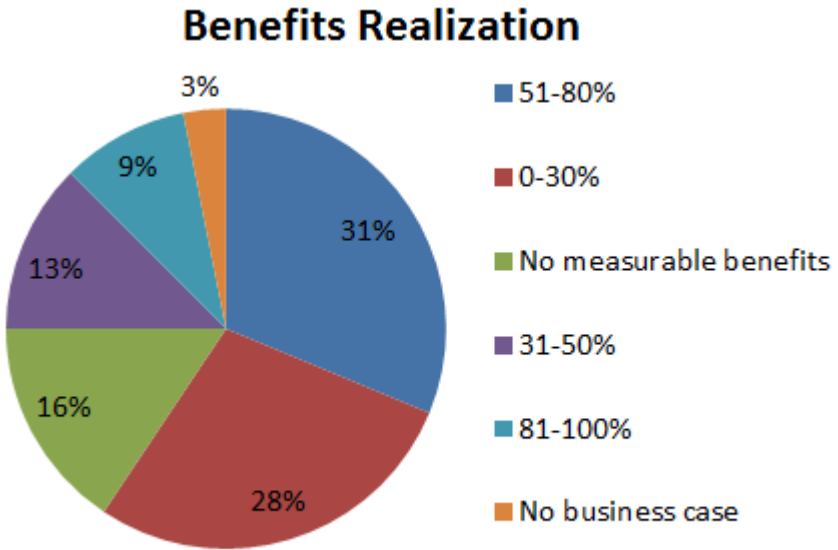
The top five reasons for timeline overages were unrealistic timeline (14-percent), expanded project scope (13-percent), technical issues (13-percent), resource constraints (13-percent) and

data issues (12-percent). “Organizational issues” was a reason noted by only 10-percent of respondents. Last year, “organizational issues” was the most common reason for timeline overages. As more organizations recognize the importance of organizational change management and incorporate it into their ERP projects, they are experiencing fewer organizational issues than in previous years.

In Panorama’s experience, extended durations can also be caused by a lack of third-party guidance, implementation planning and business process improvements, among other reasons.

Benefits Realization

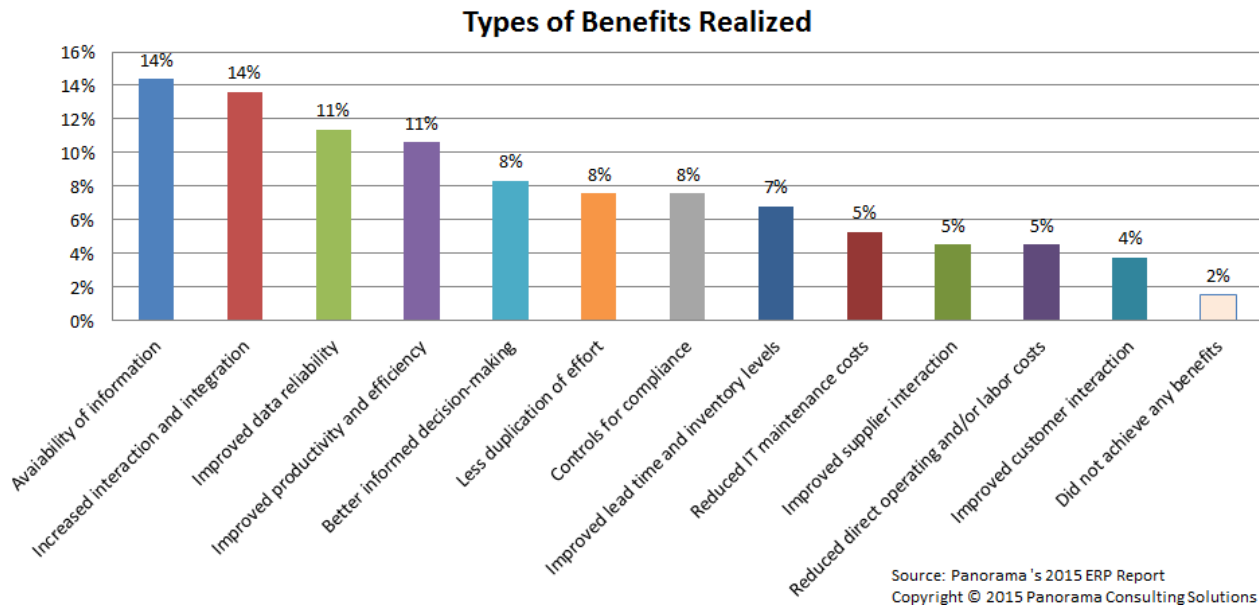
Enterprise solutions provide organizations with a multitude of business benefits, which ultimately justifies the financial investment and time commitment required for an ERP implementation. In order to achieve expected business benefits, a business case and benefits realization plan should be developed early in the project. This includes the identification and validation of key performance indicators and the completion of post-implementation audits. As Panorama’s research indicates, many organizations only realize a small percentage of business benefits because the parameters were not adequately set up to measure benefits realization.



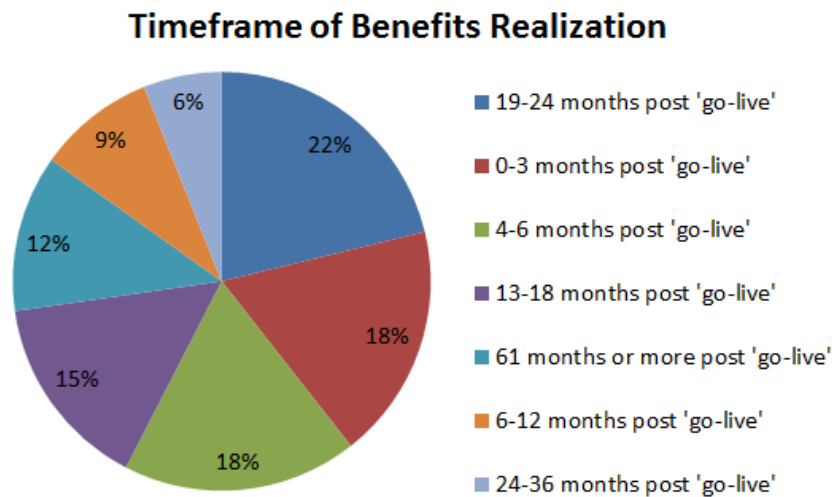
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Similar to last year, about 81-percent of respondents realized measurable business benefits from their ERP implementations. Of those, 41-percent realized less than half of the benefits that they anticipated. An additional 16-percent of respondents stated that they did not realize any measurable benefits, and 3-percent did not develop a business case to measure benefits

realization. In both of the latter cases, organizations most likely had a lack of clarity on how to measure quantitative benefits.



Similar to last year, one of the most common benefits organizations realized is the availability to information (14-percent). The same percentage of organizations realized benefits related to increased interaction (14-percent) and increased integration of business processes (14-percent). Other benefits included improved data reliability (11-percent) and improved productivity and efficiency (11-percent). Very few respondents indicated that they realized benefits related to customer interaction improvements.

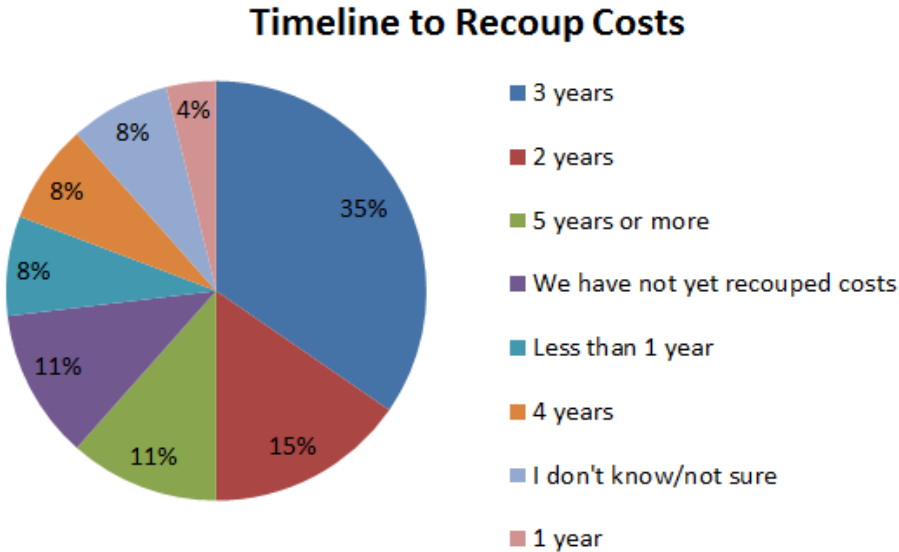


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As seen in the graph above, a large percentage of respondents realized business benefits between 19 and 24 months after go-live (22-percent). A fairly large segment of the respondents (36-percent) achieved business benefits within 6 months of go-live.

Timeline to Recoup Costs

Last year’s report indicated that a large percentage of respondents had not yet recouped the costs of their ERP projects (27-percent). This year, that segment of respondents decreased to 11-percent. This year also revealed a lower percentage (8-percent) of organizations that were unsure of whether they had recouped their costs.



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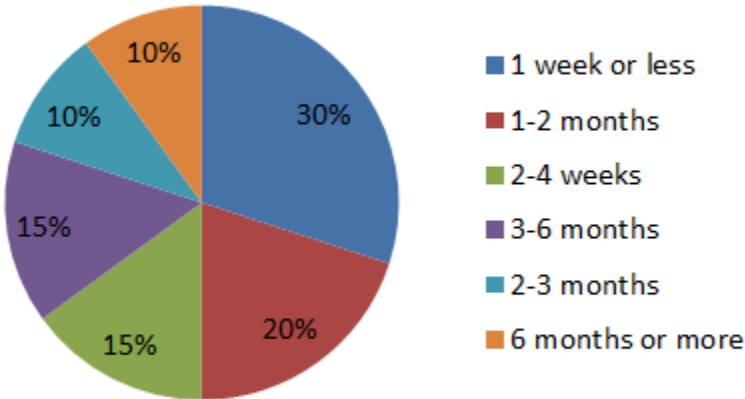
A large percentage of respondents (35-percent) reported that they recouped the costs of their project three years after go-live. Fifteen-percent of organizations indicated that they recouped costs two years after go-live, and 11-percent recouped costs five or more years after go-live. While it’s important to set realistic expectations with regard to project budget and payback period, some organizations are so overwhelmed by the task of implementation that they overlook the importance of achieving returns in the short- and long-term. Third-party assistance can greatly improve an organization’s return on investment and the time it takes to achieve a return on investment.

Operational Disruption

Considering the metrics throughout this report, it is not surprising that more than half (52-percent) of organizations experience some type of material operational disruption at go-live.

This is slightly higher than last year's findings where 51-percent experienced an operational disruption. Despite efforts to increase efficiency and streamline business processes, many organizations find that they are not able to do something as simple as ship products or close the books when they finally go-live with their ERP system.

Length of Operational Disruption



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Although the majority of respondents experienced an operational disruption, 30-percent experienced this disruption for one week or less. Unfortunately, the data also indicate that approximately 55-percent of the respondents experienced the disruption for a month or more.

ERP implementations are plagued by technical, process and organizational issues – all or any of which can cause an operational disruption. According to Panorama's research and experience, it is the process and organizational issues that pose the most risk. Technical issues do exist, and are likely responsible for short-term disruptions, but they are typically more quickly and more easily resolved than organizational issues.

Conclusion

Panorama's research continues to reveal the extent to which organizations struggle with ERP implementations. The majority of organizations report extended implementation durations and over-budget projects. ERP failure is also on the rise as 5-percent more respondents compared to last year noted that their ERP implementation was a failure.

While reasons for budget and timeline overages vary, there is a common thread – each of these reasons relate to or are directly mitigated by organizational change management. However, the majority of respondents did not allocate a significant portion of their budgets to either organizational change management or business process reengineering. Organizations that do

not allocate time and money to these critical success factors are more likely to implement over-budget and experience timeline overages due to end-user resistance and low system usage.

The data indicate that the same organizations that are struggling with budget and timeline overages are also unlikely to seek guidance from ERP consultants. Since last year, there has been a decrease in the percentage of respondents who engaged ERP consultants. Of those that do choose to work with ERP consultants, the nature of the organization's engagement with consultants has shifted. Compared to last year, a higher percentage of organizations are relying on consultants to guide them through the post-implementation phases of their project. Post-implementation activities often involve project recovery work as well as the verification and validation of vendor contracts and overall project deliverables.

Through the years, our research has emphasized the importance of organizational change management and business process reengineering. This year, the data point to a need for these same success factors. Third-party guidance is essential, and the ideal consulting firm is one that can help ensure that every dollar spent on an ERP project contributes to your organization's long-term goals. Organizations with strong third-party guidance understand that a significant amount of their time and budget should be allocated to organizational change management and business process reengineering in order to maximize benefits realization.

About Panorama Consulting Solutions

Panorama Consulting Solutions specializes in the enterprise consulting, enterprise resource planning (ERP) and IT market for mid- to large-sized, private and public sector organizations across the globe. One-hundred percent independent of affiliation, Panorama helps firms evaluate and select ERP software, manages the implementation of the software and facilitates all related organizational changes to ensure that each of its clients realize the full benefits of their ERP implementation. We also offer our clients IT strategy, business process reengineering, ERP staffing, sales assessments, energy fueling assessments, emergency/disaster fund management, independent verification and validation, project management oversight and expert witness testimony. Panorama maintains a global presence with current offices in Denver, Chicago, Boston, San Francisco, Lima, Dubai, Houston and New York.

More information can be found on its website, Panorama-Consulting.com and Twitter feed, [Twitter.com/PanoramaERP](https://twitter.com/PanoramaERP).