RESEARCH
PAPER

The real-world benefits of moving ERP to the cloud

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Introduction

The current global disruption of COVID-19 means companies in many industries are reassessing their relationships with remote working and on-premises software. Thankfully, the burden of sudden location changes and access issues are effectively eased by cloud-based solutions. Enterprise resource planning (ERP) applications stand to benefit from the advantages of the cloud and SaaS as much as any other enterprise workflow. Boosts to scalability, continuity, security, manageability, capacity to innovate and cost benefits are among the much-touted gains up for grabs. However, the back-office has lagged behind other lines of business in moving to the cloud.

This *Computing* research will reveal where businesses are in their ERP cloud migration journey, and explore what those organizations that are keeping their ERP operations on-premises may be missing out on.

By comparing the experiences of 150 industry professionals responsible for the implementation of ERP software within their organizations, we will weigh those who have already made the move to the cloud against those who have yet to do so. We'll cut through the rhetoric to the lived experiences, and get to the bottom of the question, "Should your ERP be on the cloud today?"

We'll also gauge: the extent to which the outcomes have lived up to pre-migration expectations; satisfaction levels; how to get the most out of SaaS ERP; getting easy access to the latest innovations; and ensuring the agility to adapt to business challenges and opportunities.

Key findings

- The SaaS ERP migration journey is already in motion for many enterprises. With remote working strategies and multi-device access readily available, companies are beginning to look towards migrating fully to cloud and SaaS ERP.

- The real-world benefits of SaaS ERP, in contrast with on-premises ERP, are palpable. While some benefits are yet to prove themselves across the board, those already invested in SaaS ERP agreed that scalability, remote working, employee experience and productivity have all improved.

- SaaS ERP is cost-beneficial in that it removes hefty up-front fees in favour of more manageable monthly subscriptions.

- The vast majority of enterprises expect to migrate to the cloud.
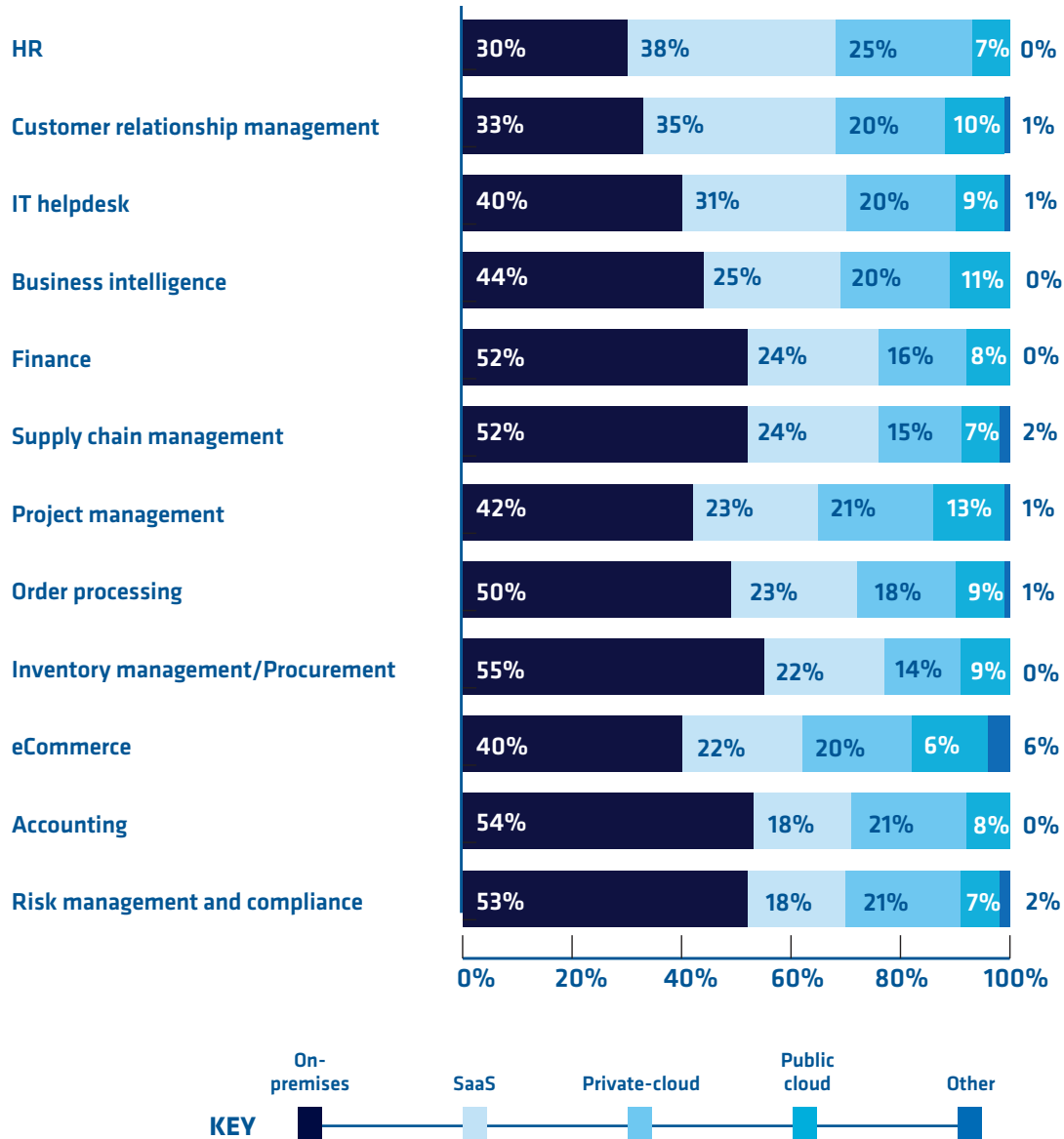
The cloud migration journey

Cloud-based ERP (which in this white paper covers ERP that is either hosted on a private cloud environment, a public cloud service, or is a fully fledged SaaS solution) has had more than two decades of development to see it through to the applications and services available today. During that time, the emergence of cloud has transformed modern life on both business and personal levels. SaaS ERP has become central to the success of businesses as the epicenter of enterprise, which enables cost-effective streamlining, increases productivity, and offers both built-in security and a greater level of control.

While cloud-based ERP is by no means a new concept, on-premises ERP has remained a prominent choice until recently.

Figure 1 compartmentalizes each department and reveals whether organizations most commonly run their ERP on-premises, in private or public cloud, as SaaS or in another location.

Fig.1: Where do you primarily deploy the following ERP applications?

	On-premises	SaaS	Private-cloud	Public cloud	Other
HR	30%	38%	25%	7%	0%
Customer relationship management	33%	35%	20%	10%	1%
IT helpdesk	40%	31%	20%	9%	1%
Business intelligence	44%	25%	20%	11%	0%
Finance	52%	24%	16%	8%	0%
Supply chain management	52%	24%	15%	7%	2%
Project management	42%	23%	21%	13%	1%
Order processing	50%	23%	18%	9%	1%
Inventory management/Procurement	55%	22%	14%	9%	0%
eCommerce	40%	22%	20%	6%	6%
Accounting	54%	18%	21%	8%	0%
Risk management and compliance	53%	18%	21%	7%	2%

KEY: On-premises — SaaS — Private-cloud — Public cloud — Other

The majority of departments primarily host their ERP on-premises, while private and public cloud together account for fewer than 30 percent of deployments, on average. SaaS, meanwhile, represents about a quarter of deployments, and is more popular than either private or public cloud when considered individually.
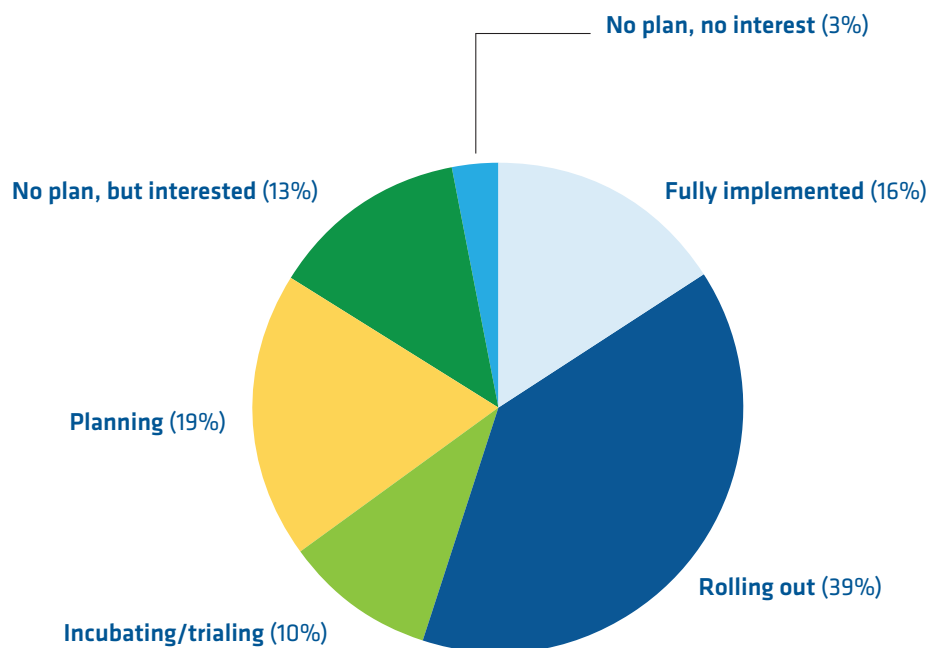
While some firms choose to simply lift-and-shift their existing on-premises ERP software to a private or public cloud server, this does not provide the full SaaS experience. For example, with cloud hosting the onus of software updates is still on you, while SaaS services are automatically and fully up to date at all times. You're also still reliant on virtualization to access non-SaaS cloud-based ERP, which is severely limiting given the recent rise of remote working.

The real-world benefits of moving ERP to the cloud

There is huge scope for moving forward with SaaS usage, and as we'll see most organizations plan to do just that.

Figure 2 illustrates that businesses are well on their way in their ERP cloud migration journeys, with 84 percent of respondent companies either already using, rolling out or taking action towards migrating to cloud-based ERP. Only around three percent of the respondents had no plans to migrate at all.
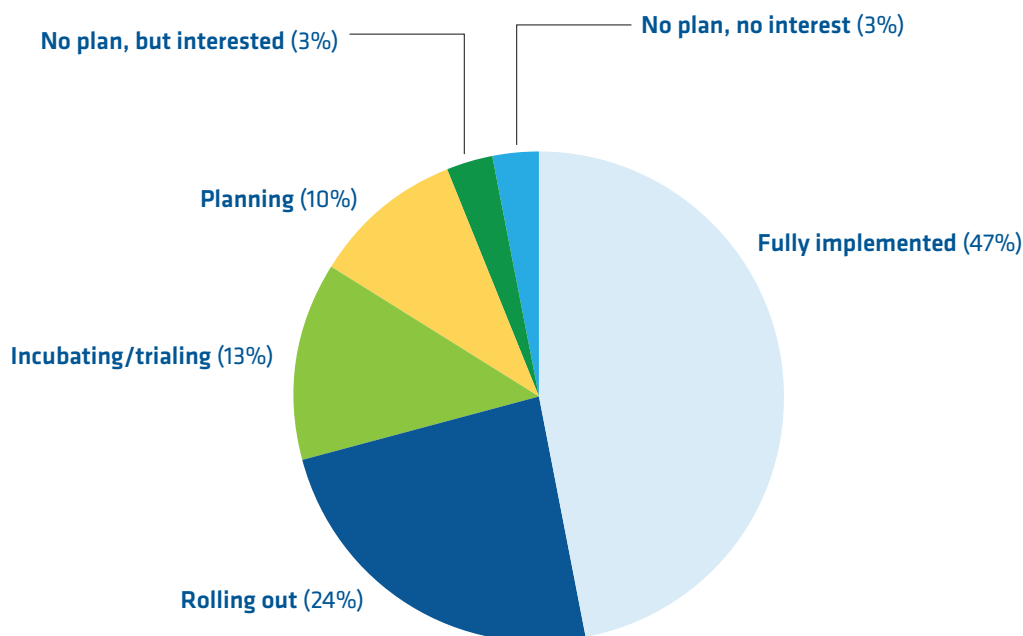
Fig. 2: Which term most closely represents the stage your organization is at in its ERP cloud migration journey?

No plan, no interest (3%)

Fully implemented (16%)

No plan, but interested (13%)

Planning (19%)

Rolling out (39%)

Incubating/trialing (10%)

The initial stages of our research focused on analyzing how and where organizations deploy their ERP applications today. While most are largely on-premises, the data indicates that the numbers will shift drastically in favor of the cloud and SaaS within the next two years, with around 70 percent of respondents expecting their companies to be either rolling out or having already fully implemented these ERP operations.

Sixteen percent of the businesses surveyed have already fully implemented cloud or SaaS ERP. Given the sub-divided nature of the market, these platforms have made a gradual move toward popularity rather than a swift one.

Fig. 3: What stage do you expect your organization to be at in its ERP cloud migration journey, in 2 years?
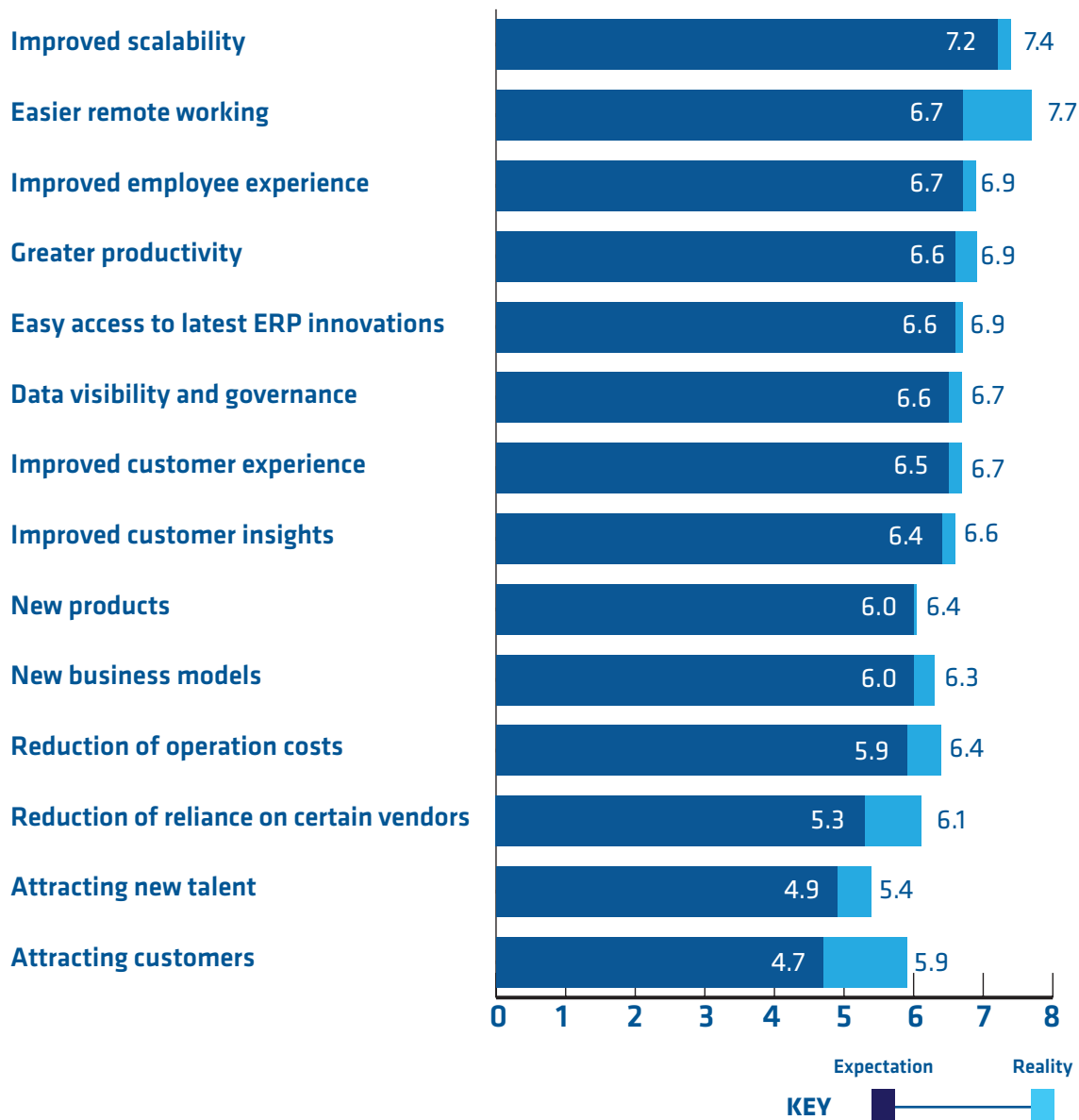

More than a third of respondents are currently in the process of rolling out cloud and SaaS ERP. As a result, almost half (47 percent) of the organizations we surveyed will have migrated fully to a cloud or SaaS model by the middle of 2022. With a further quarter moving on to the rollout phase in the next two years, and 13 percent intending to be trialling cloud or SaaS ERP in two years' time. The forecast for this ERP migration is particularly promising.

Real-world benefits: The expectations

As with any potential venture, there are a range of expectations about the real-world benefits of cloud and SaaS ERP from those who have yet to engage with it beyond a trial. With this in mind, initial research focused on investigating the expectations among professionals who were yet to invest in such an ERP service (those incubating/trialling, planning, or with no current plans). A later question examined the extent to which companies who had implemented a cloud or SaaS ERP service had experienced the same benefits. Both results can be found in Figure 4, page 8.

Fig. 4: On a scale of 1 to 10, '1' being 'not at all' and '10' being 'a great extent', to what extent would you expect your organization to experience the following benefits as a result of using cloud-based ERP? In addition, using the same scale, to what extent has your organization experienced the following benefits as a result of using cloud-based ERP?

Benefit	Expectation	Reality
Improved scalability	7.2	7.4
Easier remote working	6.7	7.7
Improved employee experience	6.7	6.9
Greater productivity	6.6	6.9
Easy access to latest ERP innovations	6.6	6.9
Data visibility and governance	6.6	6.7
Improved customer experience	6.5	6.7
Improved customer insights	6.4	6.6
New products	6.0	6.4
New business models	6.0	6.3
Reduction of operation costs	5.9	6.4
Reduction of reliance on certain vendors	5.3	6.1
Attracting new talent	4.9	5.4
Attracting customers	4.7	5.9

KEY Expectation Reality

Those who were not actively using or planning to migrate to cloud or SaaS ERP were mostly concerned with scalability. With an average score of 7.2, almost half of the respondents not currently investing in migrating their on-premises ERP indicated they expected cloud and SaaS ERP to make it easier for them to cope with an ever-expanding workload; and, increasingly, a remote one. Moving from the rigidity of traditional on-premises ERP fosters the expectation that these new platforms should deliver agility, along with the ability to scale up or down quickly and flexibly.

Easier remote working also featured highly as an obvious advantage in the current business climate. One of the primary real-world benefits of using a SaaS ERP means accessing a united enterprise from multiple devices and locations. Further expectations for benefits run parallel, in improved employee experience and greater productivity, where one would naturally be expected to complement the other.

Interestingly, our results show close links between expectation and reality – but the effects of the benefits are even more pronounced than anticipated. The extent of easier remote working (7.7), scalability (7.4), improved employee experience (6.9) and greater productivity (6.9) benefits take the lead as the primary real-world advantages reported by respondents. Easy access to the latest ERP innovations (6.9) was also a principal benefit of SaaS ERP.

On the whole, those organizations yet to make a significant investment in SaaS ERP were more conservative in their perceptions of the benefits of the cloud than those who have either fully implemented or are rolling out SaaS systems. The extent of the real-world benefits of moving to such a platform outweighs the expectations in all metrics, to a greater or lesser extent. This suggests those users who have yet to migrate should draw on the experiences of their peers who are already using, and benefitting from, SaaS ERP.

Those who have yet to invest – or who have no plans to do so – will eventually have to consider the benefits their competitors are reaping from having migrated their ERP to a SaaS platform. Where other organizations are gaining desirable benefits in improved scalability, adaptability and customer experience, reluctant businesses risk falling behind.

Should your ERP be on cloud today?

While SaaS ERP does not entirely remove the need to rely on certain vendors, it does provide benefits in reducing capital costs, by removing heavy up-front payments and ongoing support fees and replacing them with more efficient resources leased monthly instead. As well as making costs more predictable.

Vendors are quick to highlight the real-world benefits cloud and SaaS ERP can offer. The gradual movement toward these systems over the last 20 years is likely due to wariness around cost-effectiveness (with expensive on-premises ERP already in place for many companies), meeting desired requirements and security concerns.

While the apprehension is understandable, many of these challenges are now easier and less expensive to overcome than ever. SaaS ERP service providers assist with planning and implementing a customized system via APIs to meet customers' specific needs. Desired business goals may also be laid out from the beginning. As a result, operation is faster and back-office functions can be unified with an entire organization from anywhere, resulting in a reduction of wasted resources and time.

Fig. 5: How satisfied are you with your organization's current ERP implementations?
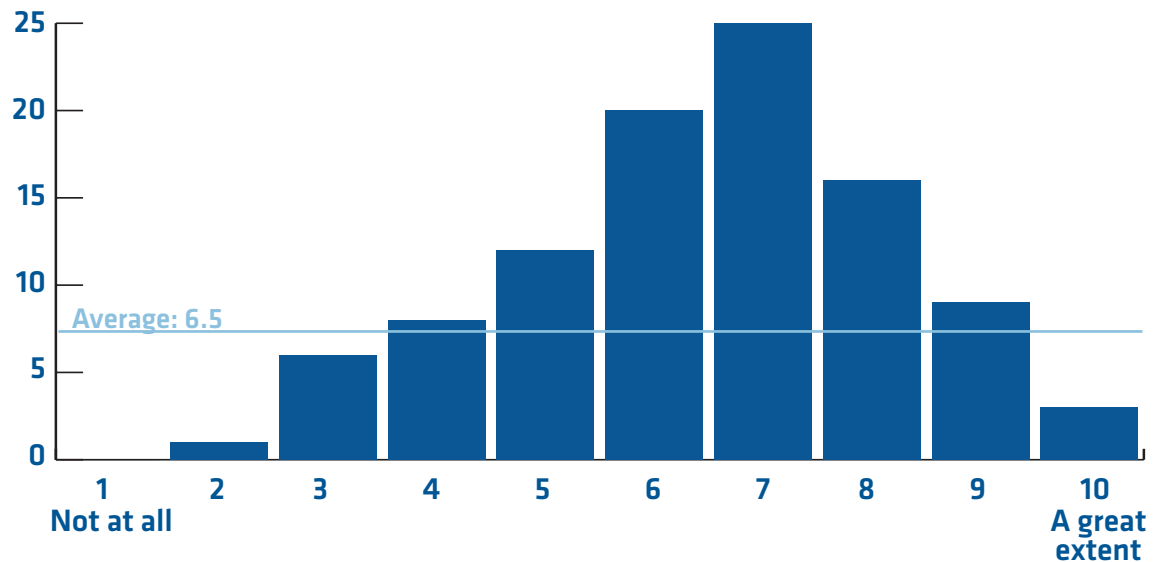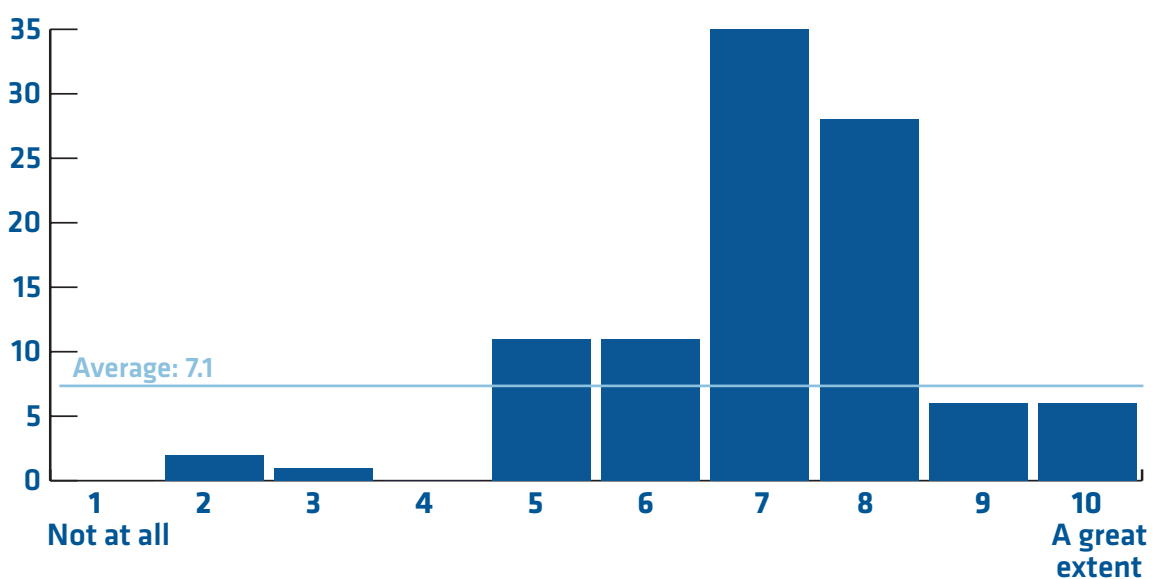

Figure 6 shows that, on a scale of one to ten, with one being 'not at all' and ten being 'completely satisfied', none of the respondents who had already invested in SaaS ERP were completely unsatisfied with their current ERP applications. The typical average (6.5) indicates that most respondents were relatively satisfied. Bearing in mind that a proportion of the respondents' organizations were still in the process of rolling out their new ERP systems or remained on-prem, the data represents organizations that are in a state of transition.
The research also took into account whether the lived experience of cloud and SaaS ERP had met pre-migration expectations.

Fig. 6: To what extent have the outcomes of moving to cloud-based ERP lived up to your positive pre-migration expectations?
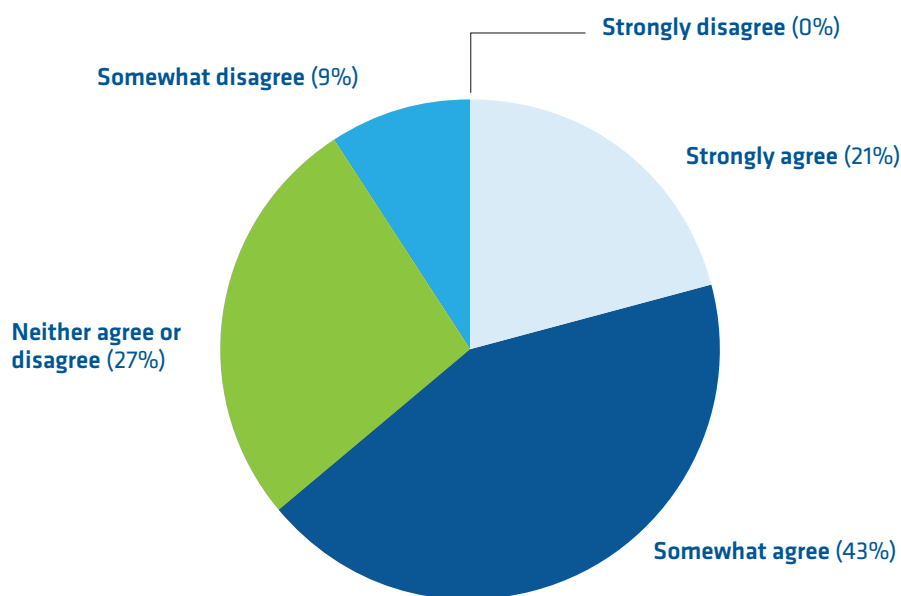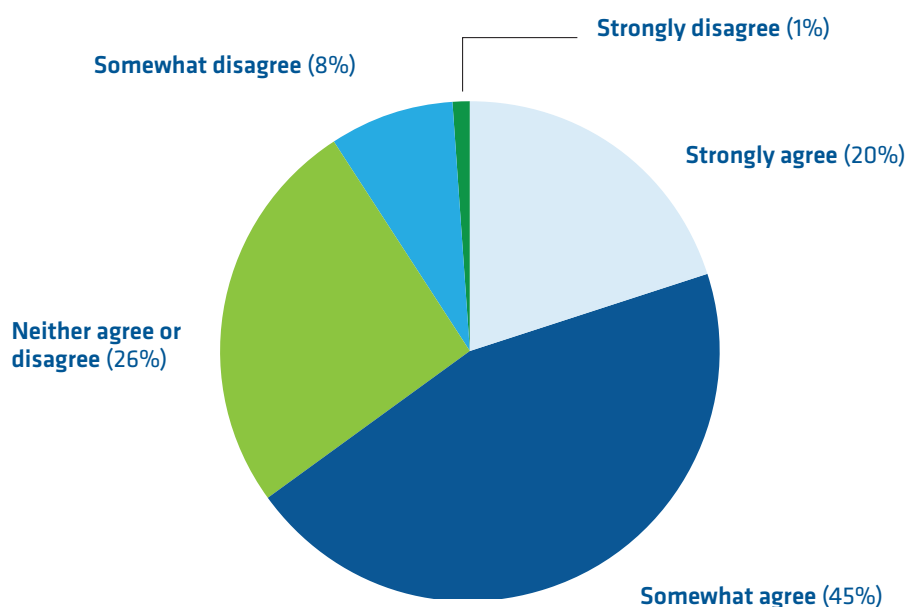
With an average score of 7.1, more than half of businesses in the survey recorded positive outcomes that lived up to pre-migration expectations. It is generally accepted that getting the most out of cloud and SaaS ERP means investing in on-going training to ensure consistency and functionality, from client-facing roles to the back-office. Doing so through the SaaS ERP vendor, while requiring some reliance on them, may allow for more consistency going forward.

Fig. 7: To what extent do you agree with the following statements?

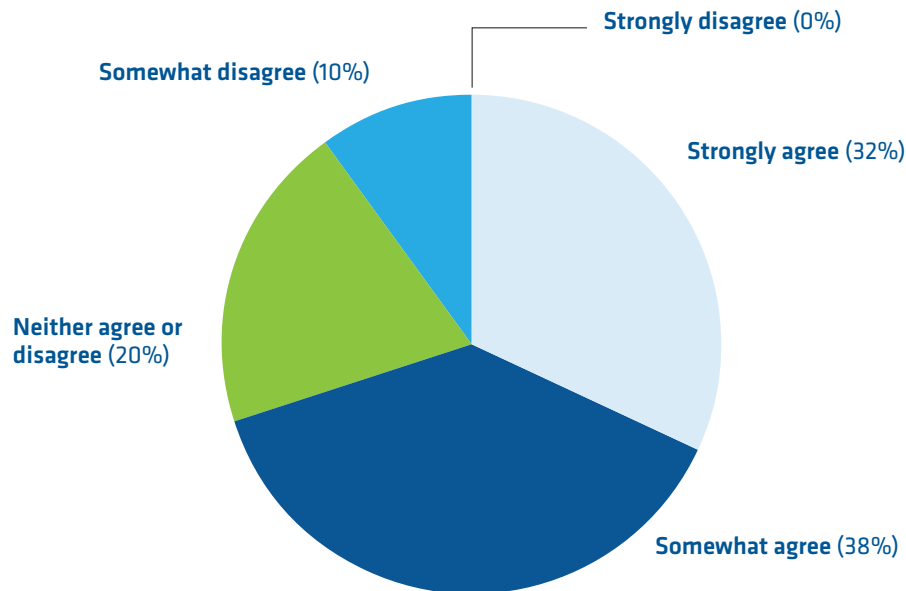### Most organizations should be looking to the cloud for ERP

Strongly disagree (0%)
Somewhat disagree (9%)
Strongly agree (21%)
Neither agree or disagree (27%)
Somewhat agree (43%)

The benefits of cloud-based ERP outweigh the challenges of migrating

Strongly disagree (1%)
Somewhat disagree (8%)
Strongly agree (20%)
Neither agree or disagree (26%)
Somewhat agree (45%)

It is a question of 'when' not 'if' when it comes to migrating to cloud ERP

The answers provided in Figure 7 point to the cloud being the future of ERP solutions. Sixty-five percent of all respondents either somewhat or strongly agreed that the benefits of cloud and SaaS ERP outweigh the challenges of migrating, while 70 percent either somewhat or strongly agreed that it is a question of 'when' not 'if' migration should happen. Fifty-four percent of respondents agreed that most organizations should be looking to migrate to a cloud or SaaS system.

Conclusion

Cloud and SaaS ERP, having had a gradual journey towards popularity, is now becoming a sought-after asset. The traditional practice of keeping on-premises ERP in place is on the way out, with the growing need for great flexibility, agility and easy innovation across a range of devices. The force of nature that is COVID-19 has undoubtedly accelerated progress, with many companies having had to seek new ways of managing ERP systems.

Our research shows that businesses are well on their way with their ERP SaaS migration journeys, with a majority of enterprises already having moved, in the process of moving, or actively planning. Of the 150 professionals who responded, only three percent had no plans or interest in adopting a cloud or SaaS ERP system. This is a clear indicator of dominance to come for these systems. While only a third of companies presently use either private or public cloud for their ERP, and 25 per cent use SaaS, the forecast for the next two years shows an increase to over 50 percent of firms either migrating, or having fully migrated, to cloud or SaaS ERP. The scope for movement is vast, and moving faster than ever.

The possibility of some businesses in the trialling or planning stages choosing to shop around among vendors further, or to hold off on migrating fully due to economic uncertainty, cannot be dismissed. However, with cost-effective business models a necessity for most enterprises, the benefits of efficiencies gained by migrating fully to the cloud cannot be ignored in favour of older, expensive and inflexible models.

The real-world benefits evidenced by the research are primarily around scalability, ease of access for remote workers and the resulting improved employee experience. Arguably, ease of access to the latest innovations and the resulting productivity increases are also two significant factors when it comes to the benefits companies using SaaS systems today are enjoying. Concerns about stagnation, when flexibility is essential among the workforce, must also be front of mind. On-premises solutions will increasingly fall behind their SaaS equivalents.

With the cloud clearly identified as the natural home of ERP today, and in the future, it's a question 'when', not 'whether', to shift your back-office to the cloud.

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