2017 Report on ERP Systems & Enterprise Software
Panorama Consulting Solutions developed the 2017 Report on ERP Systems and Enterprise Software to investigate software selection, implementation and satisfaction trends across industries, organization sizes and geographic locations. This report summarizes Panorama’s independent research into the experiences of software customers with regard to enterprise systems, vendors, consultants and overall implementations.

To ensure that our findings reflect the current conditions as accurately as possible, polling for the 2017 Report was conducted on Panorama’s website during a recent twelve-month period (March 2016 - February 2017). A total of 342 respondents completed the surveys upon which this data is based.
## Data Summary by Year

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Revenue</td>
<td>$530M</td>
<td>$960M</td>
<td>$464M</td>
<td>$445M</td>
</tr>
<tr>
<td>Implemented Cloud ERP</td>
<td>11%</td>
<td>11%</td>
<td>27%</td>
<td>6%</td>
</tr>
<tr>
<td>No Customization</td>
<td>9%</td>
<td>7%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Used Consultants for OCM</td>
<td>13%</td>
<td>14%</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td>Project Cost</td>
<td>$2.8M</td>
<td>$4.5M</td>
<td>$3.8M</td>
<td>$1.3M</td>
</tr>
<tr>
<td>Experienced Cost Overruns</td>
<td>54%</td>
<td>55%</td>
<td>57%</td>
<td>74%</td>
</tr>
<tr>
<td>Project Duration</td>
<td>16.3 months</td>
<td>14.3 months</td>
<td>21.1 months</td>
<td>16.9 months</td>
</tr>
<tr>
<td>Experienced Duration Overruns</td>
<td>72%</td>
<td>75%</td>
<td>57%</td>
<td>59%</td>
</tr>
<tr>
<td>Received 50% or Less Benefits</td>
<td>66%</td>
<td>41%</td>
<td>46%</td>
<td>37%</td>
</tr>
<tr>
<td>Experienced Operational Disruption</td>
<td>51%</td>
<td>52%</td>
<td>48%</td>
<td>56%</td>
</tr>
</tbody>
</table>
Distribution represents the most common industry among respondents, followed by manufacturing.

Since last year, there has been an 8% decrease in respondents within the manufacturing industry.
Respondent organizations represent a wide range of company sizes. The majority of organizations reported at least $50 million in annual revenue, and the average annual revenue was $445 million.
Reasons for ERP

17% To Improve business performance
14% To ensure compliance
14% To make employees jobs easier
13% To better integrate systems across locations

Compared to last year, there was an 8% increase in organizations wanting to integrate systems across locations, and a 7% decrease in organizations wanting to replace old legacy systems.

Reason for Implementing ERP

- Improve business performance: 17%
- Make employee jobs easier: 14%
- Ensure reporting/ regulatory compliance: 14%
- Better integrate systems across locations: 13%
- Replace an old ERP or legacy system: 9%
- Position the company for growth: 9%
- Better serve customers: 8%
- Standardize global business operations: 6%
- Appease the parent company/stakeholders: 5%
- Reduce working capital: 3%
- Other companies have ERP: 2%

Source: Panorama’s 2017 ERP Report
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Since last year, there has been a **21% decrease** in respondents implementing **cloud ERP**. On the other hand, there has been a **10% increase** in respondents implementing **SaaS software**, and an **11% increase** in respondents implementing **on-premise software**.

**Type of ERP Software**

- **On-premise**: 67%
- **SaaS**: 6%
- **Cloud ERP**: 27%

*Source: Panorama’s 2017 ERP Report*

**Why Not Cloud?**

- **72%** Risk of data loss (perceived)
- **12%** Risk of security breach (perceived)
The ideal level of software customization is 10 to 20%. This year, the majority of organizations stayed within this range.

While few respondents reported no customization, there has been a 6% year-over-year decrease in respondents reporting extreme or complete customization.

Source: Panorama’s 2017 ERP Report
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Reasons for Consultants

27% To manage implementation
22% To provide organizational change management support
19% To conduct an unbiased software selection

Since last year, there has been an increase in the percentage of organizations relying on consultants for organizational change management, and a decrease in the percentage of organizations relying on consultants for implementation planning.
Compared to last year, an increasing percentage of organizations are investing in organizational change management.  

84% of respondents reported either a moderate or intense focus on change management, while only 16% reported very little or no focus.
Not only are more organizations focusing on organizational change management, but they are also spending an abundance of time on business process management. **93%** of respondents **improved some or all** of their business processes, which is a significant increase over last year.

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**Business Process Management Focus**

- 75% Improved all business processes
- 18% Improved key business processes
- 7% We did not improve business processes

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While there has been a \textbf{13\%} \textit{increase} in success rates since last year, there also has been a \textbf{19\%} \textit{increase} in respondents characterizing their project as a \textbf{failure}. Both of these increases were due to the dramatic decrease in respondents reporting outcome ambiguity.
Over the past two years, there has been an increasing percentage of respondents who were so satisfied with their software that they'd select the same system again given the opportunity to travel back in time. While only 74% of respondents reported software satisfaction last year, 89% of respondents reported software satisfaction this year.

However, in terms of their overall vendor experience, only 26% of respondents reported vendor satisfaction, which is a 28% decrease since last year. Working with a vendor negotiation expert can help your organization save money by ensuring that you purchase only necessary functionality.
74% of respondents exceeded their original budget, which is an increase over last year.

26% of respondents were on budget or under budget, which is a decrease since last year.

While organizations continue to experience budget overruns, their average implementation cost has actually decreased from $3.8 million last year to **$1.3 million** this year. This is likely due to the smaller and less complex organizations in this year’s sample.

On average, organizations spend **3.6% of their annual revenue** on their project (according to data from Panorama’s clients as opposed to survey respondents).
Budget Overruns

23% Unanticipated technical/organizational issues

22% Additional technology requirements

20% Expanded scope

Compared to last year, the percentage of organizations experiencing unanticipated technology requirements increased, while the percentage of organizations reporting expanded project scope decreased.

Reasons for Budget Overruns

- Consulting fees rose as project schedule slipped: 4%
- Unrealistic budget: 5%
- Underestimated consulting fees: 9%
- Underestimated project staffing: 17%
- Expanded scope: 20%
- Additional technology requirements: 22%
- Unanticipated technical/organizational issues: 23%

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Nearly half of respondents reported on-schedule or under-schedule projects, which is similar to last year. However, 59% of respondents reported that they exceeded their initial project timeline.

Overall, the average implementation duration was 16.9 months, which is a 19% decrease since last year.
This year, the top two culprits matched last year’s findings: Expanded Scope and Data Issues. The difference lies in the percentage of respondents reporting expanded scope, which increased since last year.

### Reasons for Schedule Overruns

- **Vendor did not deliver in timely manner**: 3%
- **Training issues**: 4%
- **Priority conflicts**: 6%
- **Resource constraints**: 9%
- **Unrealistic project timeline**: 13%
- **Organizational issues**: 15%
- **Technical issues**: 15%
- **Data issues**: 16%
- **Expanded project scope**: 19%

Source: Panorama’s 2017 ERP Report

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While 78% of respondents realized business benefits, 37% of respondents realized less than half of the benefits they expected. However, compared to last year, a lower percentage of respondents reported absolutely zero benefits.

Since last year, there has been a 9% increase in organizations that did not develop a business case to measure benefits realization.
48% of respondents realized business benefits within six months of go-live, which is a 13% increase over last year.

As more organizations are realizing benefits sooner, fewer organizations are waiting long periods of time to realize benefits. The percentage of organizations waiting more than 24 months to realize benefits decreased by 13% since last year.

While certain benefits take longer to realize than others, organizations should, in general, aim for benefits realization within 18-24 months of go-live.
13% Increased interaction across the enterprise and integration of business operations and processes

12% Availability of information

12% Improved productivity and efficiency

Compared to last year, the percentage of organizations reporting increased interaction/integration increased, while the percentage of organizations reporting improved interaction with customers decreased.

Types of Benefits Realized

- Reduced IT maintenance costs: 2%
- Reduced operating/labor costs: 4%
- Improved interaction with customers: 5%
- Controls for compliance: 6%
- Improved lead time and inventory levels: 7%
- Improved interaction with suppliers: 8%
- Better informed decision-making: 10%
- Less duplication of effort: 10%
- Improved data reliability: 11%
- Improved productivity and efficiency: 12%
- Availability of information: 12%
- Increased interaction/integration: 13%

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Since last year, there has been an **11% decrease** in respondents who had **not yet recouped the costs** of their software investment.

However, there also was a **14% increase** in respondents who were **unsure** if they had recouped any costs. To add insult to injury, there was a **15% decrease** in respondents recouping costs in **two years or less**.
56% of organizations experience some type of material operational disruption at go-live, which is a slight increase over last year. However, 68% experienced this disruption for four weeks or less, which is an increase over last year. Additionally, there was a 13% decrease in disruptions lasting more than three months.
Conclusion

The benchmarks in this report – along with other realistic expectations – can help your organization develop an effective implementation plan. As you pursue digital transformation, here are some key take-aways:

1. **Invest in Organizational Change Management** – Compared to last year, more organizations reported a strong focus on change management. It’s possible that the decrease in organizations’ average implementation cost and duration was a direct result of this increased investment in communication and training.

2. **Remember Business Process Management** – Putting a system on top of inefficient processes is futile, and more organizations seem to be realizing it. Benefits realization is tied to process improvement, which is reflected in the decreasing number of organizations reporting zero business benefits.

3. **Always Measure Results** – How will you know if your project was worth the effort if you don’t define key performance indicators? The increasing number of organizations saying they did not develop a business case accompanied by the increase in budget overruns is no coincidence.

While each organization has unique variables that determine the time, money and resources required for success, there are no exceptions when it comes to organizational change and business process management – every organization needs at least a moderate focus on these two success factors.
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 software, manages the implementation of software and facilitates all related organizational changes to ensure that each of its clients realize the full benefits of their new technology.

We also provide guidance related to IT strategy, business process reengineering, IT staffing, independent verification and validation, project management oversight and expert witness testimony.

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