October 19, 2022

Unit4 Transforms From ERP to People Experience Suite

The Purpose-Built People-centric ERP for Midmarket Organizations

R "Ray" Wang
PRINCIPAL ANALYST AND FOUNDER

constellation
R E S E A R C H

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Enterprises emerging from the worst of the COVID-19 pandemic seek greater flexibility and more automation in their enterprise resource planning (ERP) solutions. Leaders need to easily access data, enable self-service capabilities, and intelligently automate processes. The most common requests in vendor selection decisions center on analytics, automation, and artificial intelligence (AI). Enterprises aspire to acquire autonomous ERP solutions. To their credit, the key vendors have stepped up with cloud offerings that enable digital transformation.

Although competition remains stiff for new prospects, the market has consolidated to the point where there are only a few choices, based on company size, industry vertical, and technology stack. This consolidation has led to a robust market with stronger vendors actively competing for customers, leading to an estimated $50.39 billion market by 2027.

Successful deployments will achieve the elusive goal of improving efficiencies, addressing a skills shortage, and preparing for exponential growth. The use of AI in the back office will power the next wave of postdigital ERP advancements.

BUSINESS THEMES

Matrix Commerce   Technology Optimization   Future of Work   New C-Suite

ABOUT UNIT4

Overview

Utrecht, Netherlands–based enterprise applications provider Unit4 generated more than $480 million in revenue with 2,600 worldwide employees in 2021. The product offering is available in 22 countries. Unit4 launched its cloud deployment option in 2013. With 6,000 global customers and 2,500 Unit4 ERP customers, the vendor provides a full suite of services-centric ERP offerings in on-premises, hosted, and cloud-based deployments. In May 2022, the company reported 20% year-over-year growth in cloud subscriptions revenue.

Unit4's midmarket customer base ranges in size from $100 million to $1 billion in revenue and between 250 and 10,000 employees. Unit4 delivers a full ERP suite of financial management; human resources and payroll; planning, budgeting, and forecasting; procurement management; project management; and enterprise asset management (EAM) services-centric offerings. The company releases two major updates a year. The focus on a people-centric approach aligns with the vendor's key industries: professional services—including subverticals such as management consulting, architecture, engineering and construction, and IT and software consulting—higher education, public sector, and nonprofits.

Themes for the 2022 roadmap and beyond reflect customer requirements for customization at scale, end-to-end, and automation. Specific product goals include a focus on meeting industry- and country-specific requirements, continued investment in finance and procurement, and broader and deeper expertise in professional service industries. As part of Unit4's push into the U.S. market, the vendor has doubled down on investments in human capital management (HCM). On the financial planning and analysis side, Unit4 has made it easier for customers to integrate with its core ERP capabilities.

Customers tend to select Unit4 ERP for its deep vertical expertise in services-centric businesses, midmarket focus, and people-centered design philosophy.

Market Segment

ERP refers to a transactional system that manages the "back-office" functions of an enterprise. These departmental areas typically comprise finance, human resources, supply chain and logistics, and project management. Cloud-based systems are a deployment option in which the software is hosted on a vendor's server. Multitenant cloud solutions are a deployment option in which only one copy of the software code is available to all customers, although the data is unique to each customer.

Modern global cloud ERP suites encompass a wide range of end-to-end business processes, including:

- Procure to pay

- Order to cash

- Hire to retire

- Assess to acquire

- Financial plan to report

- Project initiation to project closure

Constellation estimates that the global cloud ERP market will be worth $44.6 billion by 2026, with a compound annual growth rate (CAGR) of 11.2%. Surveys among customers show that the top migration market is North America, and services-based ERP is leading the charge in cloud migrations and new cloud deployments. Key vendors in this market overview include Epicor, FinancialForce, Infor, Microsoft Dynamics, Oracle, Oracle NetSuite, Sage, SAP, Workday, and Unit4.
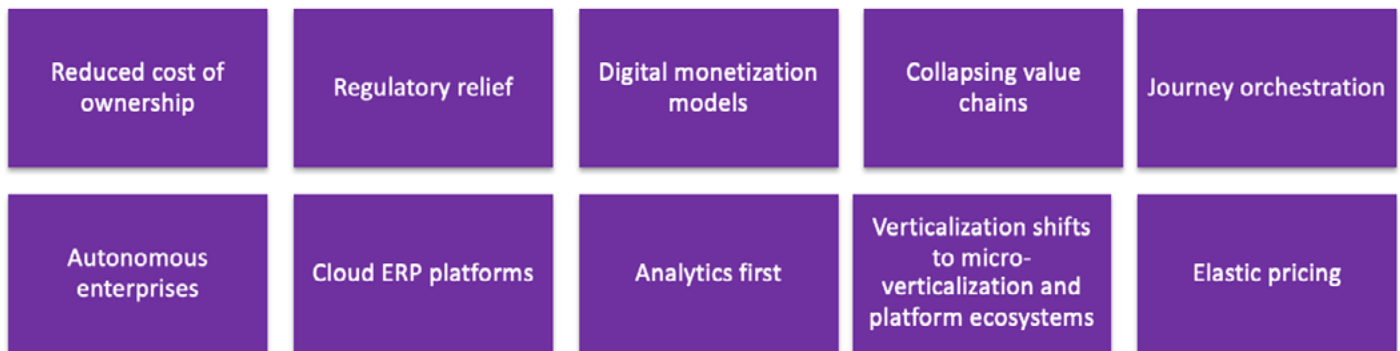
Market Trends

Digital business models meet automation, AI, people-centric, and cloud-migration requirements for the global cloud ERP market. Technology leaders that own legacy on-premises ERP systems face massive challenges ahead to balance technical debt and short-term business requirements. ERP market trends

highlight the major challenges ERP users face and the trends in ERP that will impact the business over the next decade. The good news: Cloud ERP vendors have started to close the gap between functional parity and replacement economics.

As more users consider cloud ERP options in their upgrade and digital transformation strategies, Constellation believes choosing a vendor it can trust will be the most important decision an organization can make in the postdigital ERP era. In Constellation's ERP conversations with more than 300 technology leaders over the past nine months, 10 major trends have emerged for 2022 and beyond for postdigital ERP users (see Figure 1).

1. **Reduction in cost of ownership.** Rising interest rates, inflation, inventory issues, infection, and invasion have put cost pressures on all organizations. Most of them cannot manage the cost of maintaining existing ERP systems and upgrading them to meet the latest requirements. In Constellation's conversations with more than 300 enterprises, executives indicated that they seek to consolidate vendors, modernize systems, and reduce the cost of ownership. Third-party maintenance options are preferred during the transition to fund the replacement or upgrade.

2. **Regulatory relief as a service.** Users depend on their cloud ERP provider to keep them up to date on regulations, compliance requirements, and legislative burdens. CFOs and risk-management types have found that cloud ERP solutions mitigate compliance risk and ensure timely implementation of key

Figure 1. Global Cloud ERP Trends for 2023 and Beyond

| Reduced cost of ownership | Regulatory relief | Digital monetization models | Collapsing value chains | Journey orchestration |
| Autonomous enterprises | Cloud ERP platforms | Analytics first | Verticalization shifts to micro-verticalization and platform ecosystems | Elastic pricing |

Source: Constellation Research

regulations. Among its many use cases, AI is useful for fraud prevention, helping organizations avoid bad outcomes by applying cognitive reckoning to identify potential threats. The goal is to mitigate risk, achieve regulatory compliance, and prevent disasters. Customers also seek AI to augment human decisions and suggest next-best actions.

3. **Digital monetization models.** The shift from ownership to access requires ERP systems to support subscription business models. These new models enable postsale revenue opportunities such as installation, warranty, and vendor-managed inventory. Subscriptions also require regulatory compliance for revenue recognition rules such as ASC 606. Expect ERP systems to provide more support to customer success management platforms and new outcomes-based pricing models.

4. **Collapsing value chains.** Classic megaprocesses such as invoice to close, procure to pay, hire to retire, and order to cash have traversed functional fiefdoms. Early adopters of cloud ERP seek multithreaded value chains that support a multiparty-centric view. These parties could include the employee, customer, supplier, partner, and others. The convergence of classic megaprocesses makes way for multiparty value chains. Context is key, because each role sees only the relevant information at the right time.

5. **Journey orchestration.** ERP users expect to design, execute, and automate end-to-end business processes. Organizations would like to be able to orchestrate external and internal processes and to enable key business leaders to craft their own cross-functional capabilities.

6. **Autonomous enterprises and AI.** From chatbots to mixed reality, AI has entered the ERP market. Systems that mimic three out of the five senses—sight, hearing, and touch—have entered the mainstream. Natural-language processing and video intelligence enable large quantities of unstructured data such as documents, chats, log files, and transactions to be ingested and organized into logical categories by use of techniques such as topological data analysis. Customers expect the ability to use voice as an interface as much as they use touch and gestures.

7. **Cloud ERP platforms.** Extension of key capabilities in industry verticals, last-mile functionality, and custom requirements will require cloud ERP vendors to open up their platform layers to enable user-based configuration. Users need to extend and expand ERP footprints to accommodate changing business models and new requirements.

8. **Analytics first.** The ERP market landscape has shrunk from hundreds of vendors to a dozen core providers. During the merger-and-acquisition binge over the past decade, customers emphasized the stability of a vendor over innovation. With a refresh cycle ahead, customers have increased their expectations for obtaining both stability and innovation from one core vendor.

9. **Verticalization shifts to microverticalization and platform ecosystems.** Customers expect their cloud-based ERP solution to deliver on deep industry-vertical functionality. Customers also expect their ERP vendor to provide integration support for adjacent solutions in the ecosystem. Why? Years of experience have taught customers that they need a platform that they can extend as well as one that is part of a larger ecosystem.

10. **Elastic pricing.** Customers have become accustomed to cloud-based pricing models based on the number of users. As complexity in cloud products grows, customers expect to see flexible pricing models based on users, usage, and platforms. Moreover, customers that face divestitures and mergers also would like the ability to reduce the number of licenses as needed. Constellation has developed pricing models that clearly state discounting based on volume metrics that enable flex-up and flex-down pricing.

FUNCTIONAL CAPABILITIES

Unit4 provides a full business management suite for people-centric businesses. Capabilities include HCM, finance, projects, procurement, and financial planning and analysis (FP&A). Unit4 best fits with rapidly growing medium-size to large organizations (see Figure 2).

Figure 2. Unit4 Provides a Full Breadth of Business Management Solutions

Source: Unit4

Offering Differentiation Spans Four Product Themes

- **Right for your business.** Unit4 has invested in industry and country capabilities that meet midmarket needs. On the user experience side, design elements include personalized, assistive, forgiving, efficient work and right delivery. Other design philosophies include faster go-lives via the use of industry models, customer-specific flows, and a digital assistant.

- **Ecosystem-aware.** Most organizations do not work in silos. Customers want to connect with external networks and systems to integrate processes and also build intelligence in networks. Unit4 has designed its software to connect with other entities.

- **Auto-everything.** The growing deficit in skilled workers and rising wage inflation bring a rising need for automation. Customers seek to automate processes to improve efficiency, reduce error rates, and improve job satisfaction.

- **Better together.** Unit4 is focused on improving interoperability via APIs, working with partners to build more apps, and accelerating migrations. The open approach to working with existing systems and competitors helps customers meet their requirements instead of forcing vendor lock-in.

Finance and Procurement Gain New Capabilities

As with most other ERP suites, users expect a strong finance foundation. The Unit4 offering includes general ledger, accounts receivable, accounts payable, bank reconciliation, fixed assets, and sales orders. In addition, the vendor has a strong procurement offering that provides vendor management, invoicing and payments, contract management, purchasing, spend analysis, and catalog management (see Figure 3). New features in the current release provide automation of financial processing for incoming bank statements and smart services for processing of incoming invoices. Procurement capabilities include automatic consumption of electronic internal invoices. In addition, sales orders gain improved outbound invoicing, project billing, revenue recognition, and sales invoicing capabilities.

Expansion of HCM Starts With North America and the U.K.

Unit4 HCM provides both an operational HR and a workforce talent and culture capability. The operational HR offering includes payroll and core HR modules along with absence management, time tracking, and travel and expense. Localizations include absence handling, government reporting, payroll, and reimbursements. Much investment has gone into reimagining core HCM tasks. For example, in

Figure 3. Inside Unit4's Finance and Procurement Solutions

Note: HCM = Human Capital Management; FP&A = Financial Planning & Analysis
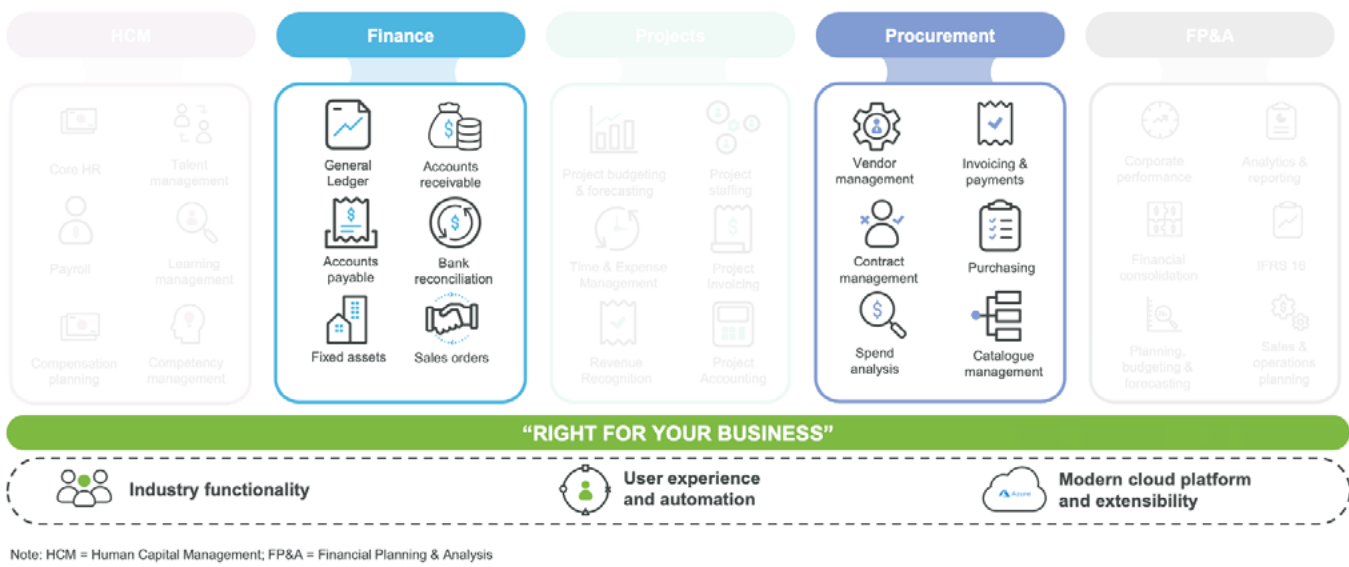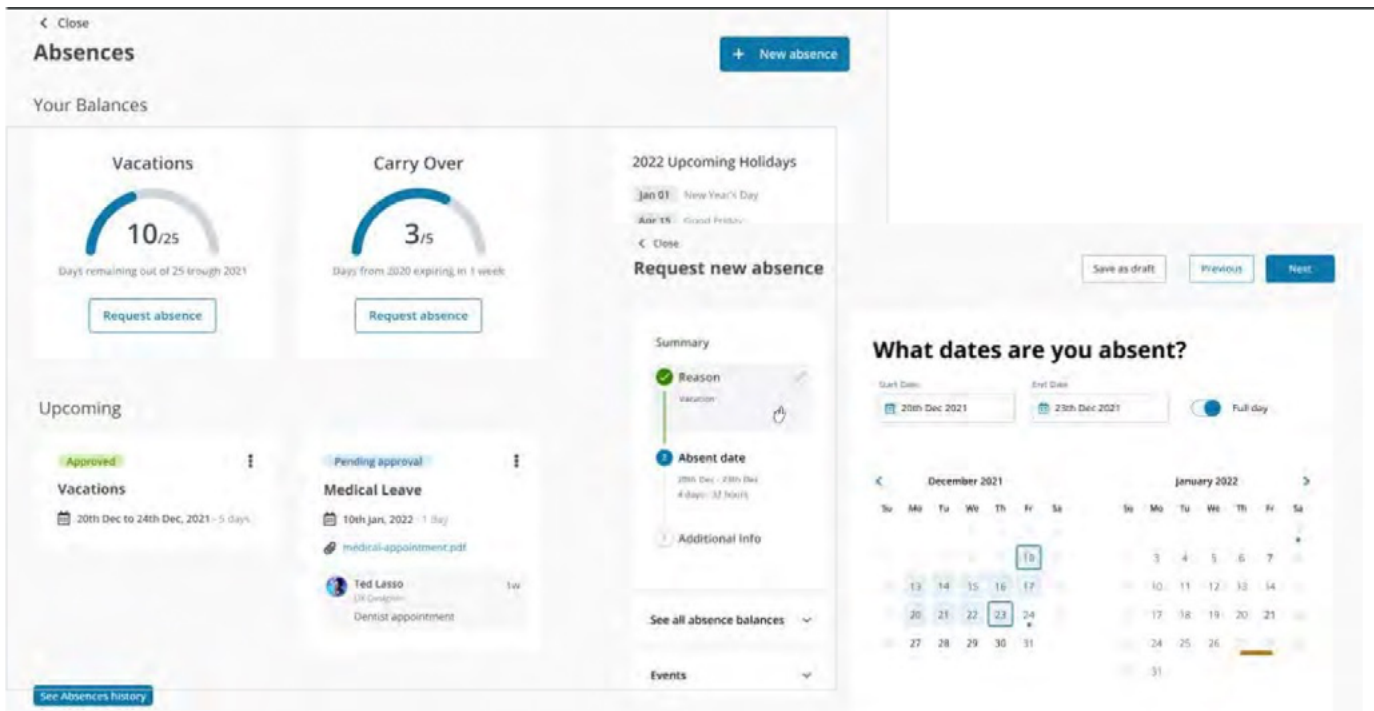
Source: Unit4

absence management, new flows make it easy for both the employee and the manager to view and manage records, time-off requests, and absence dates (see Figure 4).

Strategic HCM capabilities add workforce talent and culture functionality in performance, engagement, compensation planning, and learning to the overall roadmap (see Figure 5). The workforce talent and culture capabilities take a skills-driven approach, provide for performance-based compensation, deliver an organic approach to performance feedback and assessment, and utilize analytics to ascertain insights into workplace culture.
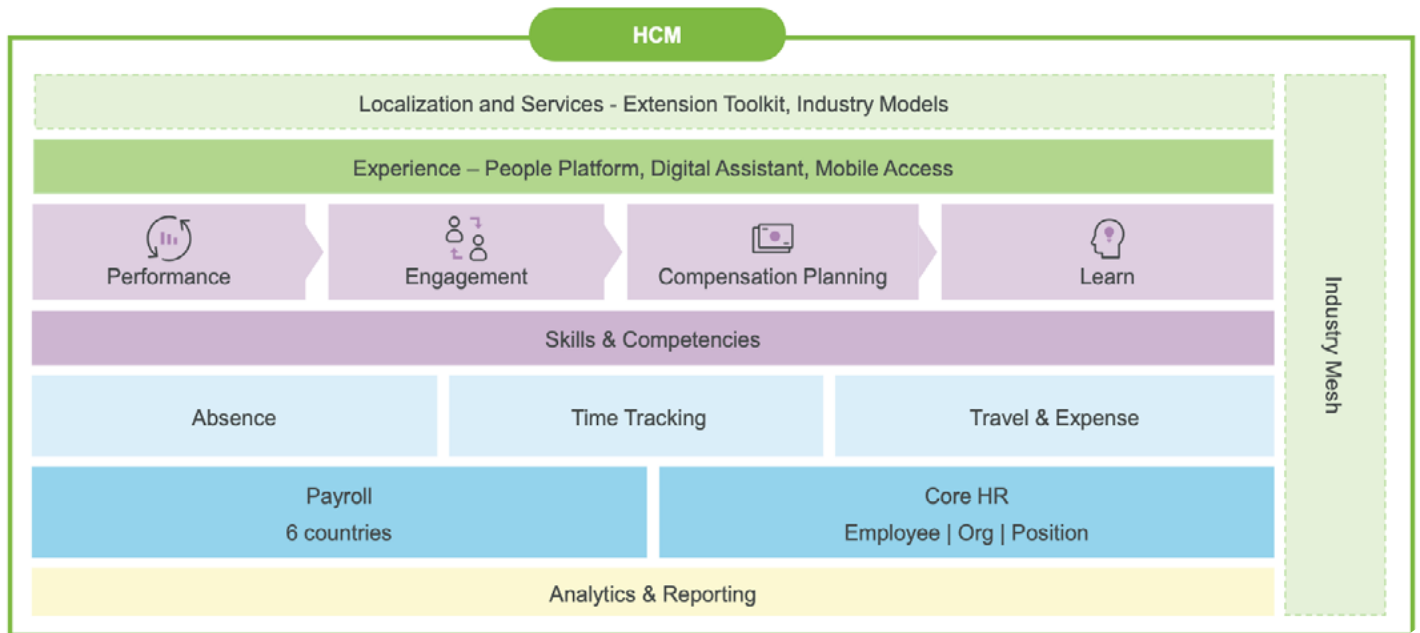
Unique to Unit4 is a people-centric HCM that works well with project-based companies. The core offering uses a skills-based approach. For example, project planning takes advantage of skills-based project staffing and skills-based matching and integrates with location, time, and absence information to optimize resource utilization. This philosophy extends to areas such as team performance and feedback along with individual career planning.

Figure 4. HCM Core Tasks Reimagined

Source: Unit4

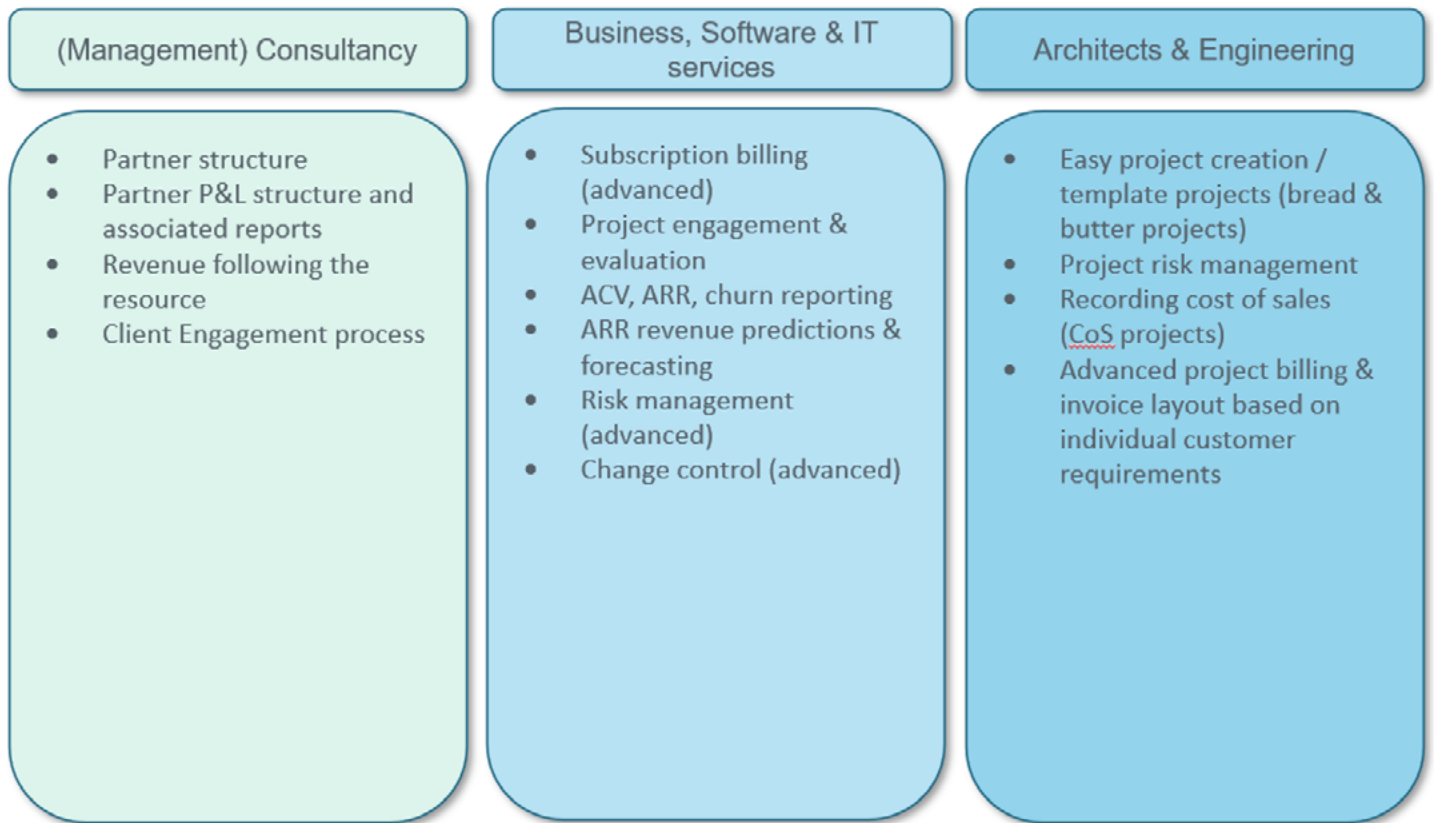**Figure 5. Unit4 Provides a Comprehensive Platform for HCM**

HCM

Localization and Services - Extension Toolkit, Industry Models

Experience – People Platform, Digital Assistant, Mobile Access

| Performance | Engagement | Compensation Planning | Learn |

Skills & Competencies

| Absence | Time Tracking | Travel & Expense |

| Payroll 6 countries | Core HR Employee \| Org \| Position |

Analytics & Reporting

Industry Mesh

Source: Unit4

Financial Planning and Analysis Enhance Functionality and Usability

Unit4 has continued to expand its FP&A offering. The goal is to give users the tools to fine-tune business logic to specific needs and speed up implementation of models. Improvements include better models, rest services for exports and imports, automated internal data imports, predefined International Business Communication Standards (IBCS) reports as templates, added features for storytelling, and worksheet refactoring.

Industry Models Improve With Three New Extensions

Unit4 has taken an industry-focused approach. The three core industries include professional services, public sector, and nonprofits for which industry models already exist. New industry model extensions for professional services expected in 2023 include consulting, business, software and IT services, and architecture and engineering (A&E)—see Figure 6. Management consultancy adds partner structure, partner P&L structure and associated reports, revenue following the resource, and client engagement processes. Business, software, and IT services gain subscription billing (advanced); annual contract value

Figure 6. Three New Industry Model Extensions Add to Industry Focus

(Management) Consultancy	Business, Software & IT services	Architects & Engineering
• Partner structure • Partner P&L structure and associated reports • Revenue following the resource • Client Engagement process	• Subscription billing (advanced) • Project engagement & evaluation • ACV, ARR, churn reporting • ARR revenue predictions & forecasting • Risk management (advanced) • Change control (advanced)	• Easy project creation / template projects (bread & butter projects) • Project risk management • Recording cost of sales (CoS projects) • Advanced project billing & invoice layout based on individual customer requirements

Source: Unit4

(ACV), annual recurring revenue (ARR), and churn reporting; ARR revenue predictions and forecasting; risk management (advanced); and change control (advanced). A&E features include easy project creation, project risk management, recording cost of sales, and advanced project billing and invoice layouts.

Onboard and Create Customers for Life

Critical to successful engagement is a strong onboarding process. Unit4 applies a five-step approach to customer success delivery that includes customer culture, customer awareness, customer engagement, customer listening, and continuous improvement and innovation. Customer culture focuses on aligning expectations of the customer as an organization. Customer awareness applies a success framework to evaluate the holistic needs of the customer from value, project, solution, enablement, relationship, adoption, product, and support perspectives. Customer success engagement aligns experiences for outcomes. Customer listening comes through a voice-of-the-customer council. The continuous

improvement and innovation process applies three stages. Stage 1 turns data into meaningful actions across a team, stage 2 proactively delivers customer outcomes at scale, and stage 3 rallies the company around the mission of customer success.

Partnerships and Alliances

Partnerships and alliances are important to achieving scale and reach with customers. Unit4's key partnerships include more than 35 partners, including Abilita, ACE Solutions, Agilyx, Arribatec, Askk, Capgemini, Deel Advanced Consulting, Diesis, Efima, Embridge Consulting, ERP4U, G7, GCON4, Greenlight Consulting, HeyCentric, ICORP, Inside, ITK Solutions Group, Level 8, Levio, Microsoft, Millennium Consulting, Pagerao, pecen, Phase 3, Proactis, ServeVita, smartPM.solutions, Solmate, SpendRight Consulting, SystemsAccountants, Tech4 Consulting Limited, TietoEVRY, Vision ERP, and WIN Consultancy (see Figure 7).

Figure 7. The Unit4 Partner Ecosystem

Source: Unit4

IMPORTANCE TO BUYERS

Buyer Challenges

Enterprises and brands seeking new ERP systems must compare their current- and future-state requirements of existing legacy on-premises customization with the out-of-the-box configured requirements of cloud-based ERP systems. In many cases, legacy on-premises ERP systems may have outlived their useful life for meeting regulatory requirements and supporting integration with newer technologies.

Integration with existing and new systems is one of the most significant factors in migration from on-premises to cloud-based ERP systems. In addition, the market has rapidly consolidated around a dozen ERP suites with varying degrees of cloud deployment options. Buyers must consider their requirements for deployment options that range from hosted single-tenant multi-instance cloud to true multitenant software as a service (SaaS).

Customers that implemented ERP prior to the year 2000 (Y2K) push have slowly begun the much-needed process of upgrading or replacing existing ERP installations. Over the past decade, the slower-than-expected adoption of cloud ERP has stemmed mostly from a lack of functional parity with highly customized legacy systems and from an inability to achieve meaningful ROI by replacing those systems. However, as vendors double down on reinvestment and users must adapt their ERP to a barrage of changing business models and increasing regulation, an ERP renaissance is occurring.

As requirements shift from product- to people-centric requirements, expect vendors to address this transformation. Today, most ERP systems deliver refined processes designed for making goods or products. Over the past decade, customers have been seeking ERP systems that also address the services-centric requirements and people-centric approach to humanizing digital processes. From postmarket installation to project management, services delivery, and warranty management, people-centric processes have blended with the product-centric world and, in many cases, spawned people-centric-only businesses.

In Constellation conversations with 351 executives in charge of ERP in 2022, leaders indicated that their top priorities for vendor selection include the following (see Figure 8):

- **Support more automation and AI (86.32%).** The next level of optimization will not come from more transactional enterprise software. Enterprises look to automation and AI to provide exponential gains in reducing full-time equivalents (FTEs), improving scale, and reducing errors. Many vendor selection requests in the past year have sought an aspirational zero-FTE goal in finance and operations. Organizations seek to move beyond robotic process automation (RPA) and move to process mining and cognitive automation.

- **Reduce the cost of ownership and complexity (82.62%).** Users seek to drive down the cost of ERP ownership. The cost of maintaining a legacy ERP system over five years often exceeds the cost for a replacement cloud ERP system. Customers that seek to reduce the number of on-premises licenses face an uphill battle with legacy vendors on maintenance costs. Technology and procurement leaders seek pricing elasticity in user-based, usage-based, and platform pricing.

Figure 8. What Executives Want in Their ERP System
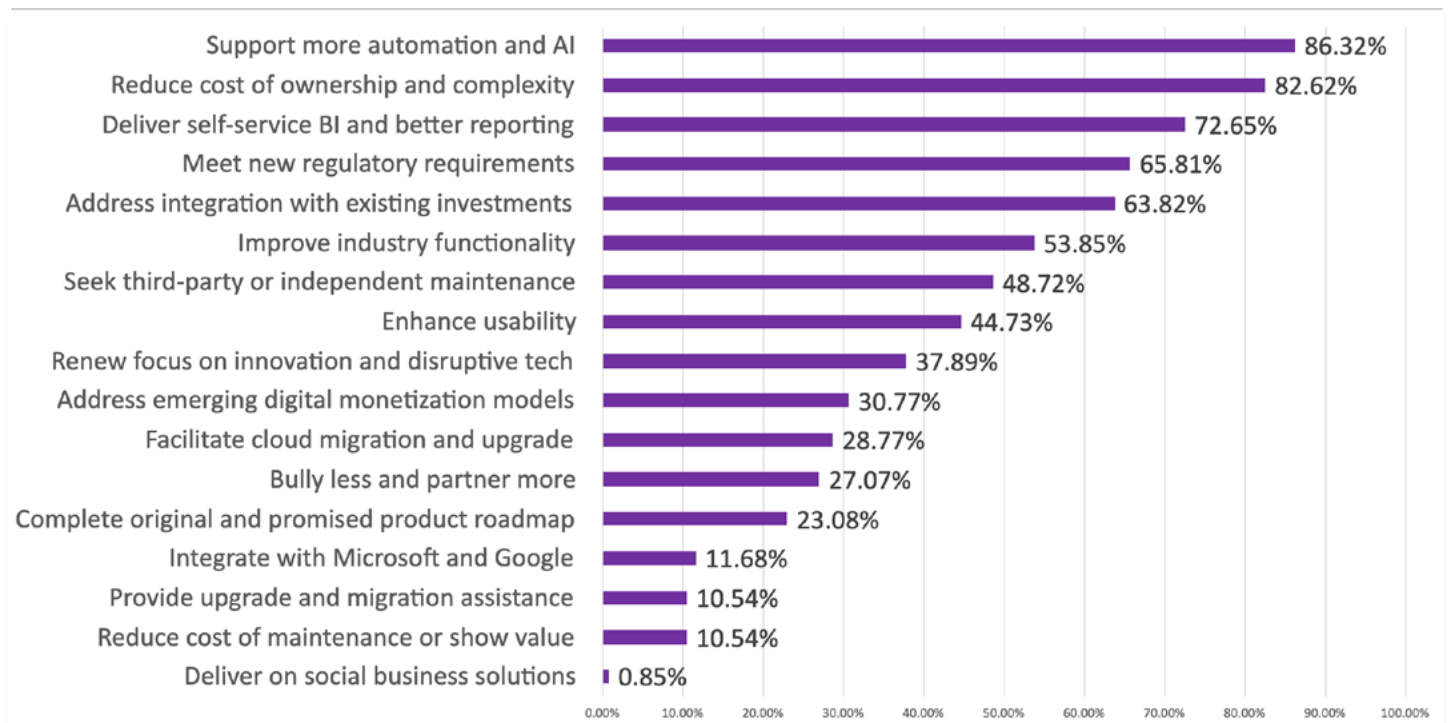
Source: Constellation Research

- **Deliver self-service business intelligence (BI) and reporting (72.65%).** Analytics and reporting have moved from afterthought and once-a-week management team discussions to a daily first-and-foremost focus. Users expect the ability to create their own reports and to collaborate in real time in creating them. Teams begin the day with corporatewide dashboards and expect real-time information. More and more organizations seek improved forecasting, planning, and scenario-building tools powered by some level of AI. Existing systems continue to require workarounds and a patchwork of solutions.

- **Meet new regulatory requirements (65.81%).** ERP systems often bear the brunt of all legislation, regulatory requirements, and compliance initiatives. ERP systems must address every new whim of government as well as ensure the mitigation of risk to regulatory bodies. The coming onslaught of environmental, social, and governance (ESG) rules will also burden organizations with new requirements. Leaders must manage the challenges of keeping their ERP system up to date.

- **Address integration with existing investments (63.82%).** Managing and maintaining integration of disparate cloud systems requires competencies in data and process integration. Given the lack of maturity and availability of open APIs and microservices for legacy on-premises ERP systems, most enterprises face a tough challenge in managing the cost of integration. The movement of data among disparate systems will power future data-driven digital networks (DDDNs). Legacy ERP systems must integrate with other key business systems to provide benchmarking, demand signals, and predictive capabilities.

- **Improve industry functionality (53.85%).** The collapse of industries along value chains has shifted what industry functions businesses require from their ERP systems. Deeper out-of-the-box requirements of microindustries and the ability to configure platforms to deliver on unique business requirements make it challenging for organizations to work with their current ERP systems. As industry-specific requirements grow and industries collapse and converge along new value chains, ERP systems face breaking points that often require expensive customizations. Customers expect microvertical capabilities tailored to industries and complex value chains.

- **Seek third-party or independent maintenance (48.72%).** Independent maintenance for on-premises systems enables customers to consider a replacement or upgrade strategy while saving as much as 50% in maintenance costs. The money saved in maintenance is often used to fund the upgrade or replacement project. Leaders must determine whether to soldier on with existing systems, upgrade, or consider third-party maintenance.

- **Enhance usability (44.73%).** Customers expect improving levels of usability for everything from user interfaces to chatbots. The goal: improve training on, adoption of, and performance of existing systems. Furthermore, users expect the latest accessibility capabilities and compliance with the Americans with Disabilities Act (ADA) and Web Content Accessibility Guidelines (WCAG).

- **Renew focus on disruptive tech (37.89%).** The modernization of ERP systems includes the adoption of new technologies beyond cloud computing. Demand is growing for new capabilities such as the settlement of digital assets such as nonfungible tokens (NFTs) and cryptocurrencies. Interoperability with digital twins and operational technology are driving the future of industrial automation and simulation. As disruptive tech enters the mainstream, enterprises expect their vendors to add capabilities.

- **Address emerging digital-business and monetization models (30.77%).** With an increase in postpandemic business models built on less density and more digital business, brands and enterprises must consider digital monetization. Customers seek subscription services, support for digital goods and services, and the ability to create new pricing schemes. Organizations also seek postsale business-model and monetization support from their ERP systems, which were not originally designed for such business models.

- **Facilitate cloud migration and upgrade (28.77%).** Aging systems, pressure from indirect access, audit threats, and the need for new functionality plague enterprises with legacy on-premises ERP systems. Business leaders seek more capabilities from their ERP systems but expect to pay less. Legacy vendors expect to grow their accounts with upgrades and the sale of more modules to show revenue growth. Technology and procurement leaders must find business value in upgrades.

- **Bully less and partner more (27.07%).** Many customers face a deteriorating vendor/client relationship where account values matter more than customer satisfaction. Organizations don't necessarily want to spend more money on legacy products while accumulating technical debt. Survey respondents seek a win-win and a partnership with vendors that understand how to provide modernization without breaking the budget. Vendors that understand customer success management have improved their ability to partner over time.

- **Complete original and promised product roadmap (23.08%).** Mostly among SAP customers, executives are frustrated with unfulfilled functionality promises. In many cases, the vendor made acquisitions for promised capabilities and then charged customers for additional licenses and added fees to access items promised on the roadmap.

- **Integrate with Microsoft and Google (11.68%).** Business productivity tool integration includes email, calendar, contacts, and content. Users expect tight integration with their tools of choice in both desktop and mobile scenarios. Access to information should provide the right security for the right roles with the right form factors. Today's systems have vastly improved in integration, and this priority has fallen over time.

- **Provide upgrade and migration assistance (10.54%).** Trapped in decades of technical debt, prospects and customers need a path to modernization. The lack of ERP skills and an aging workforce put the onus on vendors to provide upgrade and migration assistance in the move from on-premises to cloud. As these processes improve and templates evolve, demand has dropped, but this still remains a priority for a small group of survey respondents.

- **Reduce cost of maintenance or show value (10.54%).** Demonstrating value for maintenance has diminished as a priority as cloud software provides more-timely updates. Although on-premises software avoids vendor lock-in, the cloud model ensures that updates are more frequent and more widely adopted.

- **Deliver on social business solutions (0.85%).** No longer a major priority, social business capabilities include collaboration and access to social channels. The ability to collaborate in real time within the company and externally can now be delivered in most ERP systems.

PRICING

Pricing for all Unit4 products offers the options listed below.

Primary Product Options

- The product offering is broken down into predefined Primary Package options designed to suit common customer use cases.

- Standard support and services such as standard integration/migration are included for no additional fee.

- Two key price metrics are used to determine the price per package. The customer has an option to purchase on a per-FTE or per-named-user basis, depending on the customer's organizational structure and how it would utilize the software.

Additional Options

- Additional add-on packages are available, depending on customer needs.

- Several packages designed to meet customers' local country needs, such as regulatory requirements, are available, depending on the customer location. Local country packages are available at no additional charge, with additional chargeable options also available.

- Additional options are available for more-specific customer needs, such as additional environments and storage. These are priced either per item or in increments appropriate to the option.

Premium Services

- Advanced service levels are available, charged appropriately in addition.

- Professional service packages can be purchased, providing further customer support as required.

ANALYSIS AND OBSERVATIONS

The following are Unit4's strengths and weaknesses compared with other leading vendors in the market (see Figure 9).

Strengths

- **Support for a people-centric ERP approach.** Unit4 is one of a few players that delivers on people-centric ERP. This approach is very different from ERP built for products or manufacturing.

- **Investment in a modern technology architecture.** Unit4 has invested a considerable amount of R&D and resources to modernize its ERP platform. The platform is one of the most modern in the business.

- **Strong leadership team.** Unit4 has upgraded its management team. Under CEO Mike Ettling, the vendor has assembled a strong team of enterprise software veterans with a customer focus.

- **Proven services-centric industry vertical solutions.** The vendor has focused on professional services, public sector, and nonprofit. Deeper capabilities include management consultancy; business, software, and IT services; architecture and engineering; and accountancy.

- **Growing investments in automation.** Automation is the No. 1 request for most customers and prospects. Unit4 is ramping up automation capabilities across several business processes.

- **Continued funding and investment in innovation.** Customers and partners have seen an improvement and increase in funding for innovation.

Weaknesses

- **North American presence.** Unit4 has been a significant player in the EMEA region. As the vendor expands to the west, expect more investments in North America in sales, support, and leadership. Recent customer wins do indicate growing traction in North America.

- **User group and community resources maturity.** Compared with other software vendors, Unit4 needs to put more effort and investments into activating these users. Although the company has improved how it partners with customers for feedback and input, more investment needs to be made to activate customers on engagement.

- **Need for more channel and services partners.** Unit4 has a handful of trusted partners and even fewer global system integrators. As Unit4 grows, Constellation expects more global system integrators such as Capgemini to build up and train partner resources.

Figure 9. Unit4 ERP Cloud's Strengths and Weaknesses

STRENGTHS	WEAKNESSES
- Support for a people-centric ERP approach - Investments in a modern technology architecture - Strong leadership team - Proven services-centric industry vertical solutions - Growing investments in automation - Continued funding and investment in innovation	- Weak (but expanding) North American presence - Lack of user group and community resources maturity - Need for more channel and services partners

Source: Constellation Research

RECOMMENDATIONS

Start Optimization and Innovation With the Cloud; Then Build for AI

The road to postdigital ERP comes with many approaches. Evaluations should consider on-premises versus cloud and legacy ERP versus postdigital ERP (see Figure 10). Constellation recommends that customers do the following:

- **Surround legacy systems with cloud innovation and hybrid integration.** Organizations seeking to dip their toe in the water with cloud ERP can start with adjacent cloud solutions such as pricing, forecasting, demand planning, recruiting, and talent management. The goal is to understand the ease of use while accessing innovation at the edge. Teams should select integration tools that will enable hybrid models and long-term cloud-to-cloud orchestration.

- **Consider a two-tier approach to cloud ERP.** Start an upgrade or replacement project inside a division, geography, or separate business unit. Take the time to redesign processes for both efficiency and automation. Apply lessons learned from the upgrade or replacement experience to drive future adoption across the enterprise.

Figure 10. A Postdigital View of ERP Modernization
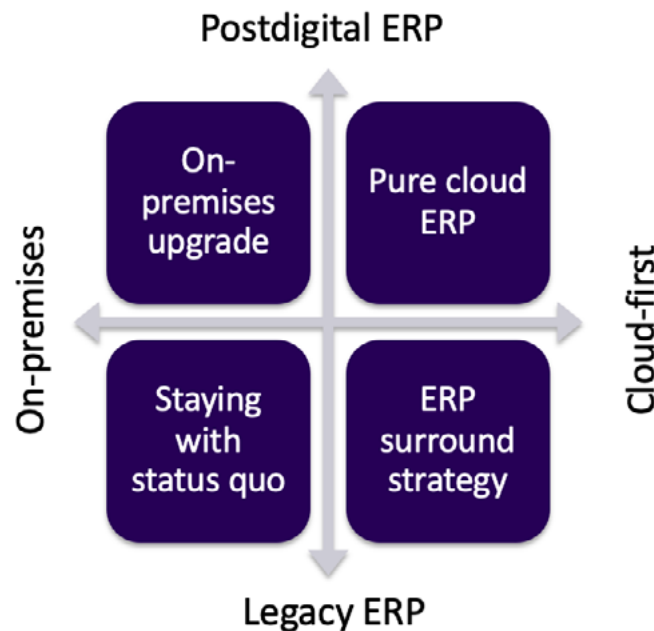
Source: Constellation Research

- **Make the shift to pure cloud ERP.** Explore the requirements to move to a pure cloud ERP solution. Map previous customizations to new or promised functionality on the roadmap. Consider the impact of integrations. Design the system to address key business questions. Assess processes for automation capabilities. Design for digital feedback loops.

- **Incorporate digital feedback loops.** Use each choice to create digital feedback loops that deliver insights. Insights power next-best actions along the data-to-decision continuum. The creation of feedback loops mitigates risk, ensures compliance, optimizes operations, grows revenue, improves experience, informs product offerings, and enables brand promise.

- **Democratize decisions in the front office and the back office.** Employees throughout the enterprise can take action to improve customer experiences, but only if they have the right information presented in context at the right moment. Renew existing transactional systems from ERP, customer relationship management, and supply chain management by abstracting the transactions and enabling orchestration of new experiences. Taking these new journeys to the front lines will enable the ability to democratize decisions across all stakeholders.

- **Deliver mass personalization at scale with automation and AI.** As organizations light up their data-driven digital networks, they can finally deliver mass personalization at scale. Intelligent enterprises will use AI and ML tools to automate this personalization and build autonomous and self-learning systems over time.

- **Identify opportunities for process redesign, optimization, and automation.** Migration to a new ERP system presents an opportunity to improve and even redefine existing processes. Do not slam in existing legacy approaches. Take the time to understand which processes should be reimagined. More importantly, enterprises have the technology to automate business processes at an unimaginable scale. Thus, every organizational leader must determine when to trust the judgment of a machine, augment a machine with a human, augment a human with a machine, or trust human ingenuity (see Figure 11). In this autonomous future, machines will deliver services that are continuous, autocompliant, self-driving, self-healing, self-learning, and self-aware. Access to larger datasets and

Figure 11. The Four Most Important Questions in the Autonomous Decade

1. When do we trust intelligent machine automation?

2. When do we augment the machine with a human?

Symbiotic Trust

3. When do we augment the human with a machine?

4. When do we trust human judgment?
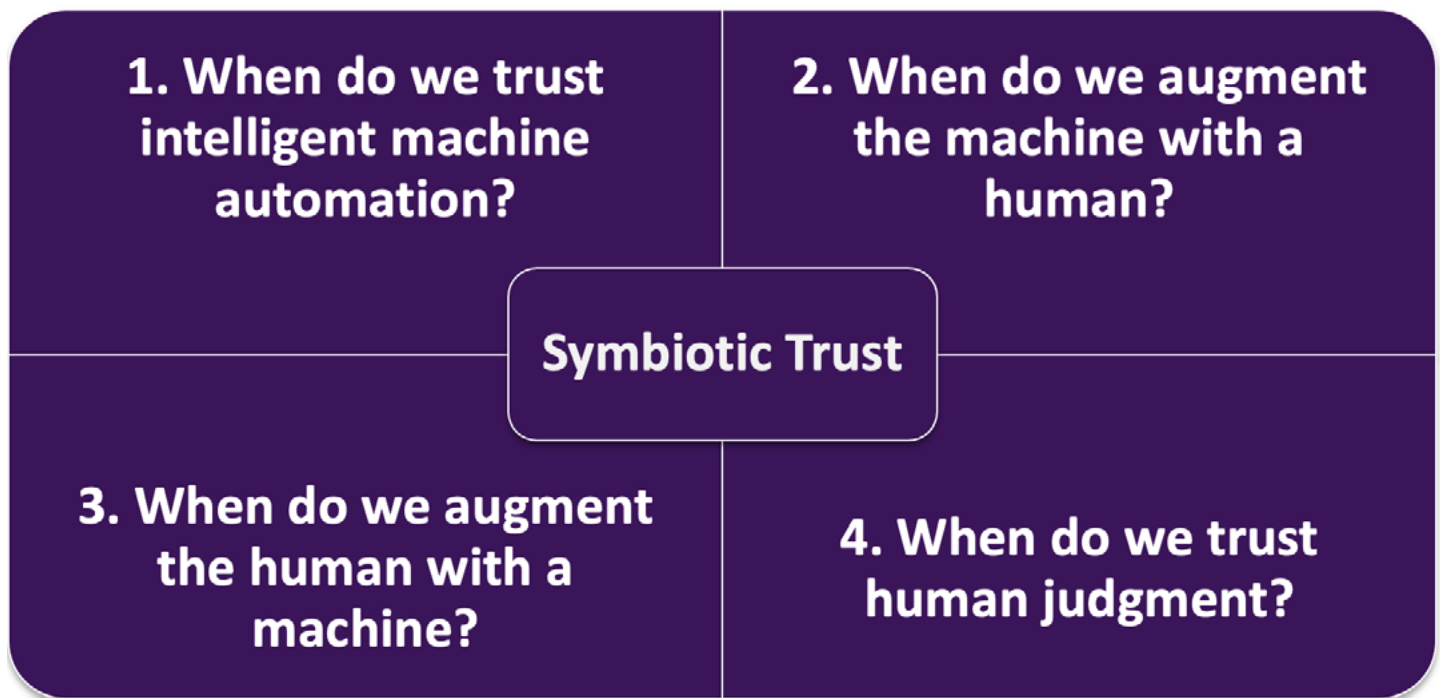
Source: Constellation Research

more engagements to refine algorithms will be needed to ensure precision decisions and ever-higher confidence levels.

WHEN TO CONSIDER UNIT4

Based on conversations with more than 100 Unit4 customers, Constellation recommends that organizations meeting the following requirements consider this offering for their short list:

- Midsize to large enterprises

- People-centric and service-oriented businesses

- Nonprofits and public sector entities

- Forward-thinking buyers seeking a future of autonomous and self-driving applications

- SAP customers seeking change and modernization in the cloud

- Customers seeking strong planning and budgeting capabilities

RELATED RESEARCH

R "Ray" Wang, "Market Overview: Cloud ERP Drives Back-Office Digital Transformation, Constellation Research, March 9, 2021. *https://www.constellationr.com/research/cloud-erp-drives-back-office-digital-transformation*

R "Ray" Wang, "Trends: The Future of ERP," Constellation Research, October 12, 2020. *https://www.constellationr.com/research/future-erp*

R "Ray" Wang, "Constellation ShortList™ Enterprise Cloud Finance," Constellation Research, February 16, 2022. *https://www.constellationr.com/research/constellation-shortlist-enterprise-cloud-finance-5*

R "Ray" Wang, "Innovations Abound in Global Cloud ERP Suites," Constellation Research, October 3, 2019. *https://www.constellationr.com/research/innovations-abound-global-cloud-erp-suites*

R "Ray" Wang

Founder and Principal Analyst

R "Ray" Wang is founder, chairman, and principal analyst of Constellation Research Inc. and the author of the popular enterprise software blog A Software Insider's Point of View. He previously was a founding partner and research analyst for enterprise strategy at Altimeter Group.

A background in emerging business and technology trends, enterprise apps strategy, technology selection, and contract negotiations enables Wang to provide clients and readers with the bridge between business leadership and technology adoption. Wang has been recognized by the prestigious Institute of Industry Analyst Relations (IIAR) as Analyst of the Year, and in 2009 he was recognized as one of the most important analysts for enterprise, SMB, and software. In 2010 Wang was recognized on the ARInsights Power 100 List of Industry Analysts and named one of the top influential leaders in the CRM Magazine Market Awards.

Wang graduated from Johns Hopkins University with a B.A. in natural sciences and public health. His graduate training includes a master's degree from Johns Hopkins University in health policy and management and health finance and management.

🐦 **@rwang0**   💻 **constellationr.com/users/r-ray-wang**   in **linkedin.com/in/rwang0**

ABOUT CONSTELLATION RESEARCH

Constellation Research is an award-winning, Silicon Valley—based research and advisory firm that helps organizations navigate the challenges of digital disruption through business model transformation and the judicious application of disruptive technologies. Unlike the legacy analyst firms, Constellation Research is disrupting how research is accessed, what topics are covered, and how clients can partner with a research firm to achieve success. Over 350 clients have joined from an ecosystem of buyers, partners, solution providers, C-suite, boards of directors, and vendor clients. Our mission is to identify, validate, and share insights with our clients.

Organizational Highlights

· Named Institute of Industry Analyst Relations (IIAR) New Analyst Firm of the Year in 2011 and #1 Independent Analyst Firm for 2014 and 2015.

· Experienced research team with an average of 25 years of practitioner, management, and industry experience.

· Organizers of the Constellation Connected Enterprise—an innovation summit and best practices knowledge-sharing retreat for business leaders.

· Founders of Constellation Executive Network, a membership organization for digital leaders seeking to learn from market leaders and fast followers.

🖥 **www.ConstellationR.com**   🐦 **@ConstellationR**

ℹ **info@ConstellationR.com**   ❓ **sales@ConstellationR.com**

San Francisco Bay Area | Boston | Colorado Springs | Denver | Ft. Lauderdale | New York Metro
Northern Virginia | Portland | Pune | San Diego | Sydney | Washington, D.C.