



2017 Report on ERP Systems & Enterprise Software



Introduction

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.

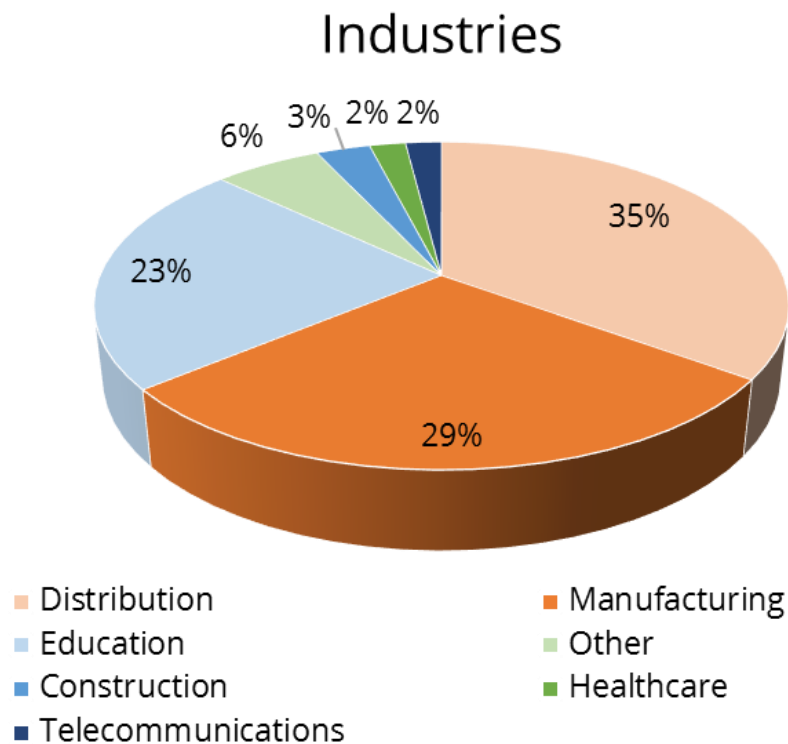
Data Summary by Year

| Year | 2013 | 2014 | 2015 | 2016 |
|---|-------------|-------------|-------------|-------------|
| Annual Revenue | \$530M | \$960M | \$464M | \$445M |
| Implemented Cloud ERP | 11% | 11% | 27% | 6% |
| No Customization | 9% | 7% | 10% | 12% |
| Used Consultants for OCM | 13% | 14% | 13% | 22% |
| Project Cost | \$2.8M | \$4.5M | \$3.8M | \$1.3M |
| Experienced Cost Overruns | 54% | 55% | 57% | 74% |
| Project Duration | 16.3 months | 14.3 months | 21.1 months | 16.9 months |
| Experienced Duration Overruns | 72% | 75% | 57% | 59% |
| Received 50% or Less Benefits | 66% | 41% | 46% | 37% |
| Experienced Operational Disruption | 51% | 52% | 48% | 56% |

Industries

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.



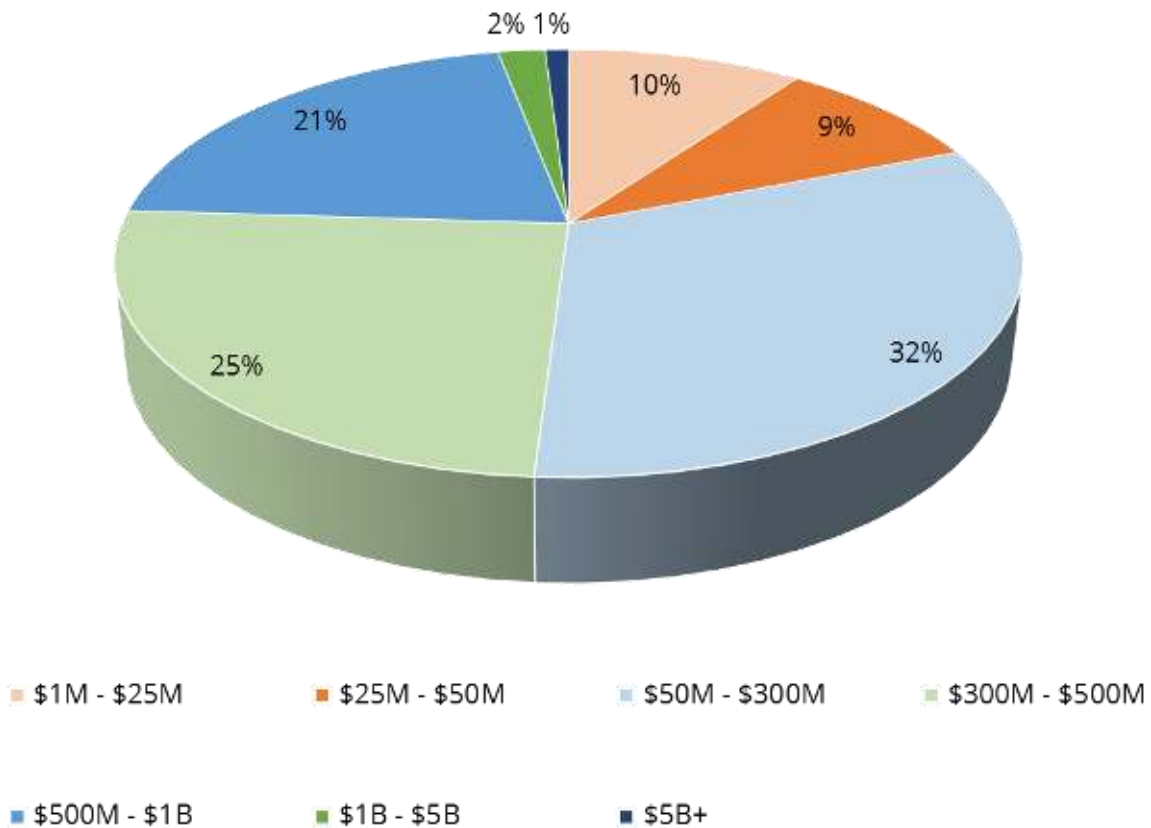
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Annual Revenue



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**.

Total Annual Revenue (U.S. Dollars)



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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

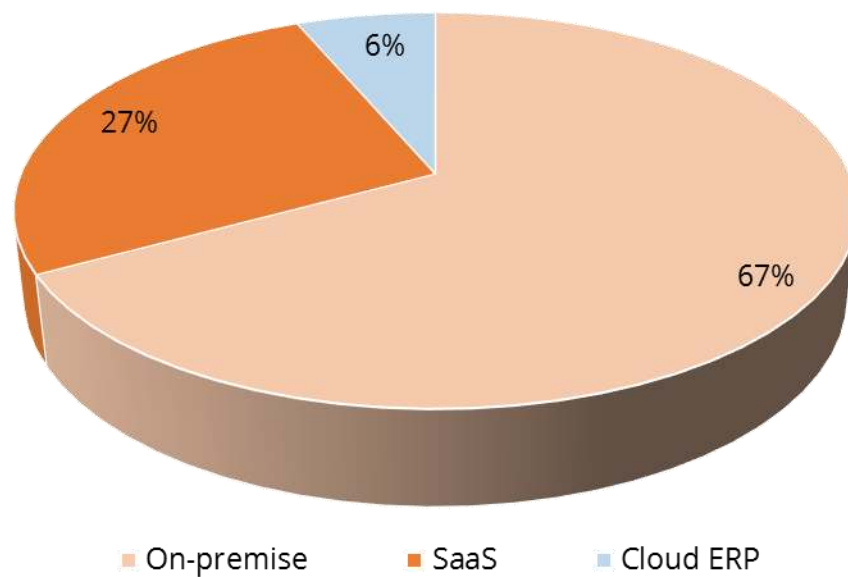


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Deployment Options

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



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Why Not Cloud?

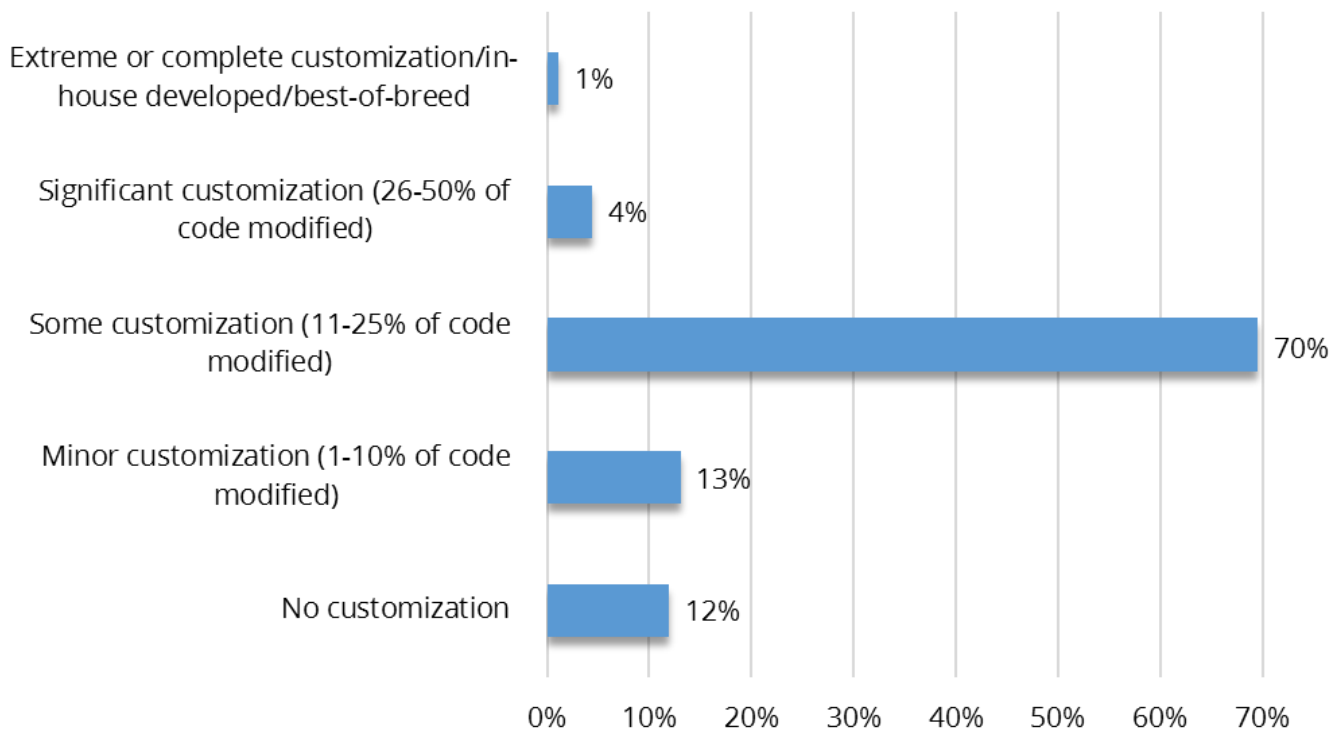
72% Risk of data loss (perceived)
12% Risk of security breach (perceived)

Software Customization

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.

Level of Customization



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Reasons for Consultants

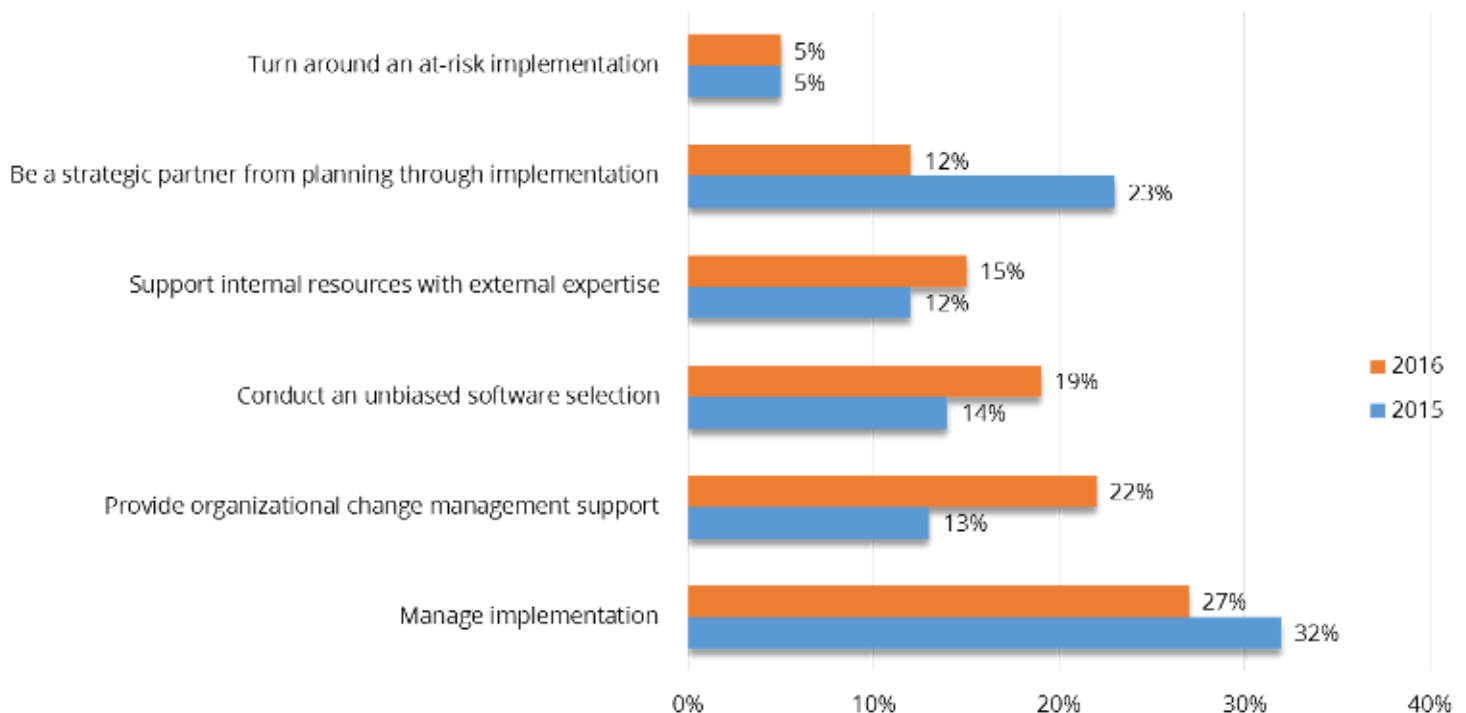
27% To manage implementation

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**.

Reasons for Consultants (YOY)



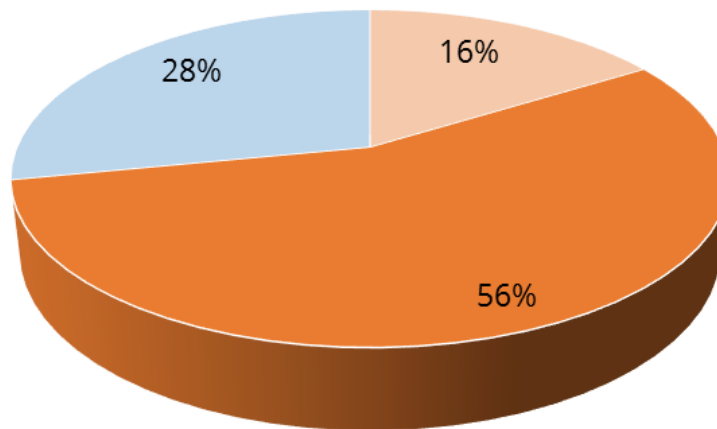
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Organizational Change Management

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**.

Organizational Change Management Focus



- Very little or no focus on change management
- Moderate focus on change management
- Intense focus on change management

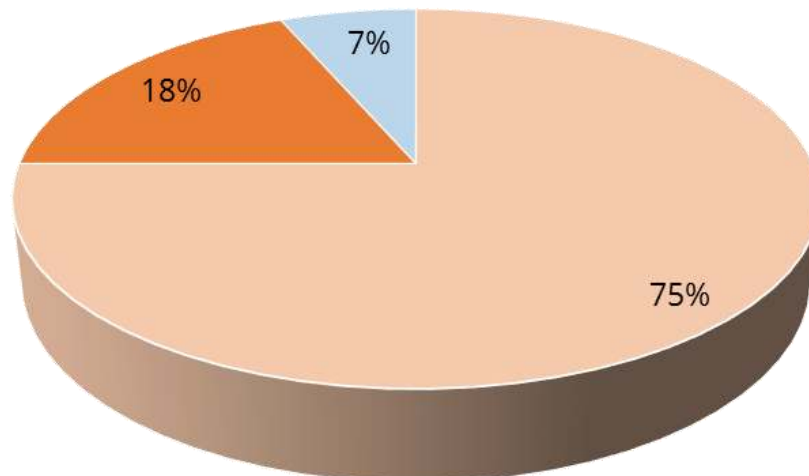
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Business Process Management

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.

Business Process Management Focus



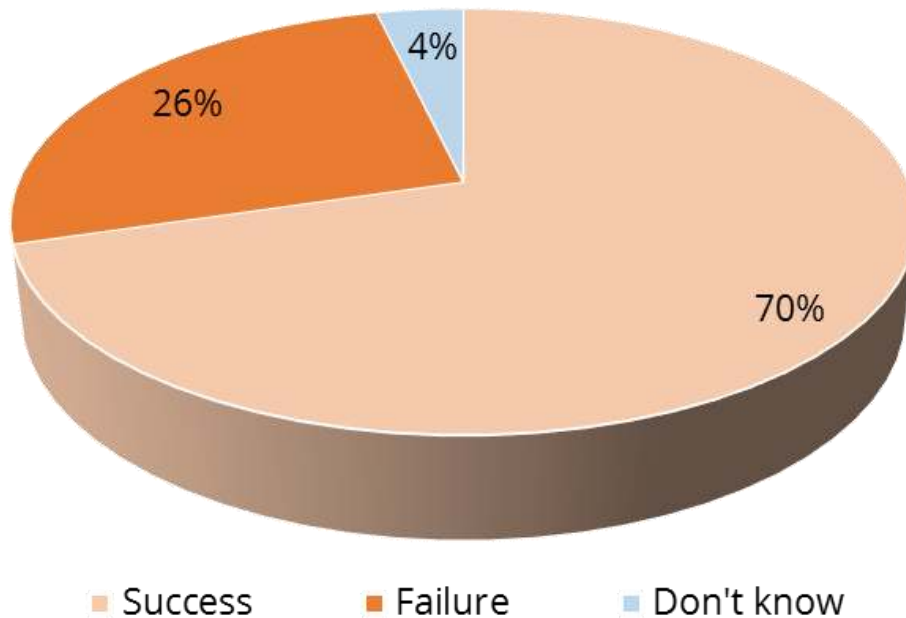
- Improved all business processes
- Improved key business processes
- We did not improve business processes

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Implementation Outcome

While there has been a **13% increase** in **success** rates since last year, there also has been a **19% increase** in respondents characterizing their project as a **failure**. Both of these increases were due to the dramatic decrease in respondents reporting outcome ambiguity.

Implementation Outcome



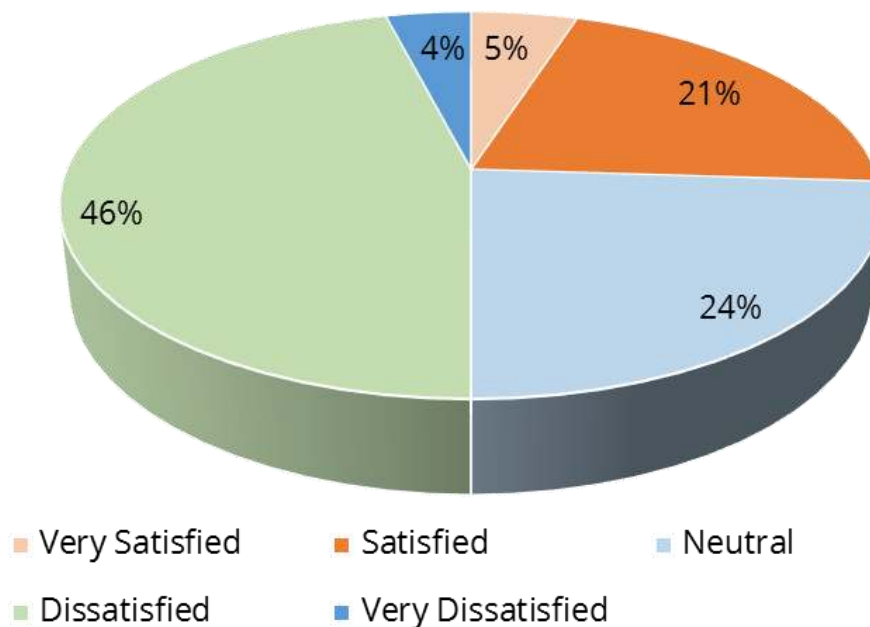
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Vendor & Software Satisfaction

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.

Overall Experience With ERP Vendors



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Additional vendor-specific research is available in Panorama's *2017 Clash of the Titans Report*.

Project Budget

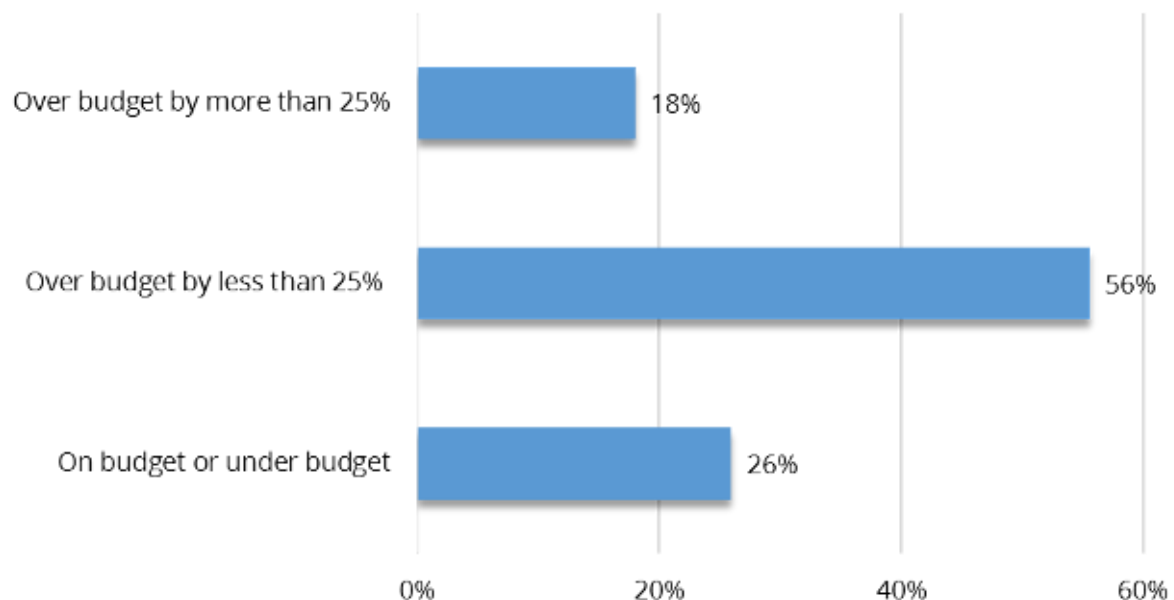
74% of respondents exceeded their original budget, which is an increase over last year.

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).

Implementation Costs



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Budget Overruns

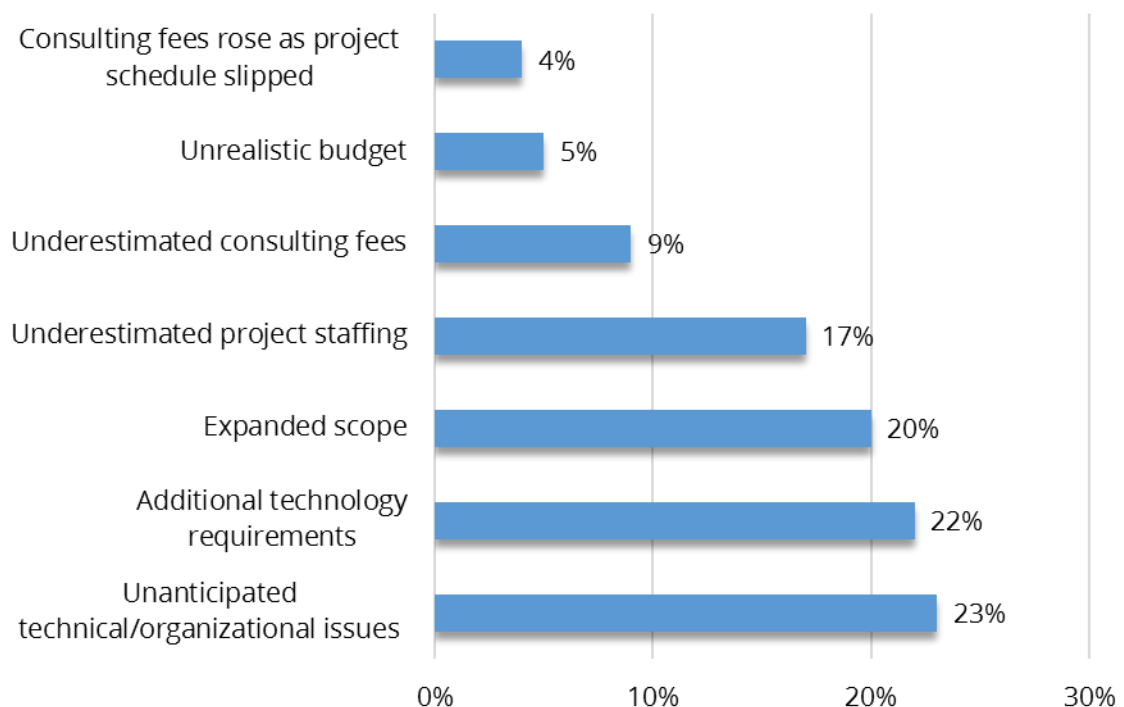
23% Unanticipated technical/organizational issues

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



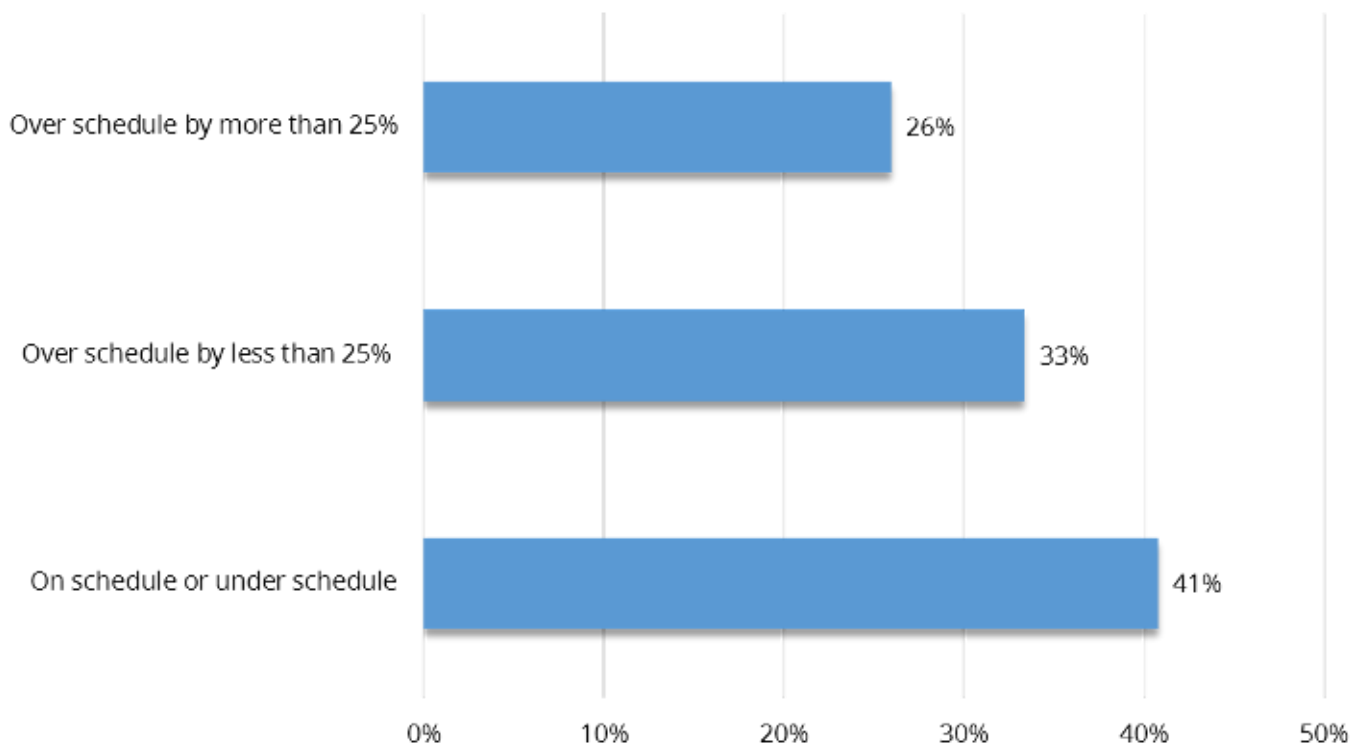
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Project Duration

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.

Project Duration



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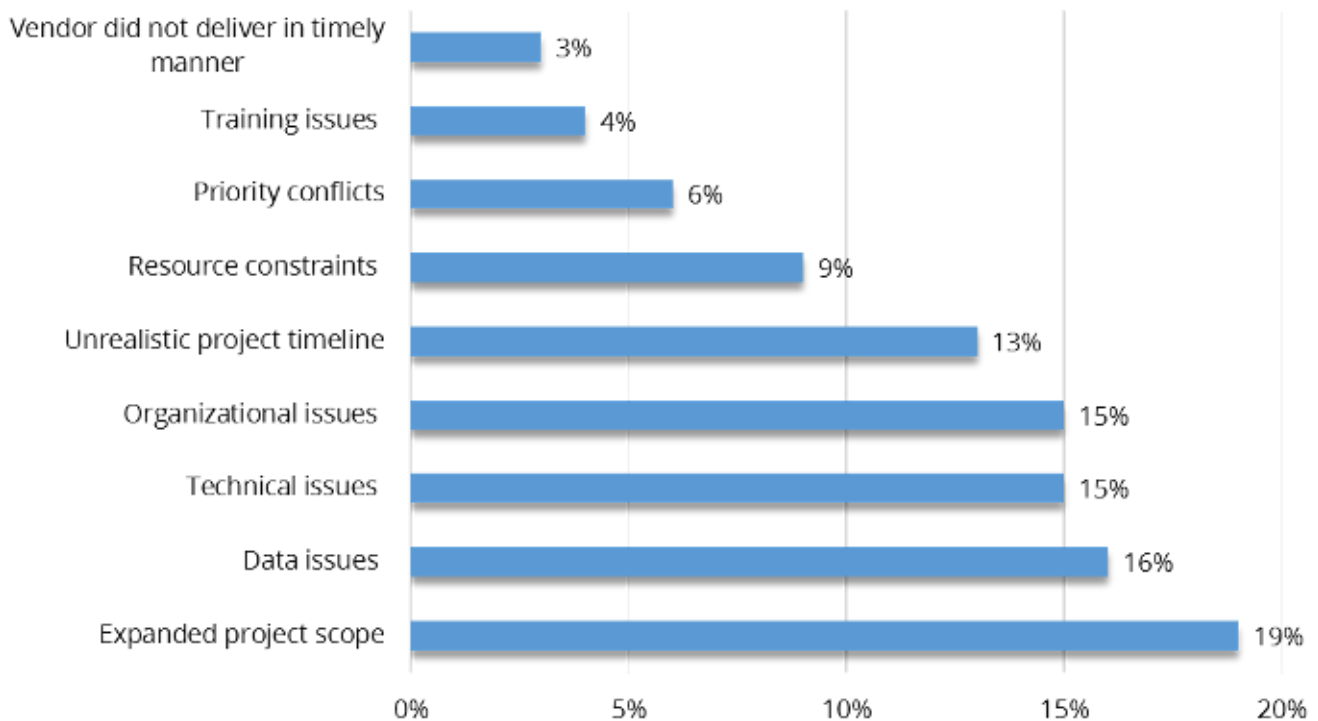
Schedule Overruns

19% Expanded scope

16% Data issues

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



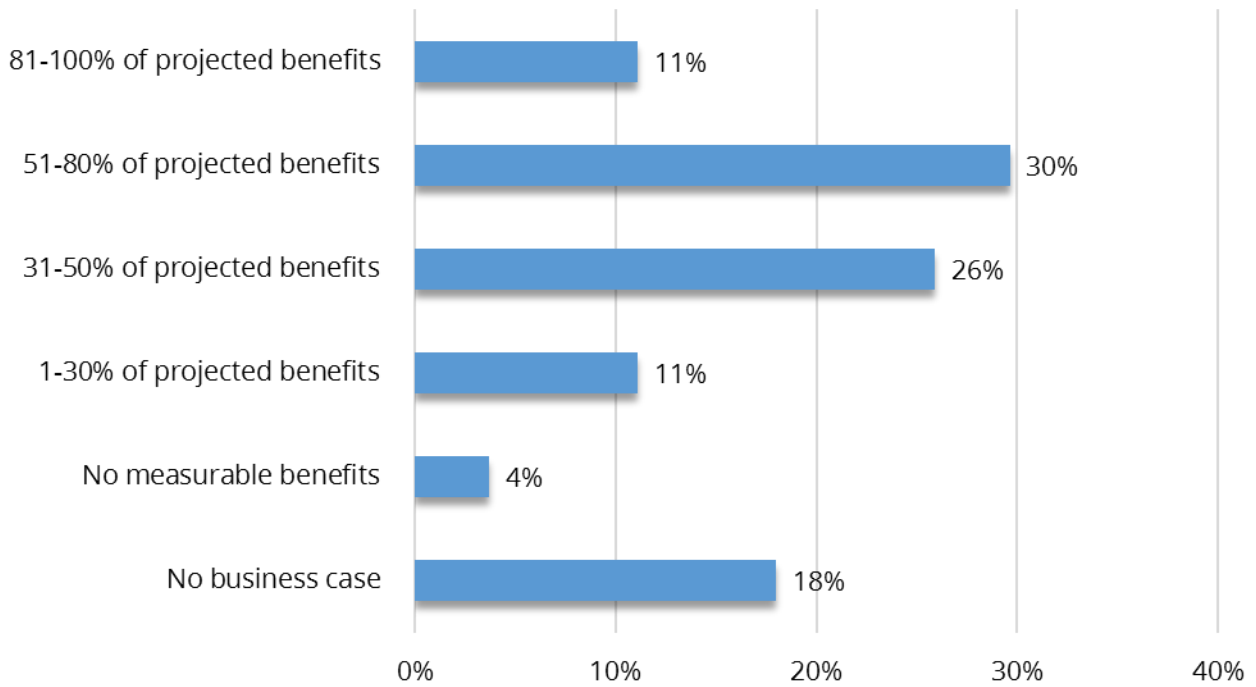
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Benefits Realization

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.

Benefits Realization



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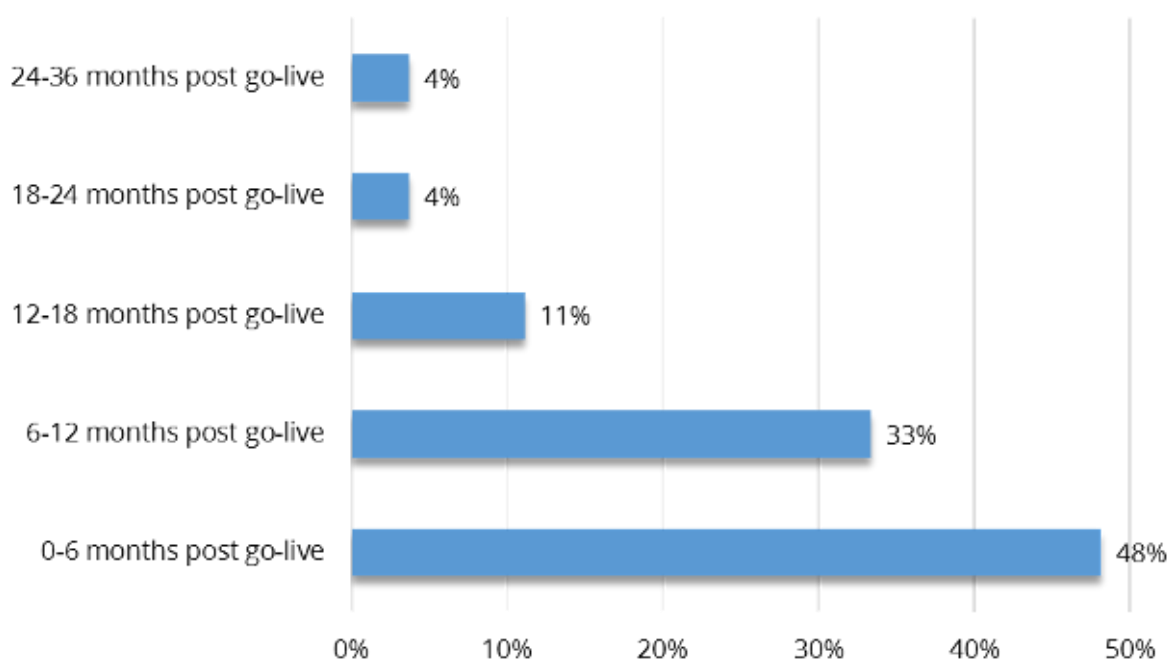
Benefits Realization Timeframe

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.

Benefits Realization Timeframe



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Types of Benefits

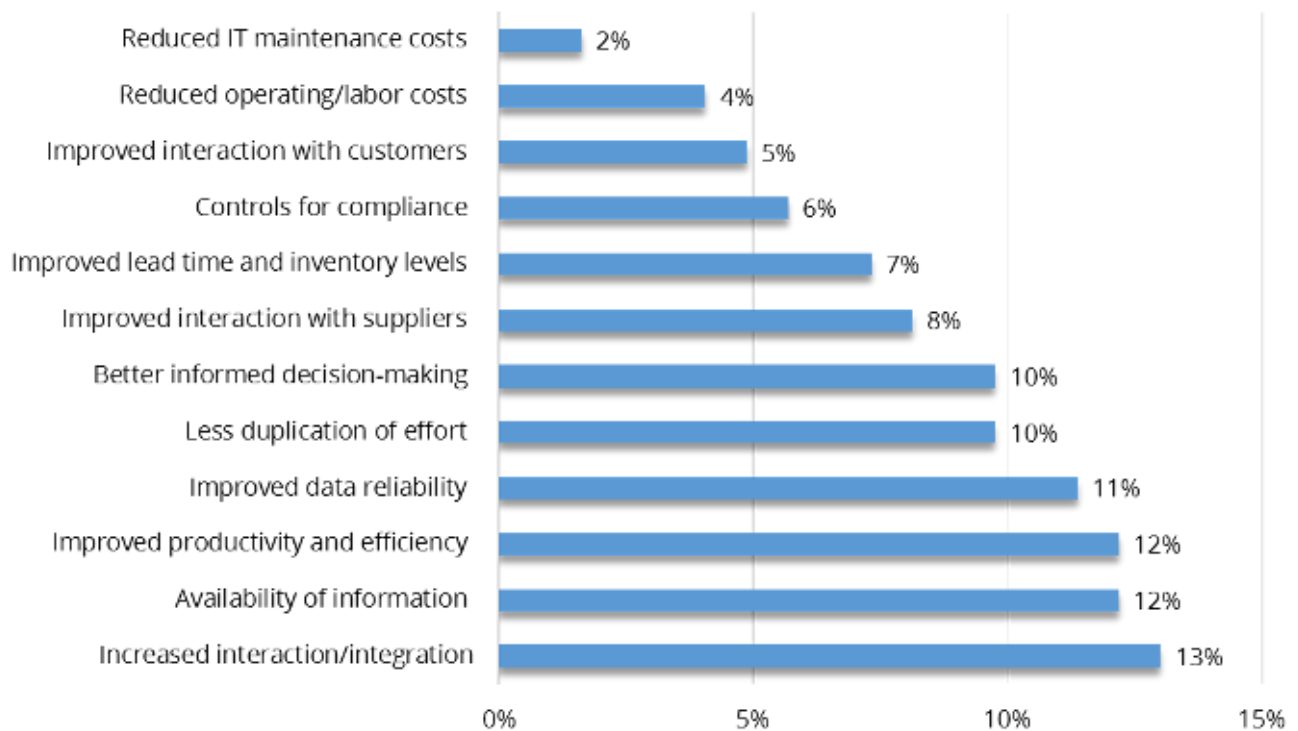
13% Increased interaction across the enterprise and integration of business operations and processes

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



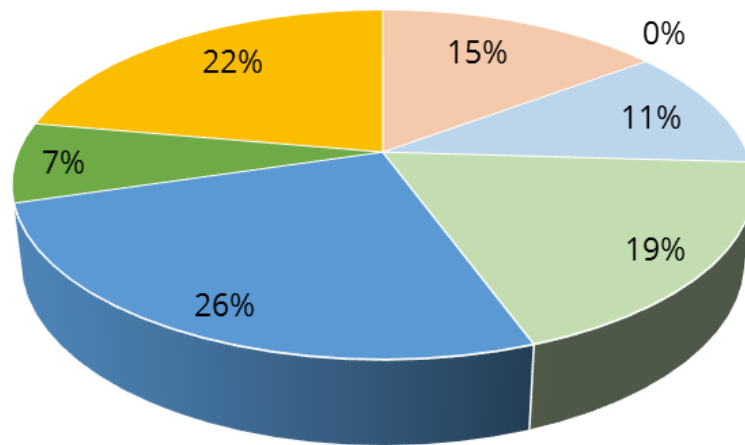
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Payback Period

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**.

Payback Period



- Less than 1 year
- 1 year
- 2 years
- 3 years
- 4 years
- Have not recouped costs
- Don't know / not sure

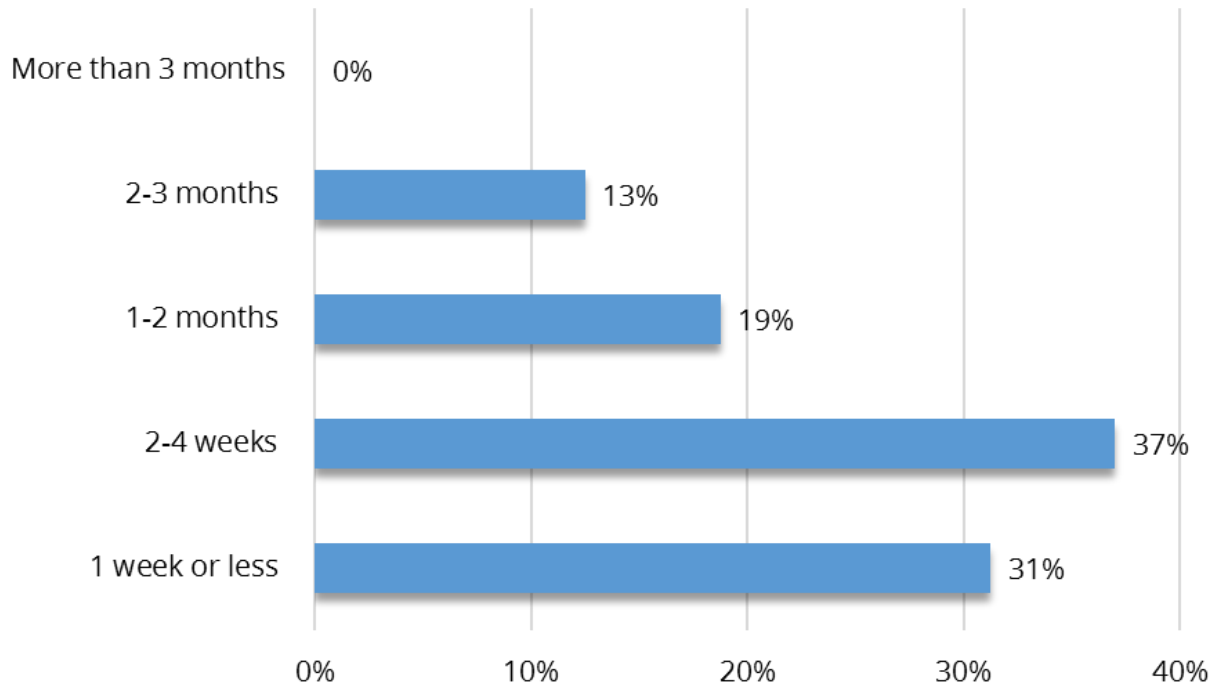
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Operational Disruption

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**.

Length of Operational Disruption



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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.

Save money and time in the long-term by investing more upfront, especially toward end-user buy-in.

Do your processes a favor by dusting them off a bit before their ERP debut.

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.

Be the person who develops a business case and shows executives the outstanding ROI you achieved.

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.

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 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.

Panorama maintains a global presence with current offices in Denver, Chicago, Boston, San Francisco, Lima, Dubai, Houston and New York.