

# Maximizing Your ERP Transformation through Cloud Migration

A Strategic Recipe for Success



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# Executive Summary

The way organizations operate is evolving at a faster pace than ever as they adapt to ongoing challenges. How they operate now is different to how they operated three years ago, let alone a decade ago. With the system embedded at the heart of operations, enterprise resource planning (ERP) modernization should be a key consideration for organizations seeking to mitigate these challenges and future-proof their operations.

## The current situation



**Organizations are increasingly disillusioned with their existing enterprise applications:**

- There is a sharp decline in proportion of organizations that consider their enterprise applications adequate.
- Organizations are investing heavily in new technologies, but many are neglecting to modernize their ERP.
- The costs and risks in not modernizing their ERP system are significant, and these will only grow over time.

## How are things changing



**The adoption of cloud-based ERP systems is accelerating:**

- Cloud-based ERP systems meet many of the ideals that organizations have for their “perfect” ERP system.
- Cloud-based ERP are set to overtake on-premises ERP in terms of market share by 2027.
- Migrating to a cloud-based ERP system unlocks significant business benefits across various dimensions.

## Cloud-based ERP



**Migrating to a new cloud-based ERP system offers the best foundation for a future-proof organization and unlocks business benefits across technologies, processes, and people. A cloud-based ERP system:**

- Offers the best risk mitigation, including security
- Provides access to the latest innovations
- Enables easier integrations and dataflows across the organization
- Facilitates the transition to data-driven decision-making

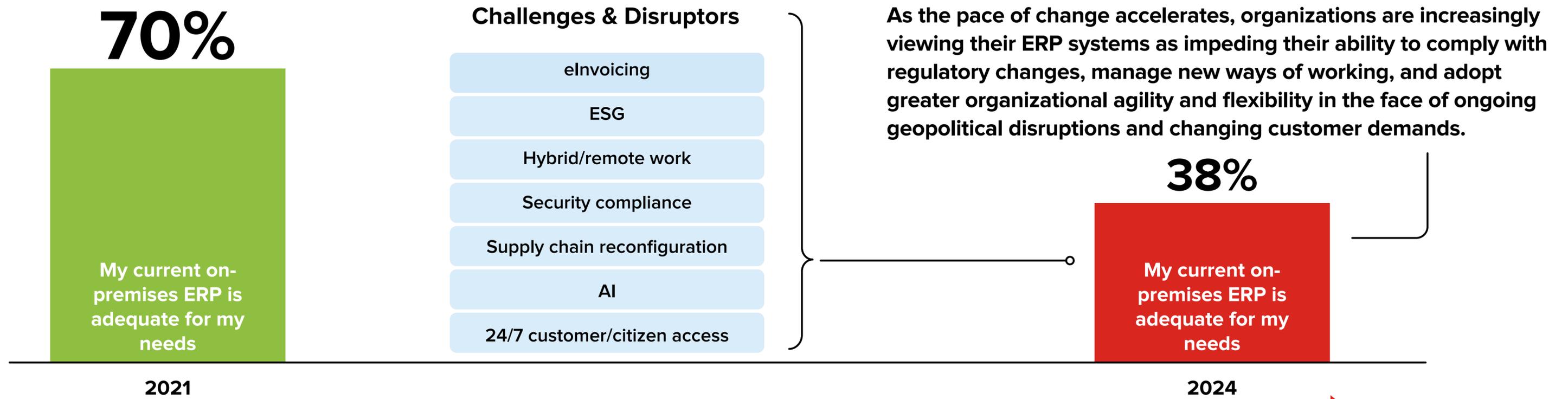
## The recipe for success

- ERP modernization should be a top priority for any organization not running the latest cloud-based ERP system.
- Preparation is vital — identifying and working towards a vision of the perfect ERP with clear KPIs is key to success.
- Look beyond the technology — this is not just a technical upgrade but a strategic imperative that require robust change management, data strategy, and process improvement.
- Embrace standardization — limiting customizations and adopting best practices for business processes will help maximise the return on your ERP modernization investment.



# Organizations with On-Premises Deployments Are Increasingly Dissatisfied With Their ERP systems

Organizations are increasingly placing technology at the heart of their operations as they strive to respond to the growing list of challenges they face. However, as the nature of these challenges evolve, the extent to which their current technologies still meets their needs is rapidly subsiding.



While **70%** of organizations surveyed in 2021 found their on-premises enterprise applications adequate, this figure has plummeted to **38%** in 2024, due to various operational challenges and disruptions. This marks a **32-point decline in just three years!**

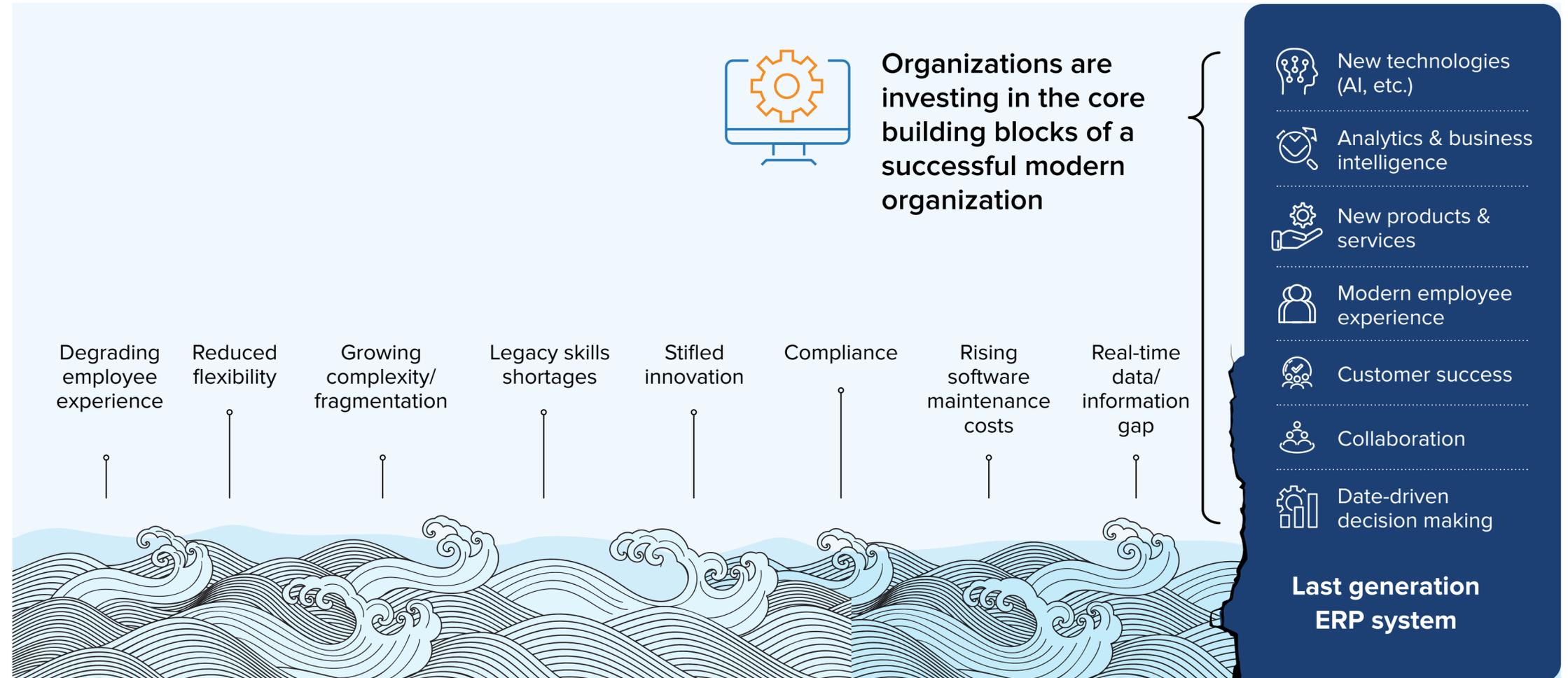
# A Last Generation ERP System Is an Increasingly Shaky Foundation on Which to Build a Modern Organization

While organizations are investing in new customer-facing technologies, spending to modernize the back office is often a secondary priority. Many still see their last generation ERP (i.e., on-premises or older cloud-based ERP systems) as good enough for day-to-day operations. However, embracing new applications and technologies in other parts of the organization while relying on legacy ERP systems is building a façade of modernity on foundations that will only get older and less stable over time.

**The costs and risks of doing nothing are real and only increase over time.** As they do, they erode the value of keeping an aging ERP system and will start to undermine other operational and technology activities and investments. These costs and risks include:

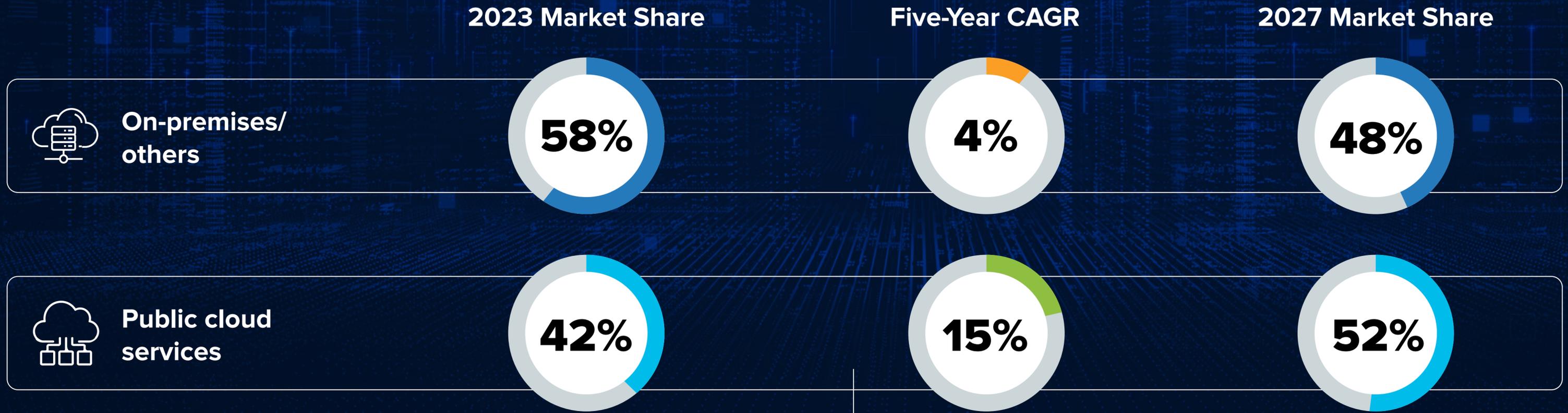


- Growing costs of software maintenance
- Increasing shortages of legacy skills
- Growing complexity/fragmentation
- Operational fragility
- Heightened security risks
- Degrading employee experience



# The Cloud Is the Destination of Choice for Most Organizations Investing in Enterprise Application Modernization Initiatives

While on-premises was the enterprise application deployment type of choice for past generations, modern organizations are increasingly turning to the cloud. This trend is mirrored in the ERP space, where cloud-based systems already represent a very substantial proportion of the market. Additionally, cloud-based ERP applications are forecast to record a significantly higher compound annual growth rate (CAGR).



While both deployment types are forecast to grow, cloud-based implementations are expected to grow more than three times faster than on-premises in the coming years.

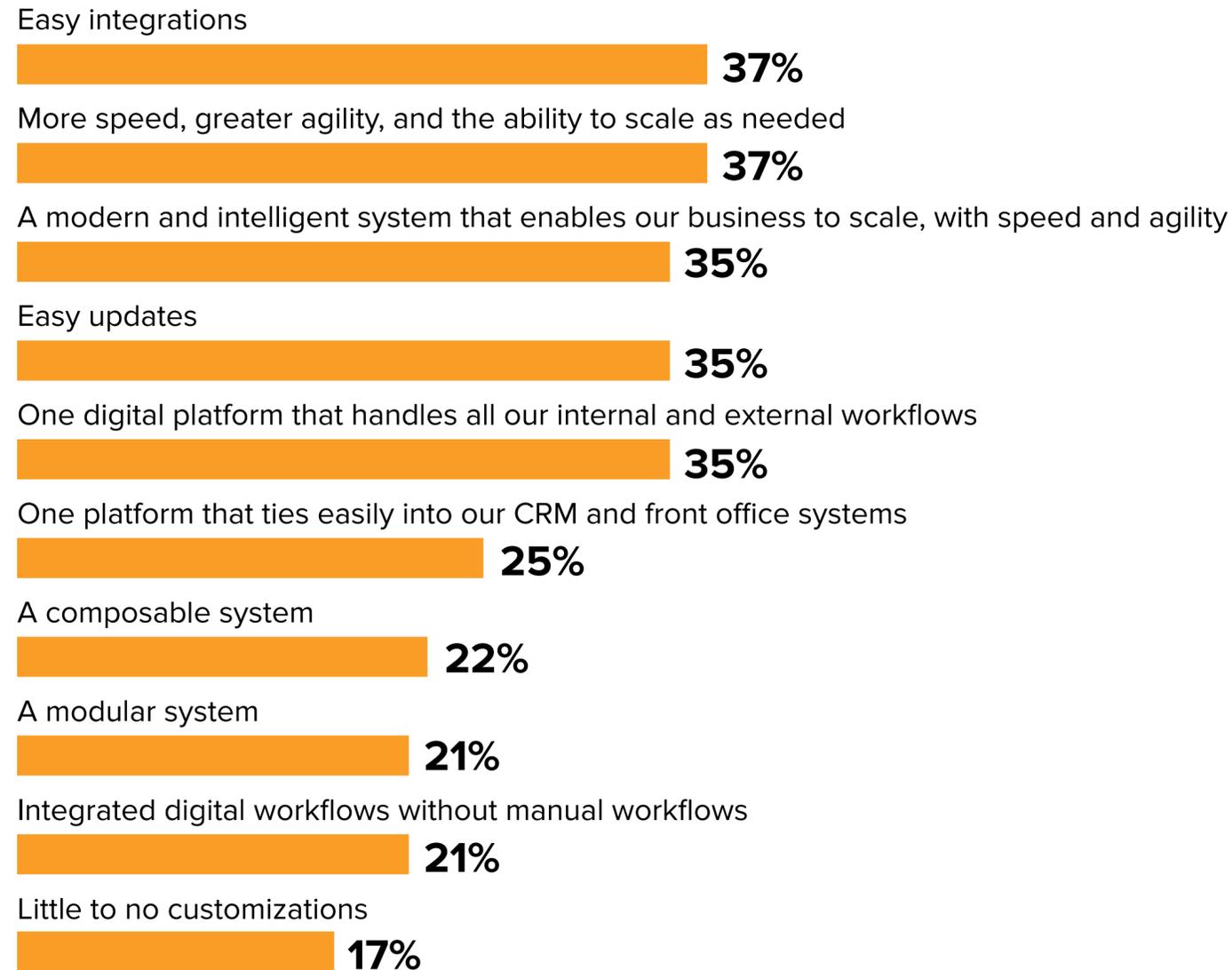
# This Is Being Driven by Cloud-Based ERP Systems Offering Key In-Demand Features and Functionality

Modern cloud-based ERP systems offer multiple functionalities that address the challenges many organizations currently face. They enable organizations to build stable foundations for their ongoing modernization investments and are increasingly seen as crucial to the future success of their operations. The different elements of on-premises and cloud-based ERP can broadly be categorised as positive + (factors that are being proactively sought by users), negative ✗ (factors that are seen as limiting/detrimental by users), and neutral - (factors that are often organization-specific preferences).

	 <b>On-premises ERP</b>	 <b>Cloud-based ERP</b>
 <b>Deployment</b>	<span style="color: grey;">-</span> Installed locally on an organization's own hardware	<span style="color: grey;">-</span> Hosted in the cloud by vendor or cloud provider
 <b>Scalability</b>	<span style="color: red;">✗</span> Limited by user's hardware capacity	<span style="color: green;">+</span> Can be increased/decreased as needed
 <b>Costs</b>	<span style="color: grey;">-</span> Higher upfront costs due to hardware and licence fees, additional costs for support, training, and updates	<span style="color: grey;">-</span> Lower upfront costs, ongoing overheads and subscriptions for licences and cloud hosting
 <b>Security</b>	<span style="color: red;">✗</span> Data security is the user's responsibility	<span style="color: green;">+</span> Data security is the vendor's/cloud provider's responsibility
 <b>Customization</b>	<span style="color: grey;">-</span> Significant customizability and extensibility	<span style="color: grey;">-</span> Limited direct customizability, significant <b>extensibility</b> through connected platforms
 <b>Updates</b>	<span style="color: grey;">-</span> Updates released by vendors but validated and implemented by in-house teams	<span style="color: grey;">-</span> Updates released and implemented by vendors on a continuous based
 <b>Accessibility</b>	<span style="color: red;">✗</span> Accessed through server-connected hardware with no remote accessibility without a hosting solution	<span style="color: green;">+</span> Full remote accessibility through web portals and dedicated apps
 <b>User experience</b>	<span style="color: red;">✗</span> Traditional user interfaces on connected devices	<span style="color: green;">+</span> Modern interfaces in web, desktop, and mobile apps

# Embracing the Cloud Helps Organizations Move Closer to Their Vision of a Perfect ERP System

## What is your vision of the perfect ERP system?



### When considering their ideal ERP, organizations want a system that:

- Enables the adoption of a connected enterprise, with easy integrations and data flows from the back to the front office, and vice versa
- Boosts their operational agility and flexibility
- Facilitates growth
- Mitigates risk
- Provides quick access to the latest innovations and reduces the IT burden through easy updatability

These are all core benefits of modern cloud-based ERP systems, but are difficult, and often costly, to realize with on-premises deployments.

### Migrating ERP to the cloud unlocks business benefits across various dimensions:

#### Technology

- Security
- Scalability
- Integration
- AI



#### Processes

- Innovation
- Standardization
- Configurability
- Connectivity



#### People

- Real-time collaboration
- User experience
- Accessibility
- Productivity



# Organizations Need to Start Their ERP Migration Journey as Soon as Possible

Cloud migration is not just a technical upgrade, it is a strategic imperative, and the urgency of migrating your ERP system to the cloud is growing. Modernizing with a move to cloud is a critical step in limiting your exposure to the growing risks and costs of maintaining a last generation ERP system. It is also essential to accelerating the pace at which you gain access to the key benefits of cloud migration.

## Why now is the time to embark on the application modernization journey?

### Reduce risks

Reduce exposure to failures

Limit the cost of relying on legacy systems

Reduce IT overhead and allocate resources more effectively



### Gain benefits

Gain access to latest innovations

Improve internal process efficiency and employee experience

Become customer-centric; rapidly respond to changing needs

Achieve advantage over competitors that maintain on-premises ERP

Cloud migration is typically a long-term project that requires careful planning and execution. It involves:

- Assessing the current IT environment
- Determining the right solutions
- Managing the transition process to minimize disruptions.

Despite this complexity, the benefits of moving to the cloud are substantial.



**It can be a long process, so you need to start now!**

# The Recipe for a Successful ERP Modernization

IDC has spoken with a broad range of end users about their ERP modernization experiences. Based on those conversations, we have identified several key ingredients organizations need to ensure their ERP modernization efforts are a success.

## Ingredients



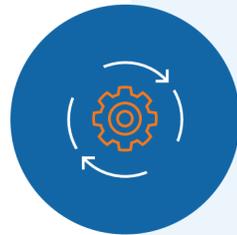
### Clear modernization vision and roadmap:

It is essential for organizations to know what they want from their future ERP, and how they want to get there, before they start.



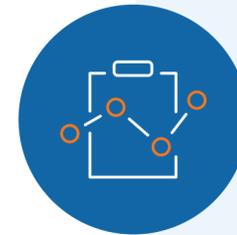
### Effective change management plans:

ERP modernization is as much about modernizing operations and mindsets as it is the technology itself.



### Full audit of current business processes:

Organizations need to conduct a complete review of their current business processes to understand every nuance of their current ERP set up.



### Robust data strategy:

Organizations need to build a robust data strategy based on regularly evaluating all data and deciding on what should be kept, archived, and retired.



### Comprehensive KPIs:

Establishing clear metrics around project efficiency (e.g., timeline adherence), business impact (e.g., ROI/risk mitigation metrics), and system adoption (e.g., user rate adoption) can ensure that projects remain on course and that organizations can maximize the potential of their new ERP investment.



### Internal resources allocation:

It is essential to identify the necessary resources within the organization and ensuring that they are allocated appropriately for the duration of the often long and complex ERP modernization initiative.

# The Recipe for a Successful ERP Modernization

Having the correct ingredients is vital, but you also need to follow the proper method and processes to ensure your modernization efforts produce the fully baked modern ERP implementation you want and need.

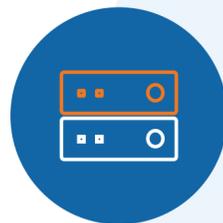
## What you need to do



**Prioritize your ERP modernization:** Modernizing an ERP system is a complex and lengthy process. It requires significant preparation before organizations start. The longer the delay, the greater their exposure to the growing costs and risks of doing nothing.



**Embrace a more standardized approach to business processes:** Streamlining business processes is essential. By adopting a more standardized approach, organizations reduce complexity in their operations, and facilitate the adoption of best practices and improved dataflows and workflows.



**Breakdown data silos throughout the organization:** Data is the lifeblood of a modern organization, and silos only serve to choke the flow of that data. Breaking down data barriers and transitioning to a single data truth throughout the organization can unleash unknown or hitherto unachievable potential in their new ERP system.



**Build a strong business case:** Business cases can be simple — focusing on risk mitigation and technical debt reduction — or complex — involving multiple stakeholders and targeting several key benefits across business units. Developing the right one for the organization is vital to a smooth modernization process.



**Adopt a flexible approach to the migration project:** Building flexibility and adaptability into the core of their modernization efforts can help organizations adjust to the challenges they will face during the ERP modernization process.



**Leverage industry, business, and function best practices:** Many organizations have already undertaken their own ERP modernizations. Learning from those and adopting best practices along the modernization journey is vital.



**Limit customizations in your new ERP set up:** Embracing a less customized ERP set up plays a key role in helping to deliver value and limit risk. Updates can be installed more quickly and easily, ensuring the rapid deployment of the latest security provisions, in addition to opening up greater access to the latest innovations.



**Collaborate with the right partners that have relevant experience and industry knowledge:** Engaging the right external expertise can help you identify and navigate the challenges you will face on your modernization journey. Picking the right partners can make all the difference in delivering value from your ERP modernization both now and for years to come.

# About the Analysts



**Ashok Patel,**  
Research Manager,  
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Ashok Patel is a research manager in IDC's European enterprise applications team. Prior to joining IDC, he led the Market Trends programme at Source Global Research, providing insights into the latest trends and developments across the professional services market, and has previous experience exploring clients' perceptions of consulting firms. Prior to working in professional services, Ashok was an editor and consultant in the commodities market, as well as working in the automotive industry.

[More about Ashok Patel](#)



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Edyta's work includes market analysis, end-user research, competitive dynamics, technology trends, and custom projects in the European enterprise application markets. Her areas of focus include order management, commerce, and supply chain management.

Edyta's research includes investigating enterprise resource planning (ERP) modernization strategies and the business case for ERP modernization. Edyta cooperates with IDC's Intelligent Business Execution practice, focusing on process automation, process mining, and AI research.

[More about Edyta Kosowska](#)

# Message from the Sponsor



## Unit4 ERP: Enabling Effective Digital Transformation for Your Business

Embarking on a digital transformation of your ERP system can seem daunting, but with Unit4 ERP, it doesn't have to be. Our innovative SaaS product is designed to make this journey smooth and manageable, addressing common fears and challenges head-on.

Unit4 ERP enables your business to thrive on a single, tightly integrated cloud platform, enhancing collaboration between finance, HR, and project teams. Our ERP solution seamlessly integrates with your existing digital products and data sources, tailored to meet the unique demands of your industry while simplifying complex processes.

With Unit4 you can streamline operations and reduce manual ERP interactions with people-first AI-powered solutions, continually revolutionizing workflows and driving better people experiences. Curious to learn more about the Unit4 AI philosophy? Visit our [website](#) or visit our [Unit4 AI page](#) to learn more about our latest innovations.

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