George Lawrie
Vice President & Principal Analyst at Forrester Research Ltd

Opening Keynote Session: Forrester Research Ltd
"ERP as a driver for digital transformation"

avanade

FORRESTER®

ERP AS A DRIVER FOR DIGITAL TRANSFORMATION

Tarun Avasthy, Market Impact Consultant
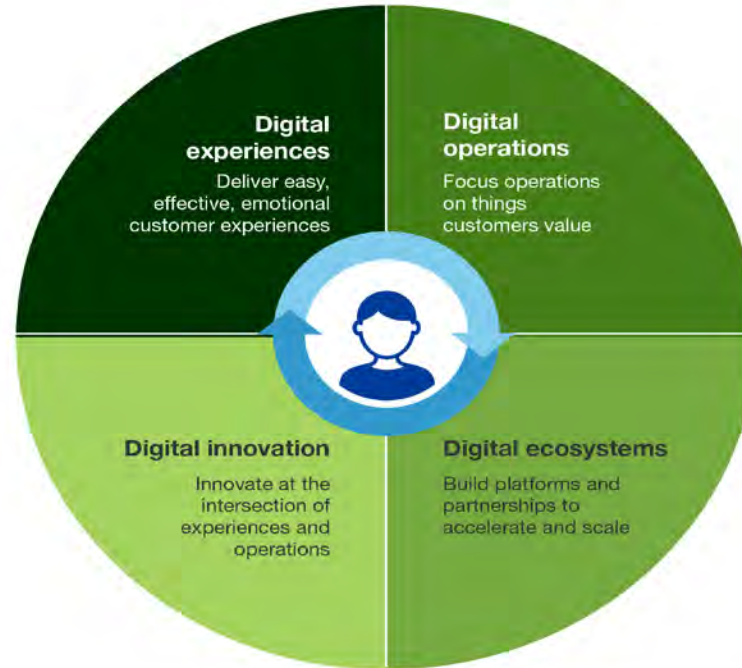**George Lawrie, Principal Analyst**

May, 2017

Agenda

› Research hypothesis and method

› Digital transformation priorities

› Perceived limitations of current applications

› Perceived risks and benefits of cloud ERP

› The state of digital transformation and cloud ERP

› Next steps

Digital Innovators Rewrite The Rules Of Business

Digital Rewrites The Rules Of Business

Digital experiences
Deliver easy, effective, emotional customer experiences

Digital operations
Focus operations on things customers value

Digital innovation
Innovate at the intersection of experiences and operations

Digital ecosystems
Build platforms and partnerships to accelerate and scale

137784

"Which business processes will be / are / were the focus of your firm's digital transformation?"

Digital Transformation Priorities Vary By Industry and Function

	Manufacturing	Retail and wholesale	Business services and construction	Media, entertainment, and leisure	Utilities and telecommunications	Financial services and insurance	Public sector and healthcare
Marketing	33%	48%	33%	54%	34%	41%	28%
Sales	38%	52%	30%	41%	28%	45%	16%
Customer service	45%	53%	42%	54%	52%	47%	63%
Field service	24%	23%	23%	6%	23%	23%	24%
Product development	36%	28%	33%	43%	31%	31%	21%
IT processes	53%	50%	65%	43%	68%	64%	53%
Financial	23%	20%	30%	30%	29%	43%	34%
Inventory management	31%	35%	24%	19%	28%	15%	20%
Manufacturing	36%	17%	22%	17%	21%	11%	6%
Supply chain	37%	43%	26%	19%	26%	17%	18%
Partner support	26%	31%	27%	24%	27%	21%	14%

Base: 1,705 North American and European decision makers involved in digital transformation
Source: Forrester Data Global Business Technographics® Business And Technology Services Survey, 2016
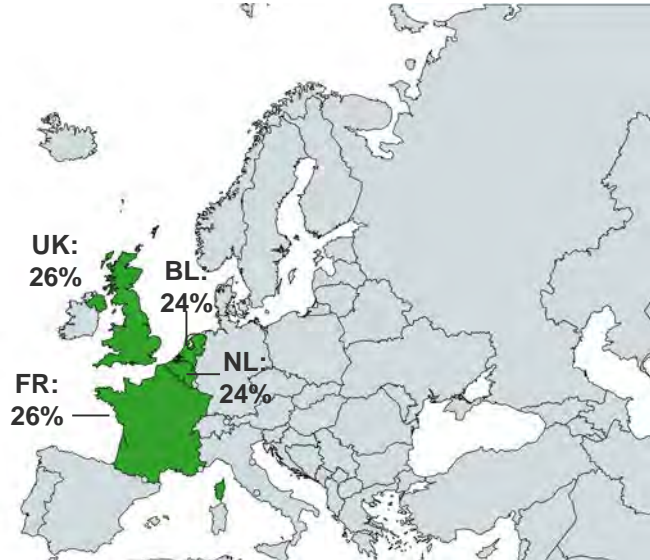
Agenda

› **Research hypothesis and method**

› Digital transformation priorities

› Perceived limitations of current applications

› Perceived risks and benefits of cloud ERP

› The state of digital transformation and cloud ERP

› Next steps

Hypothesis of the Custom Study

› **Situation:** Current ERP deployments inhibit digital transformation because of :

   • Patchy integration, Error-prone manual processes, "perimeter" security, inflexible UI

› **Opportunity:** Digital transformation drives

   • Product and service innovation, granular, timely, extended enterprise value chain collaboration

› **Conceptual solution:** Modern-cloud based approach to ERP stimulates

   • Manual process automation

   • Stakeholder engagement through mobile channels

   • Intelligent, collaboration in the extended enterprise

Forrester Surveyed 250 Firms

Country
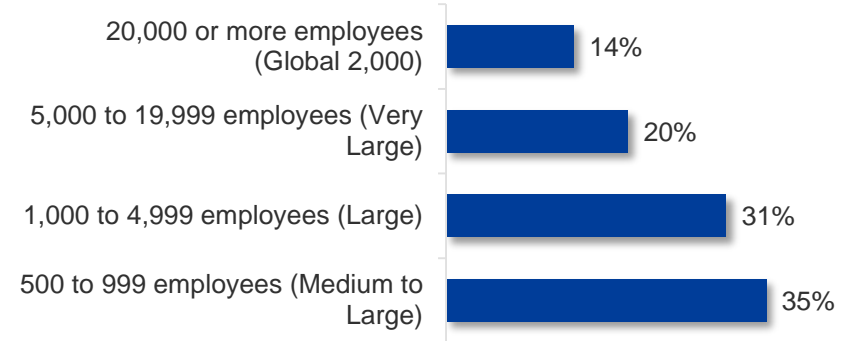
UK: 26%

BL: 24%

FR: 26%

NL: 24%

Employee Size

20,000 or more employees (Global 2,000)	14%
5,000 to 19,999 employees (Very Large)	20%
1,000 to 4,999 employees (Large)	31%
500 to 999 employees (Medium to Large)	35%

Type of Organization

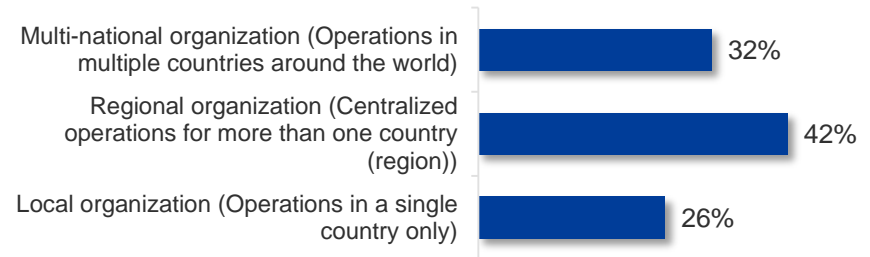|	
Multi-national organization (Operations in multiple countries around the world)	32%
Regional organization (Centralized operations for more than one country (region))	42%
Local organization (Operations in a single country only)	26%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

Most respondents were in business functions

Department

IT	41%
Finance/accounting	23%
Operations	15%
Sales	14%
Customer Service	8%

Industry

- Services and distribution — 37%
- Retail — 33%
- Manufacturing and materials — 30%

Job Level

C-level executive (e.g., CEO, CTO, CIO)	20%
Vice president (in charge of one/several large departments)	26%
Director (manage a team of managers and high-level contributors)	27%
Manager (manage a team of functional practitioners)	19%
Project manager (manage ad hoc project teams)	7%

Annual Revenue

Pounds ■ Euros ■

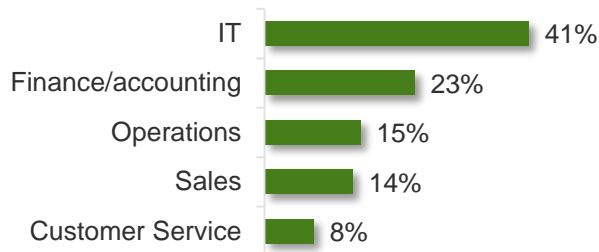|	Pounds	Euros
€1B to €5B	35%	23%
€500M to €1B	22%	25%
€400M to €499M	8%	16%
€300M to €399M	17%	17%
€200M to €299M	18%	19%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.
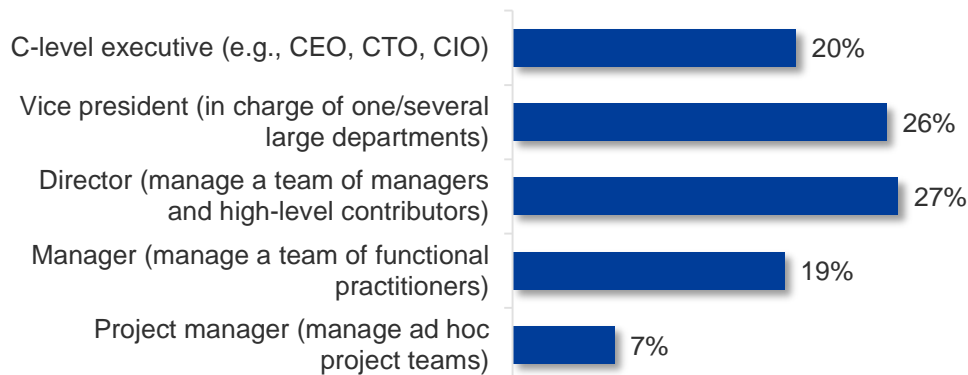
Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017
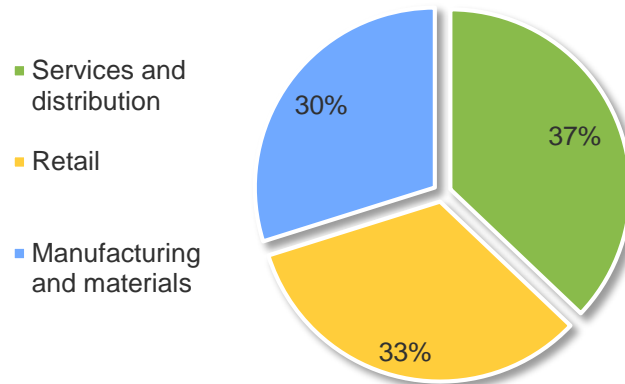
Respondents were enterprise apps decision-makers

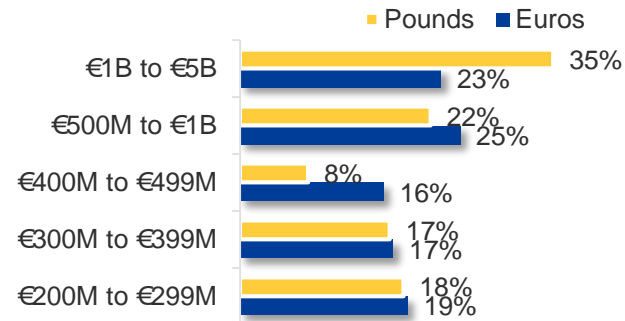**In which of the following categories of software decision-making are you significantly involved?**

- Commercial off the shelf (e.g., CRM, ERP, finance and accounting, PLM, SCM) — Had to be selected — 100%
- Customer service technology (e.g., field service, knowledge management, customer communication) — 46%
- Sales and fulfillment technology (e.g., sales force automation, commerce solutions, distribution, billing etc.) — 45%
- Digital Experience (e.g., Web content management, Digital Asset Management (DAM), online video) — 40%
- Marketing and advertising technology (e.g., enterprise marketing solutions) — 36%

Has your organization invested in ERP software?

- We are implementing / have implemented ERP — 57%
- We are expanding / upgrading our ERP — 27%
- We are planning to implement an ERP system in the next 12 months — 16%

Level of Responsibility
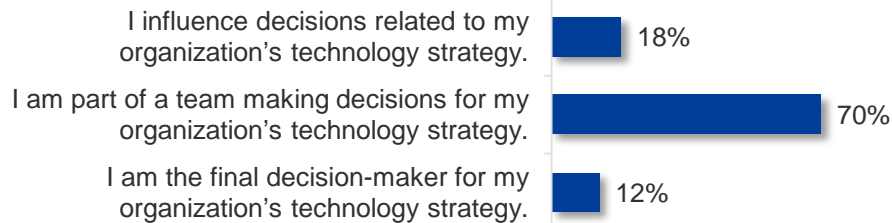
- I influence decisions related to my organization's technology strategy. — 18%
- I am part of a team making decisions for my organization's technology strategy. — 70%
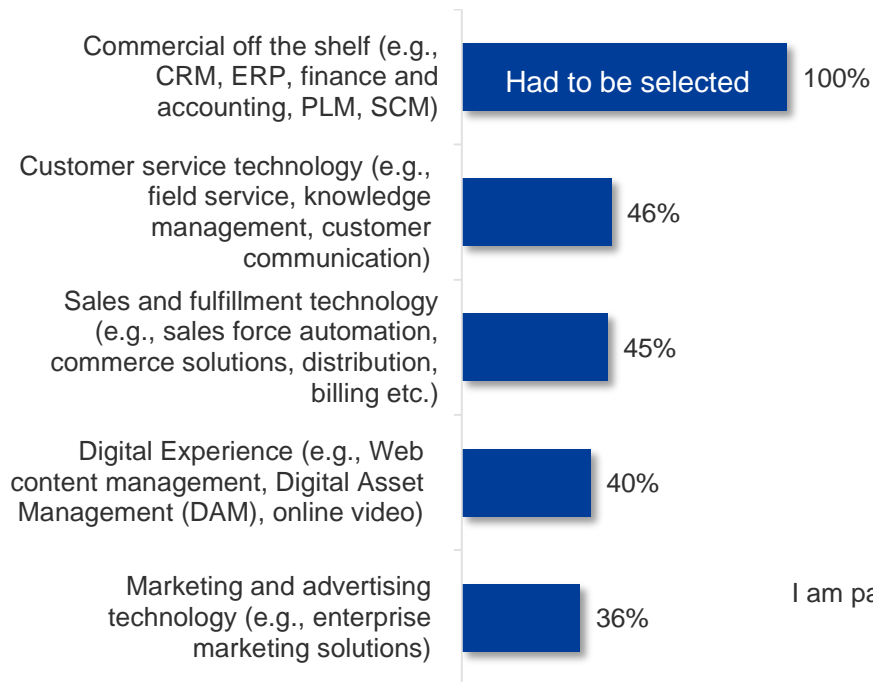- I am the final decision-maker for my organization's technology strategy. — 12%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017
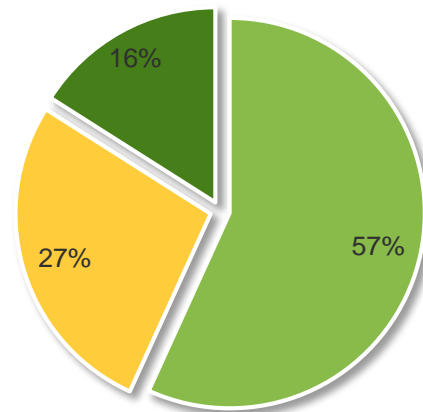
Agenda

› Research hypothesis and method

› **Digital transformation priorities**

› Perceived limitations of current applications

› Perceived risks and benefits of cloud ERP

› The state of digital transformation and cloud ERP

› Next steps

Over the next 12 months, firms will prioritize revenue, CX and products

"Which of the following initiatives are likely to be your organization's top business priorities over the next 12 months?"

Critical or high priority

Customer focus

Legend			
■ Critical priority	■ High priority	■ Low priority	■ Not on our agenda

Initiative	Critical priority	High priority	Low priority	Not on our agenda	Critical or high priority
Grow revenue	46%	40%	13%	2%	86%
★ Improve the experience of our customers	38%	48%	13%	1%	86%
★ Address rising customer expectations	36%	49%	13%	2%	85%
Improve our products /services	30%	55%	14%	2%	85%
Improve the experience/productivity of our employees	29%	53%	16%	2%	82%
Reduce costs	39%	42%	18%	1%	82%
Better comply with regulations and requirements	38%	43%	16%	3%	82%
Increase influence and brand reach in the market	32%	50%	15%	3%	82%
Improve our ability to innovate	32%	49%	17%	2%	81%
Standardize processes (such as order management, customer service, credit…	26%	54%	18%	2%	80%
Improve differentiation in the market	28%	49%	20%	3%	78%
Better leverage big data and analytics in business decision-making	30%	47%	20%	2%	77%
Accelerate our digital business	25%	51%	21%	3%	76%
Upgrade or replace outdated systems	32%	41%	24%	3%	73%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

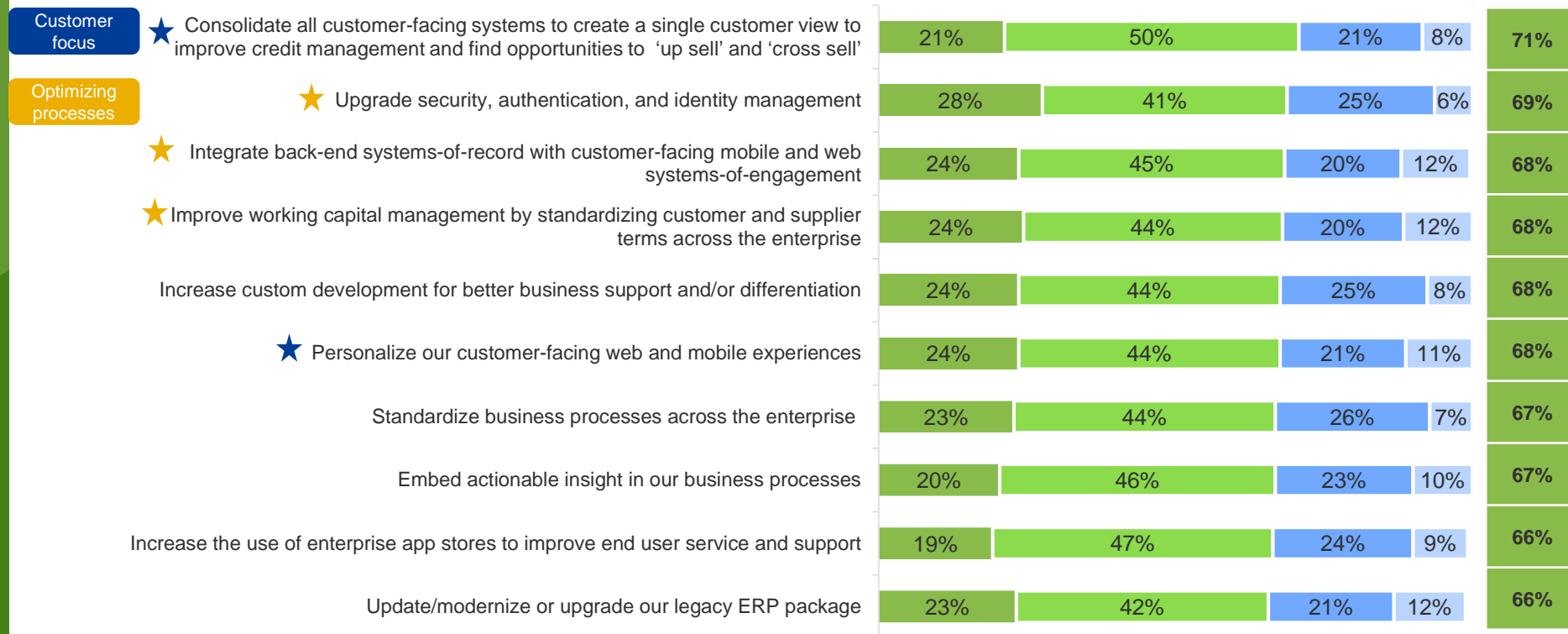# Priorities : single-view of the customer, upgrading security, and integration with systems of record

"Which of the following are likely to be your organization's top enterprise application priorities over the next 12 months?"

■ Critical priority ■ High priority ■ Low priority ■ Not on our agenda

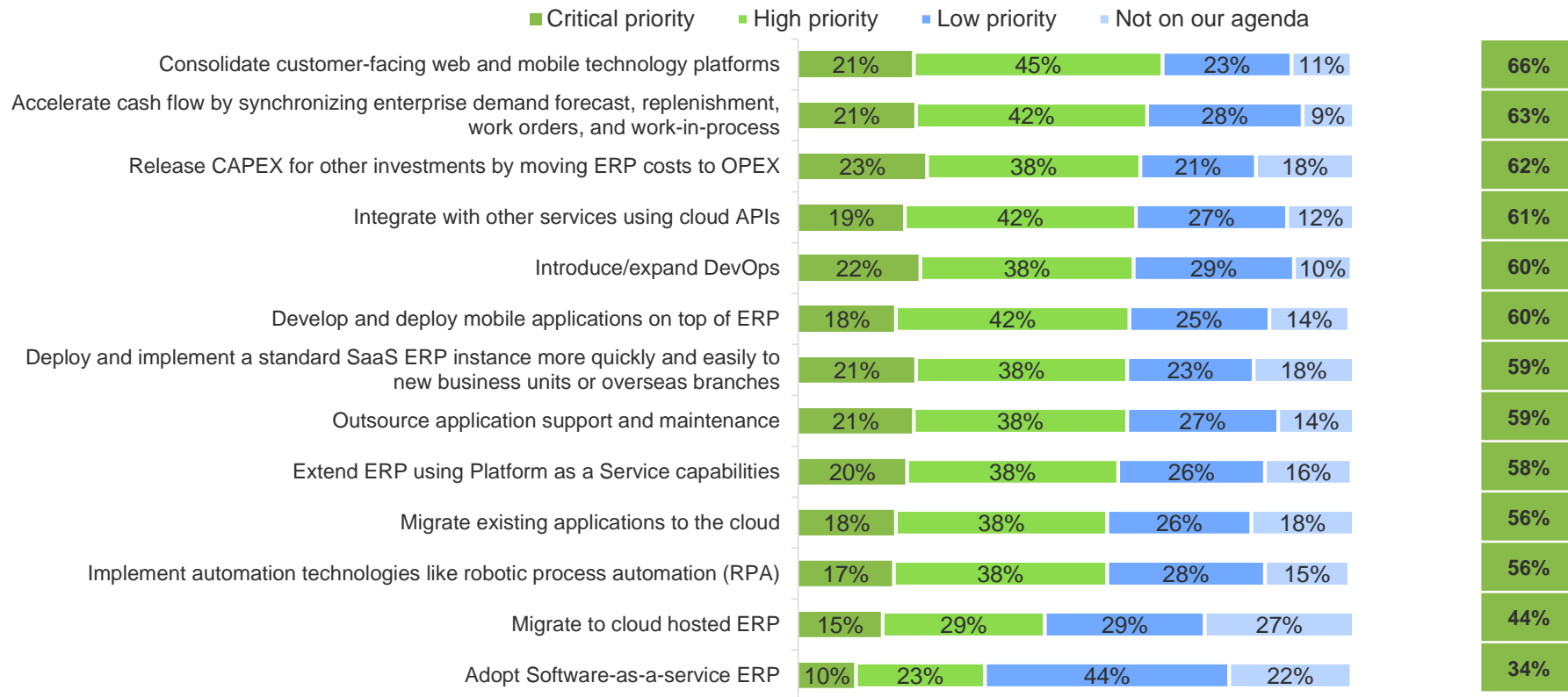|	Critical priority	High priority	Low priority	Not on our agenda	Total
Customer focus ★ Consolidate all customer-facing systems to create a single customer view to improve credit management and find opportunities to 'up sell' and 'cross sell'	21%	50%	21%	8%	**71%**
Optimizing processes ★ Upgrade security, authentication, and identity management	28%	41%	25%	6%	**69%**
★ Integrate back-end systems-of-record with customer-facing mobile and web systems-of-engagement	24%	45%	20%	12%	**68%**
★ Improve working capital management by standardizing customer and supplier terms across the enterprise	24%	44%	20%	12%	**68%**
Increase custom development for better business support and/or differentiation	24%	44%	25%	8%	**68%**
★ Personalize our customer-facing web and mobile experiences	24%	44%	21%	11%	**68%**
Standardize business processes across the enterprise	23%	44%	26%	7%	**67%**
Embed actionable insight in our business processes	20%	46%	23%	10%	**67%**
Increase the use of enterprise app stores to improve end user service and support	19%	47%	24%	9%	**66%**
Update/modernize or upgrade our legacy ERP package	23%	42%	21%	12%	**66%**

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

Streamlining processes and cloud migration are lower priorities on the business agenda

"Which of the following are likely to be your organization's top enterprise application priorities over the next 12 months?"

■ Critical priority ■ High priority ■ Low priority ■ Not on our agenda

| Priority	Critical	High	Low	Not on agenda	Total
Consolidate customer-facing web and mobile technology platforms	21%	45%	23%	11%	66%
Accelerate cash flow by synchronizing enterprise demand forecast, replenishment, work orders, and work-in-process	21%	42%	28%	9%	63%
Release CAPEX for other investments by moving ERP costs to OPEX	23%	38%	21%	18%	62%
Integrate with other services using cloud APIs	19%	42%	27%	12%	61%
Introduce/expand DevOps	22%	38%	29%	10%	60%
Develop and deploy mobile applications on top of ERP	18%	42%	25%	14%	60%
Deploy and implement a standard SaaS ERP instance more quickly and easily to new business units or overseas branches	21%	38%	23%	18%	59%
Outsource application support and maintenance	21%	38%	27%	14%	59%
Extend ERP using Platform as a Service capabilities	20%	38%	26%	16%	58%
Migrate existing applications to the cloud	18%	38%	26%	18%	56%
Implement automation technologies like robotic process automation (RPA)	17%	38%	28%	15%	56%
Migrate to cloud hosted ERP	15%	29%	29%	27%	44%
Adopt Software-as-a-service ERP	10%	23%	44%	22%	34%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017
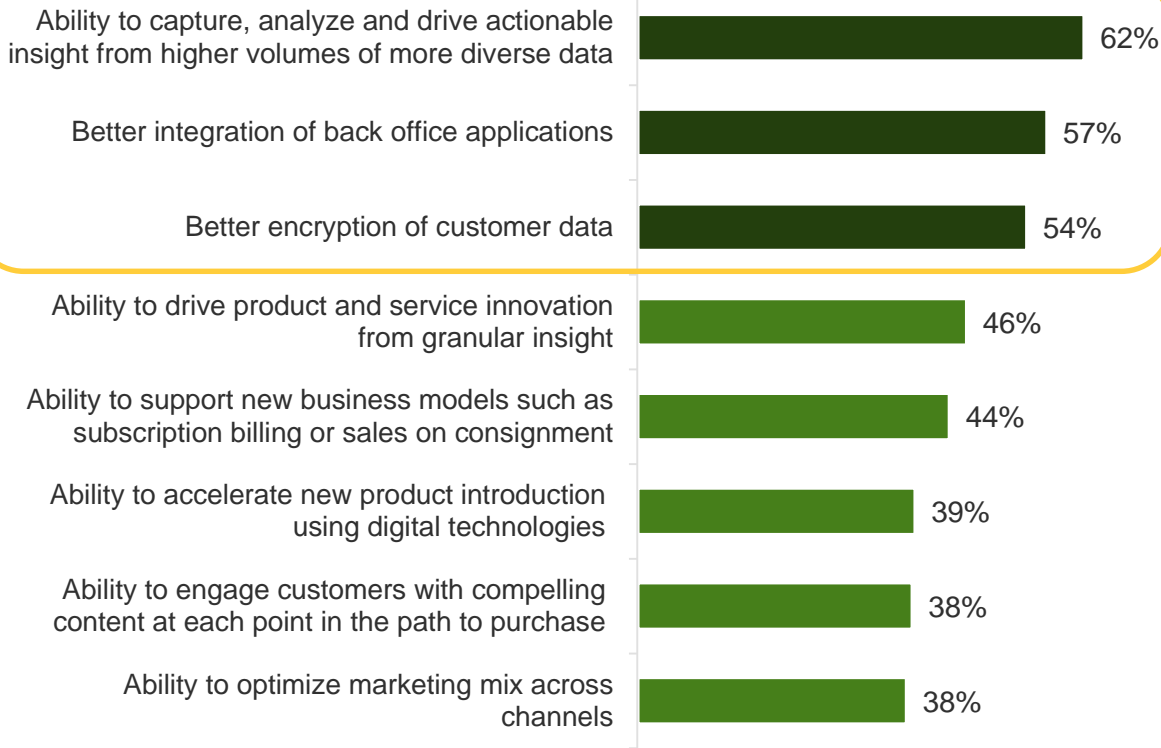
Software strategy goals: Improving process performance / agility, security, and differentiation

Q3. "What are the top five most important goals for your software strategy?" Rank your top 5

■ Rank 1　■ Rank 2　■ Rank 3　■ Rank 4

Optimizing processes

Security focus

| Goal	Rank 1	Rank 2	Rank 3	Rank 4
★ Monitor, improve, and optimize process performance	13%	8%	11%	9%
Support business model innovation such as franchising or managing distributors	7%	6%	9%	7%
Differentiate our products and service and gain competitive advantage	10%	8%	8%	9%
★ Improve data security	8%	5%	7%	8%
★ Improve business agility in responding to disruption	7%	7%	6%	7%
★ Ensure compliance, reduce risks	3%	8%	7%	9%
Accelerate integration of merged or acquired business units	6%	7%	6%	5%
★ Consolidate infrastructure (e.g. network, server, storage)	4%	8%	7%	4%
★ Upgrade or replace outdated systems	6%	8%	5%	6%
Enable innovation	7%	7%	6%	6%
Exercise closer control over group branches and subsidiaries	7%	6%	6%	6%
More easily support restructuring and divestiture	5%	4%	4%	8%
Better deliver digital capabilities (e.g. improve ability to trade online, improve ability to track performance by product, customer and channel)	4%	6%	6%	4%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

Agenda

› Research hypothesis and method

› Digital transformation priorities

› **Perceived limitations of current applications**

› Perceived risks and benefits of cloud ERP

› The state of digital transformation and cloud ERP

› Next steps

To better support (new business models), digital collaboration processes, firms look to improve their ability to capture, analyze and drive actionable insights (62%), better integrate back-office apps (57%), and better encryption of customer data (54%)
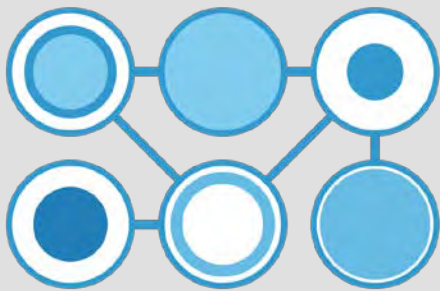
"What capabilities must you improve in your back-office IT systems to better support digital collaboration processes and digital innovation value streams?" Select all that apply

Capability	%
Ability to capture, analyze and drive actionable insight from higher volumes of more diverse data	62%
Better integration of back office applications	57%
Better encryption of customer data	54%
Ability to drive product and service innovation from granular insight	46%
Ability to support new business models such as subscription billing or sales on consignment	44%
Ability to accelerate new product introduction using digital technologies	39%
Ability to engage customers with compelling content at each point in the path to purchase	38%
Ability to optimize marketing mix across channels	38%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.
Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

Only 14% believe their back-office IT infrastructure and applications are completely ready for digital

Our back-office IT infrastructure and applications are completely ready for digital — 14%

We are almost ready for digital — 54%

Neither — 22%

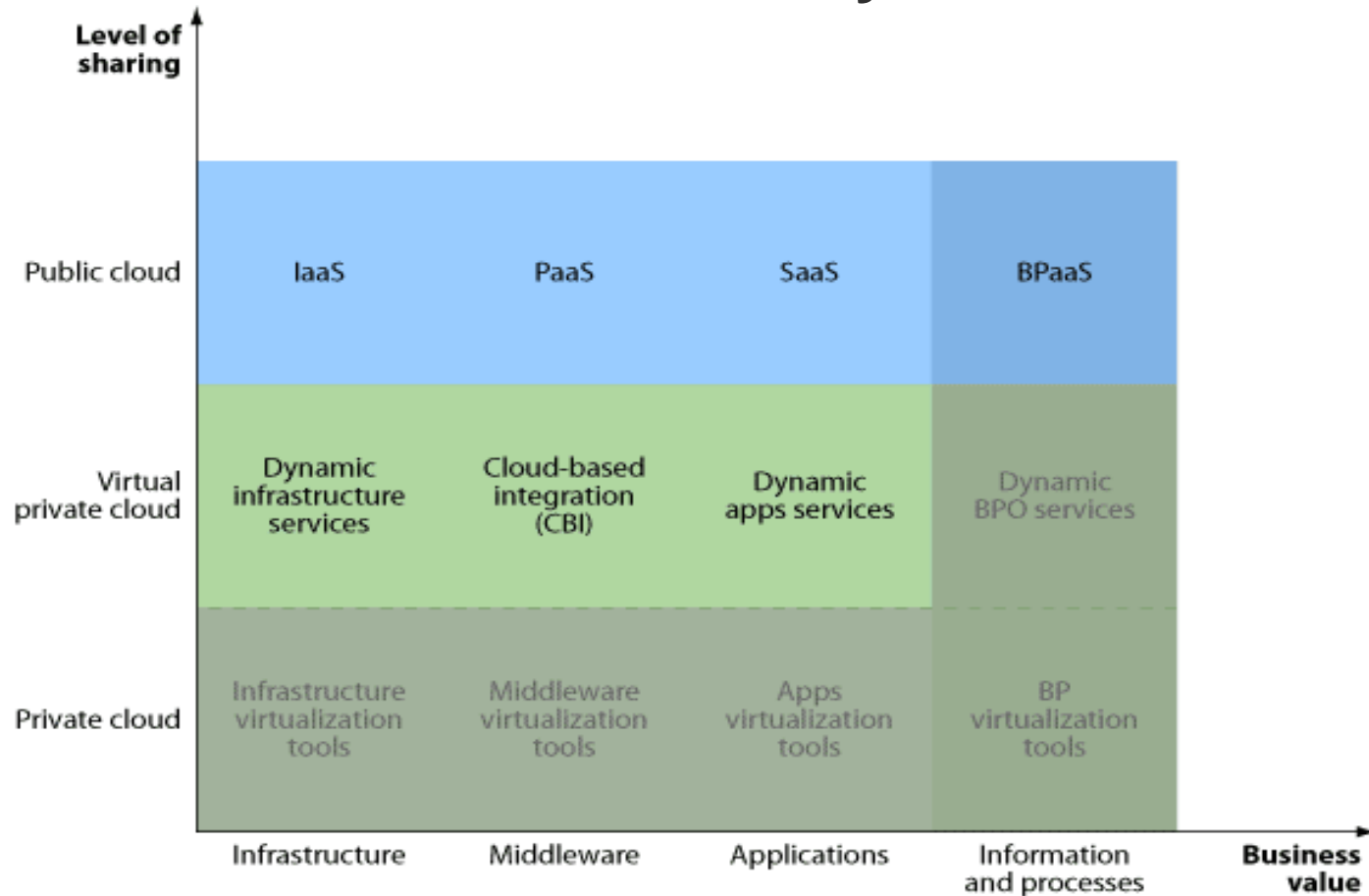We are not ready for digital — 8%

Not at all ready for digital — 2%
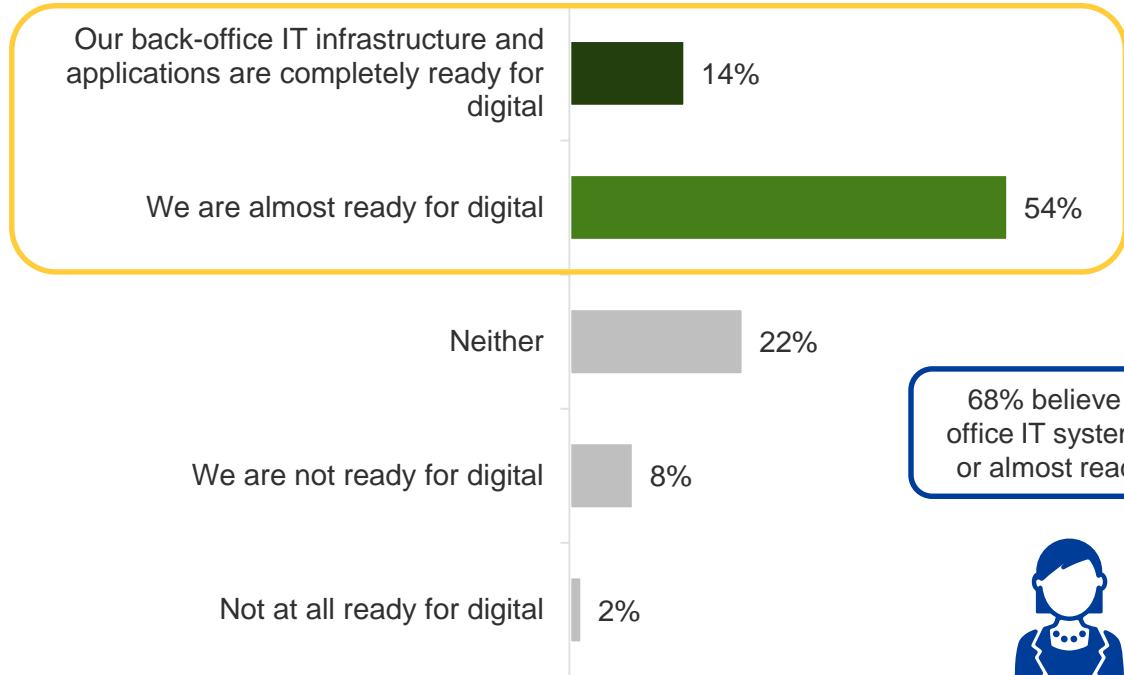
68% believe their back-office IT systems are ready or almost ready for digital

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017
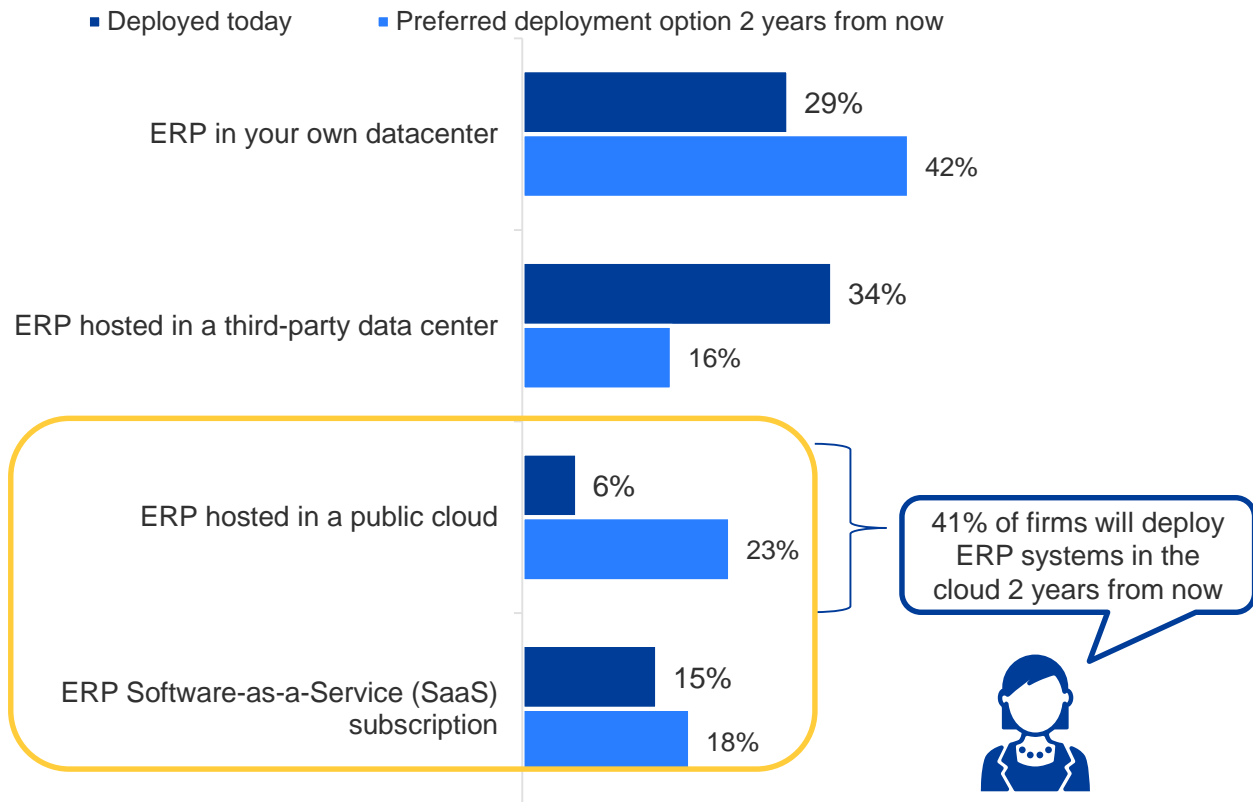
Cloud Taxonomy

Firms look to deploy ERP from on-premise/ off-premise data-centers to a cloud environment within the next 2 years
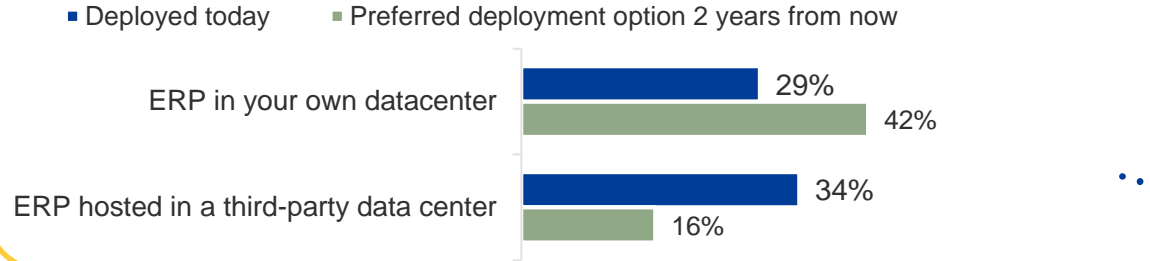
"How has your firm deployed its ERP today?"

- Deployed today
- Preferred deployment option 2 years from now

Deployment	Deployed today	Preferred 2 years from now
ERP in your own datacenter	29%	42%
ERP hosted in a third-party data center	34%	16%
ERP hosted in a public cloud	6%	23%
ERP Software-as-a-Service (SaaS) subscription	15%	18%

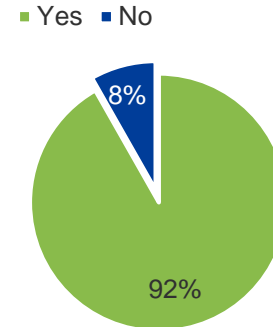41% of firms will deploy ERP systems in the cloud 2 years from now

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.
Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

But 92% mentioned a historical mandate to deploy ERP solutions in a data center

- Deployed today
- Preferred deployment option 2 years from now

	Deployed today	Preferred deployment option 2 years from now
ERP in your own datacenter	29%	42%
ERP hosted in a third-party data center	34%	16%

Q8. "You selected that your ERP is deployed in your data center is this a pre-requisite for your ERP?
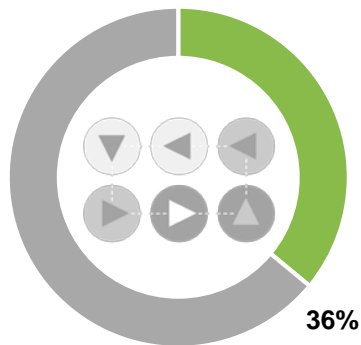
- Yes
- No

8%

92%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

Firms mandate ERP deployment in local data centers to ensure business continuity and minimize latency

36%
To guarantee business continuity

16%
To comply with data security and data privacy

24%
To minimize latency risks

19%
To maintain infrastructure supporting critical apps
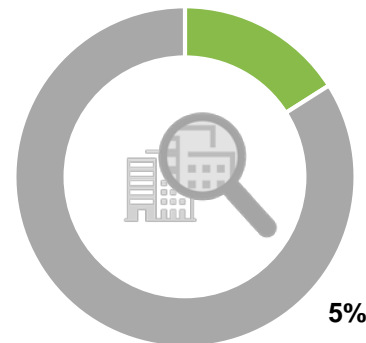
5%
To maintain the ability to extend or customize the app locally

Base: n67 IT decision makers responsible for the digital transformation and ERP at their organization in EU.
Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017
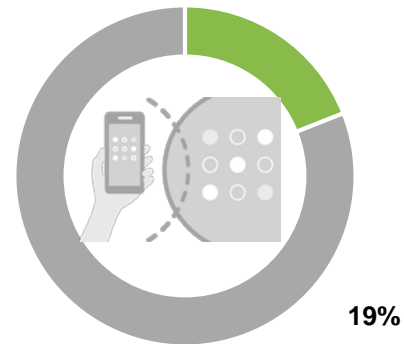
Ability to customize and configure to meet specific requirements are most important selection criteria

"What were the top five criteria when purchasing your existing ERP?" Rank your top 5 (Showing top 5 only)
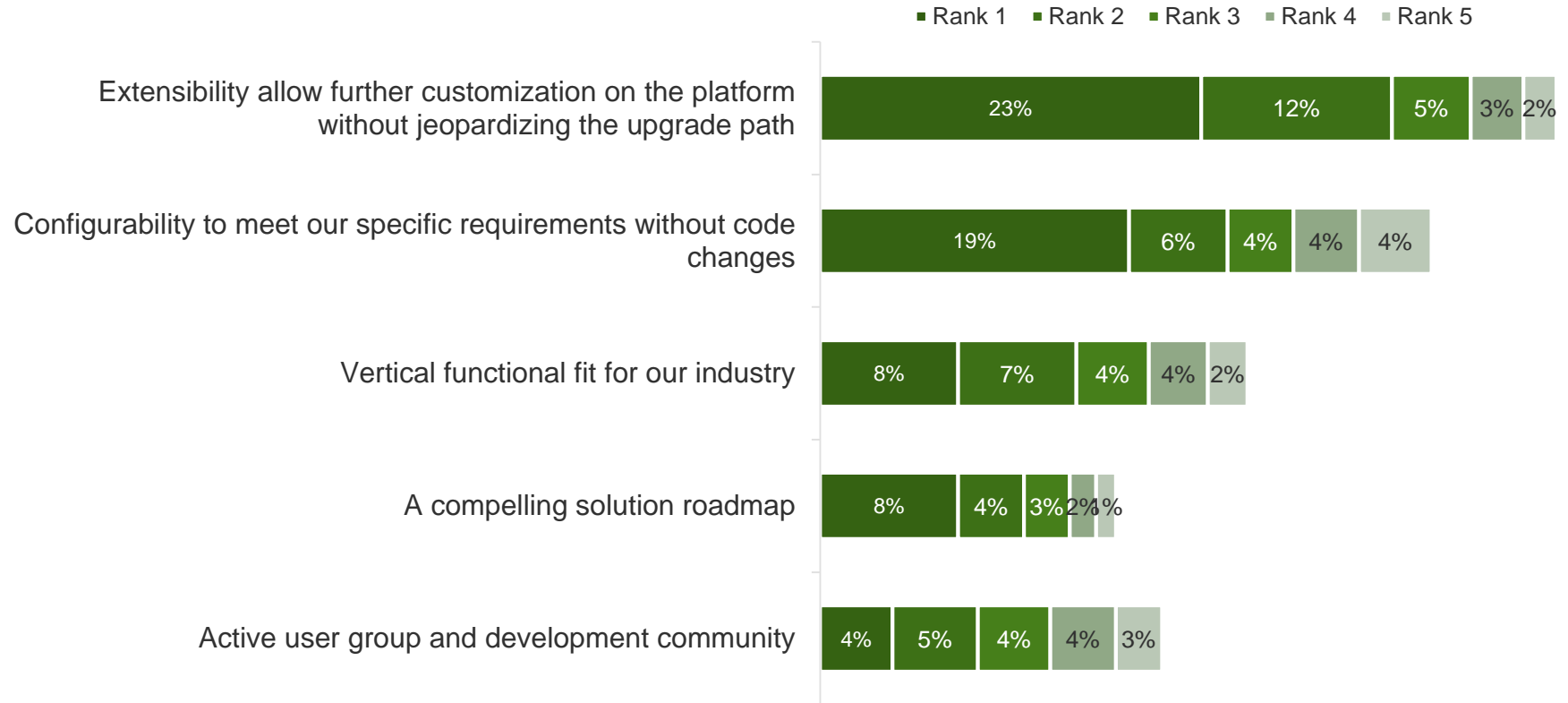
■ Rank 1 ■ Rank 2 ■ Rank 3 ■ Rank 4 ■ Rank 5

Criteria	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
Extensibility allow further customization on the platform without jeopardizing the upgrade path	23%	12%	5%	3%	2%
Configurability to meet our specific requirements without code changes	19%	6%	4%	4%	4%
Vertical functional fit for our industry	8%	7%	4%	4%	2%
A compelling solution roadmap	8%	4%	3%	2%	1%
Active user group and development community	4%	5%	4%	4%	3%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

Top concerns : data security and privacy. Latency, upgrade cadence

"What are your firm's top five concerns, if any, with your current ERP?" Showing top 10 only

■ Rank 1 ■ Rank 2 ■ Rank 3 ■ Rank 4 ■ Rank 5

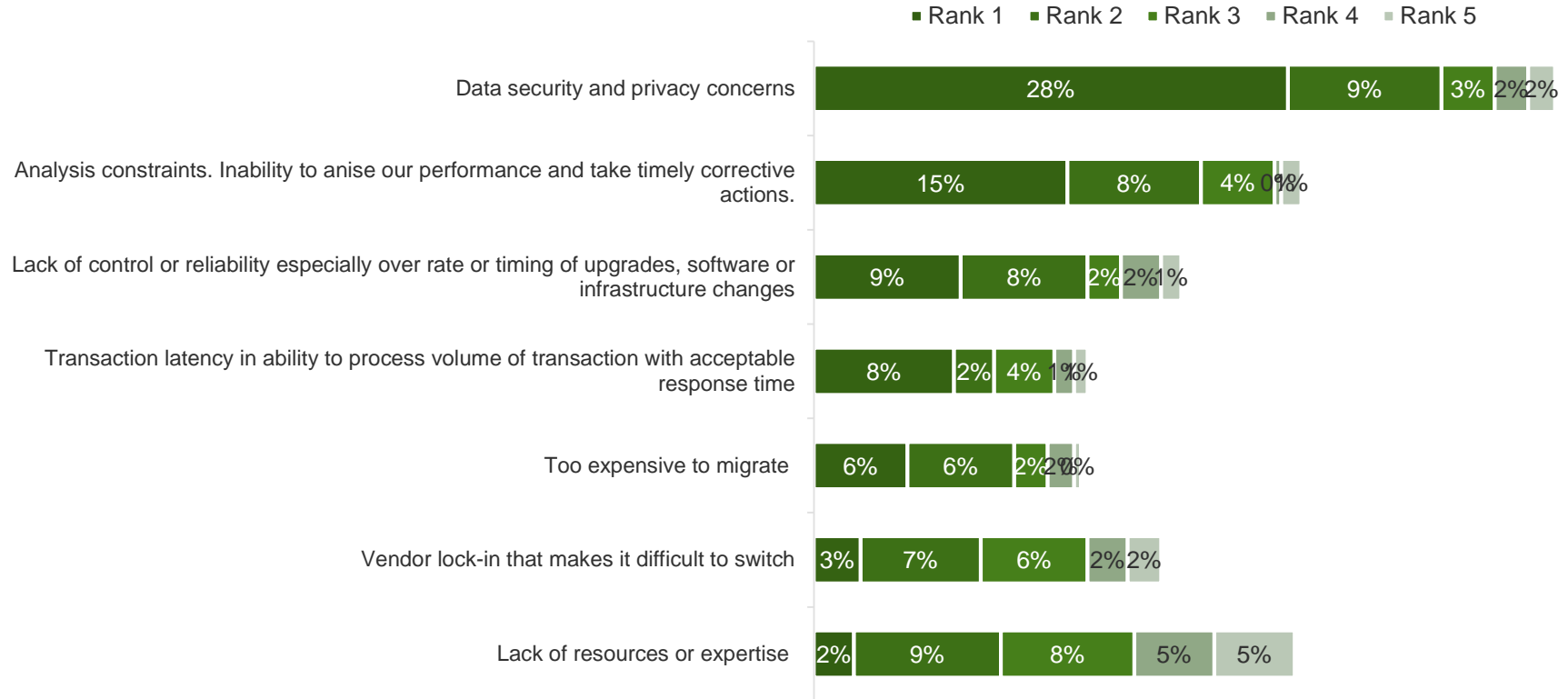| Concern	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
Data security and privacy concerns	28%	9%	3%	2%	2%
Analysis constraints. Inability to anise our performance and take timely corrective actions.	15%	8%	4%	0%	1%
Lack of control or reliability especially over rate or timing of upgrades, software or infrastructure changes	9%	8%	2%	2%	1%
Transaction latency in ability to process volume of transaction with acceptable response time	8%	2%	4%	1%	1%
Too expensive to migrate	6%	6%	2%	2%	1%
Vendor lock-in that makes it difficult to switch	3%	7%	6%	2%	2%
Lack of resources or expertise	2%	9%	8%	5%	5%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017
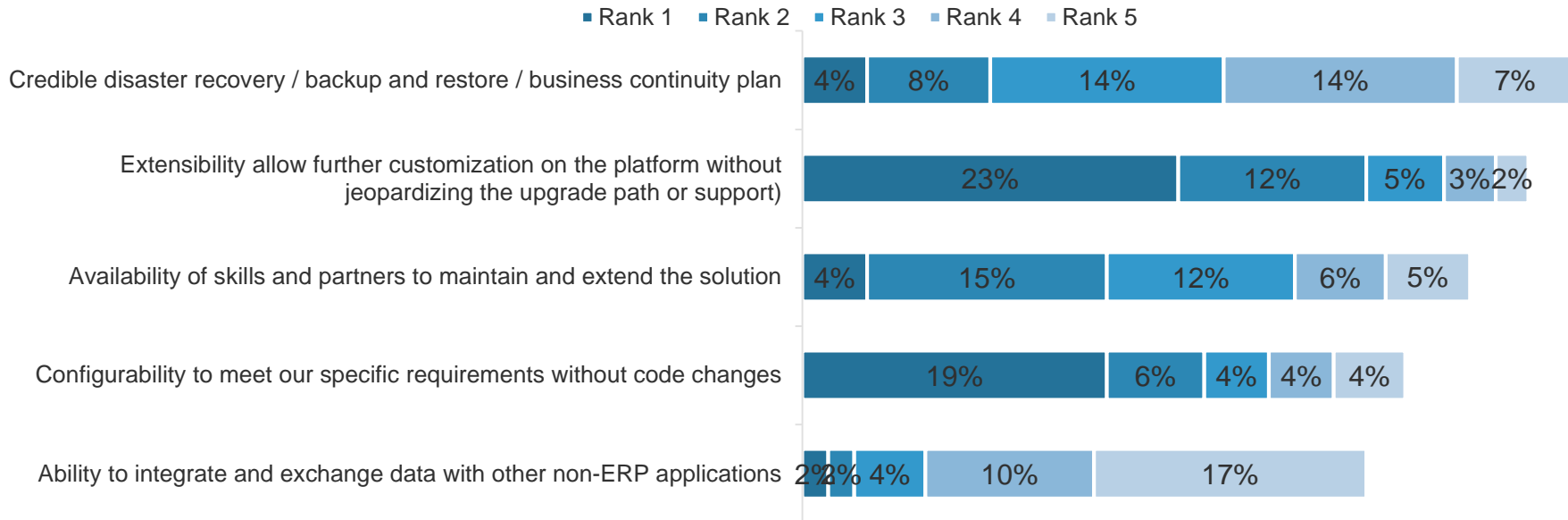
Agenda

› Research hypothesis and method

› Digital transformation priorities

› Perceived limitations of current applications

› **Perceived risks and benefits of cloud ERP**

› The state of digital transformation and cloud ERP

› Next steps

Cloud ERP Selection Criteria

› Firms prioritize , credible disaster recover y/ business continuity plans (36%).

› They also look for extensibility to allow further customization, skills, and partner availability

Q10. "What were the top five criteria when purchasing your existing ERP?"
Rank your top 5

■ Rank 1   ■ Rank 2   ■ Rank 3   ■ Rank 4   ■ Rank 5

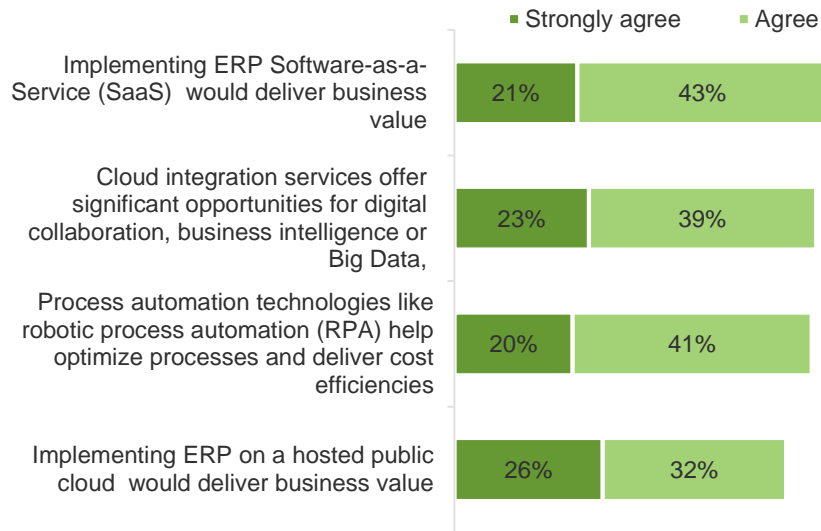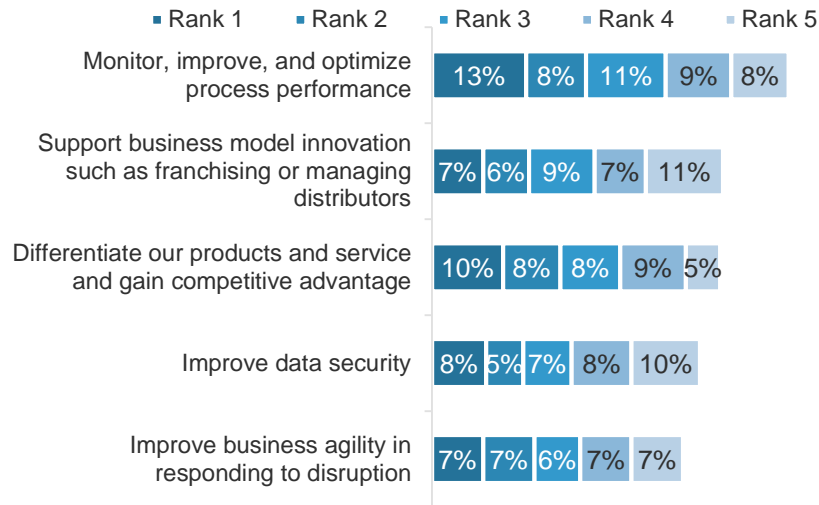| Criteria	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
Credible disaster recovery / backup and restore / business continuity plan	4%	8%	14%	14%	7%
Extensibility allow further customization on the platform without jeopardizing the upgrade path or support)	23%	12%	5%	3%	2%
Availability of skills and partners to maintain and extend the solution	4%	15%	12%	6%	5%
Configurability to meet our specific requirements without code changes	19%	6%	4%	4%	4%
Ability to integrate and exchange data with other non-ERP applications	2%	2%	4%	10%	17%

Cloud ERP Opportunity

› Implementing ERP SaaS would deliver business value (64%).

› Cloud integration services would also offer significant opportunities for digital collaboration and business intelligence to make informed decisions to better win, serve and retain customers.

› Top software strategy goals : i) supporting business model innovation. ii) offering differentiation, data security.

"How strongly do you agree disagree with the following statements:"

■ Strongly agree   ■ Agree

Statement	Strongly agree	Agree
Implementing ERP Software-as-a-Service (SaaS) would deliver business value	21%	43%
Cloud integration services offer significant opportunities for digital collaboration, business intelligence or Big Data,	23%	39%
Process automation technologies like robotic process automation (RPA) help optimize processes and deliver cost efficiencies	20%	41%
Implementing ERP on a hosted public cloud would deliver business value	26%	32%

"What are the top five most important goals for your software strategy?" Rank your top 5

■ Rank 1   ■ Rank 2   ■ Rank 3   ■ Rank 4   ■ Rank 5

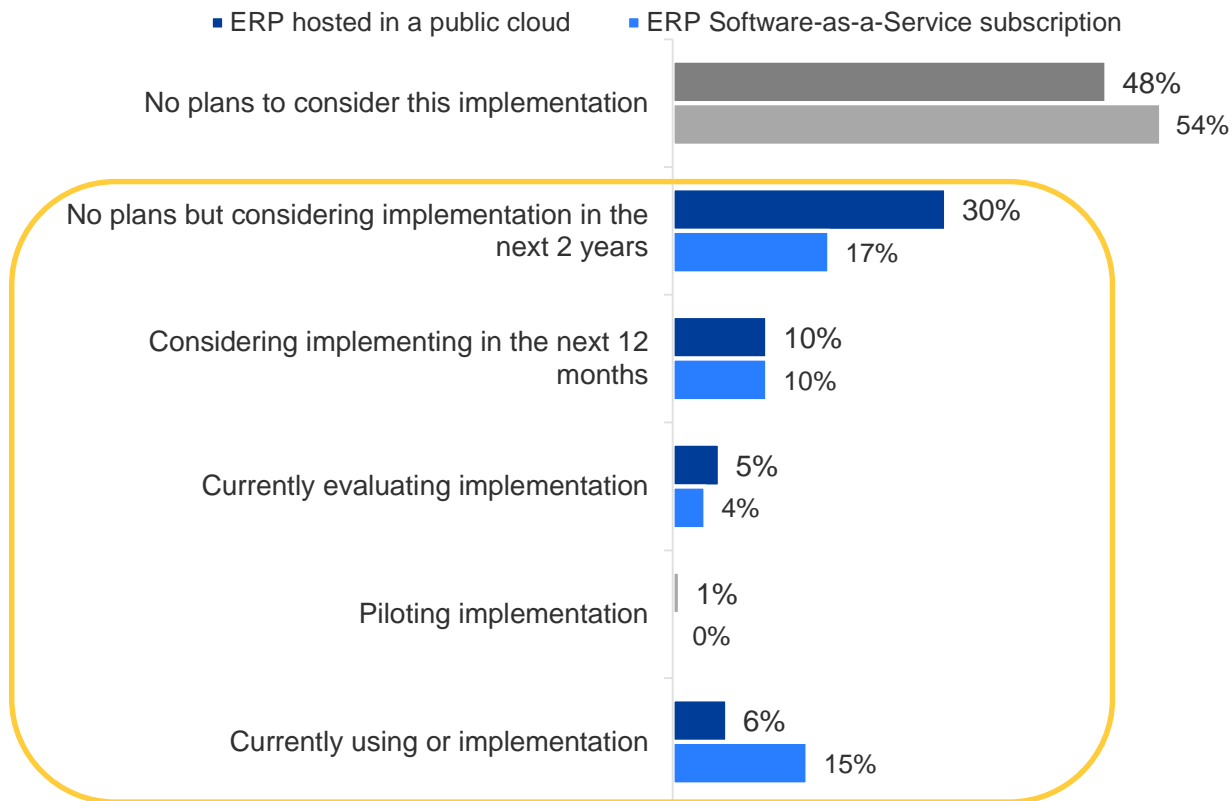| Goal	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
Monitor, improve, and optimize process performance	13%	8%	11%	9%	8%
Support business model innovation such as franchising or managing distributors	7%	6%	9%	7%	11%
Differentiate our products and service and gain competitive advantage	10%	8%	8%	9%	5%
Improve data security	8%	5%	7%	8%	10%
Improve business agility in responding to disruption	7%	7%	6%	7%	7%

Agenda

› Research hypothesis and method

› Digital transformation priorities

› Perceived limitations of current applications

› Perceived risks and benefits of cloud ERP

› **The state of digital transformation and cloud ERP**

› Next steps

More than half of firms consider using cloud ERP in the next 2 years (minimum)

"Is your organization considering, evaluating, piloting or currently using cloud ERP in the following ways?"

- ■ ERP hosted in a public cloud
- ■ ERP Software-as-a-Service subscription

Category	ERP hosted in a public cloud	ERP Software-as-a-Service subscription
No plans to consider this implementation	48%	54%
No plans but considering implementation in the next 2 years	30%	17%
Considering implementing in the next 12 months	10%	10%
Currently evaluating implementation	5%	4%
Piloting implementation	1%	0%
Currently using or implementation	6%	15%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

64% of firms agree that implementing SaaS ERP would deliver business value

- Strongly agree
- Agree
- Neither
- Disagree
- Strongly disagree

Strongly agree or agree

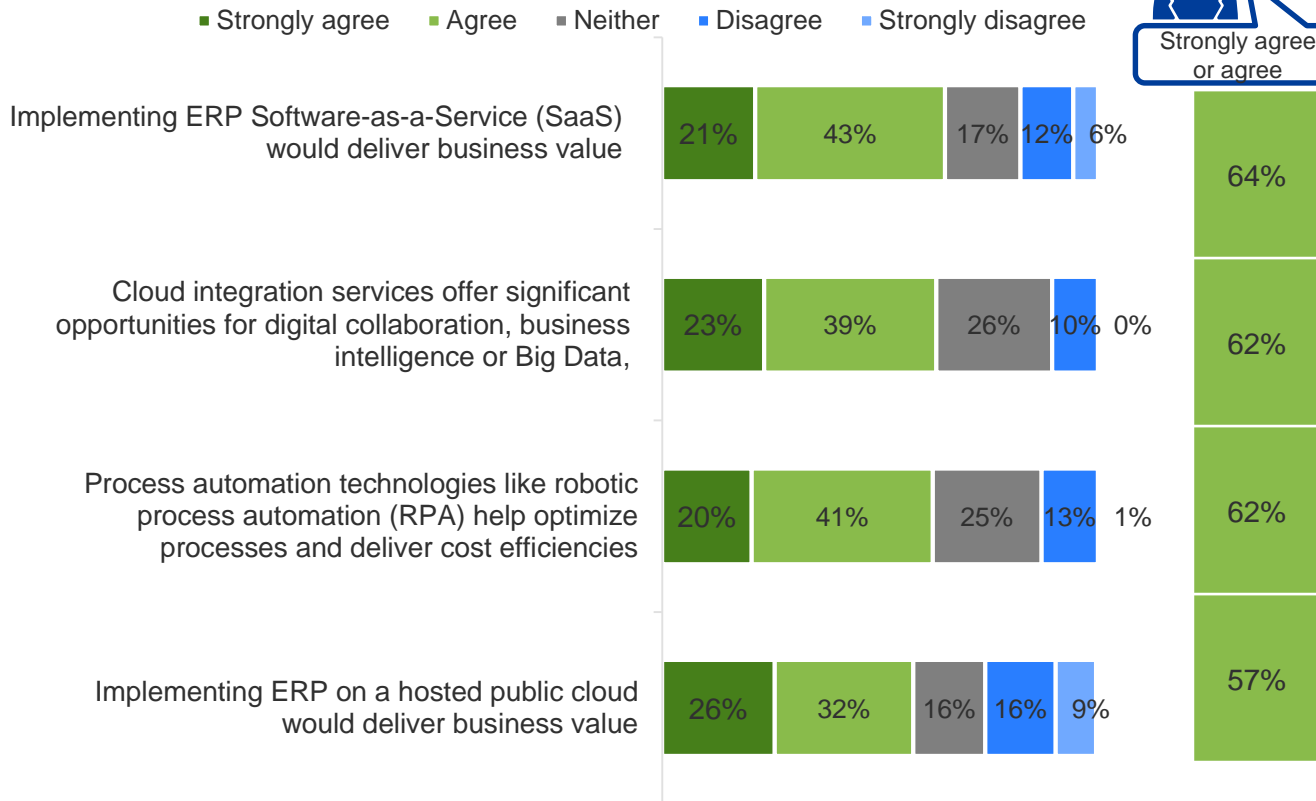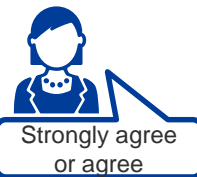| Statement	Strongly agree	Agree	Neither	Disagree	Strongly disagree	Strongly agree or agree
Implementing ERP Software-as-a-Service (SaaS) would deliver business value	21%	43%	17%	12%	6%	64%
Cloud integration services offer significant opportunities for digital collaboration, business intelligence or Big Data,	23%	39%	26%	10%	0%	62%
Process automation technologies like robotic process automation (RPA) help optimize processes and deliver cost efficiencies	20%	41%	25%	13%	1%	62%
Implementing ERP on a hosted public cloud would deliver business value	26%	32%	16%	16%	9%	57%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

Note: Only **17** respondents selected no plans

Barrier	Percentage
Inability of internal stakeholders to agree on a single ERP configuration for all users	9%
Perceived risk of contention for network bandwidth or cloud resources (for example, one business unit might be closing the books while another is running compute intensive BI)	6%
Concerns about the provider's ability to cope with disaster recovery	6%
Concerns about resilience lack of network redundancy to reach the SaaS provider	5%
Risk of budget over-run as functionality-based costs increase as my usage of the cloud ERP software expands	4%

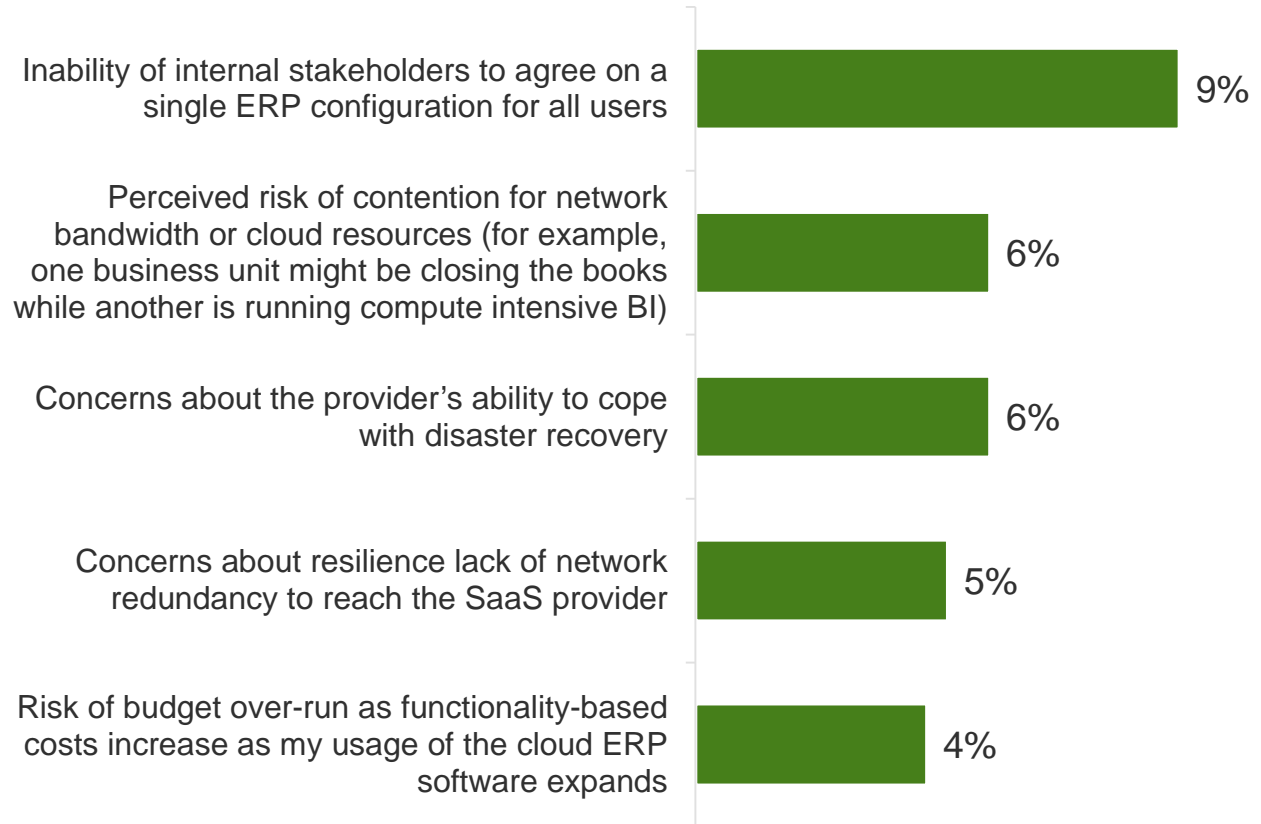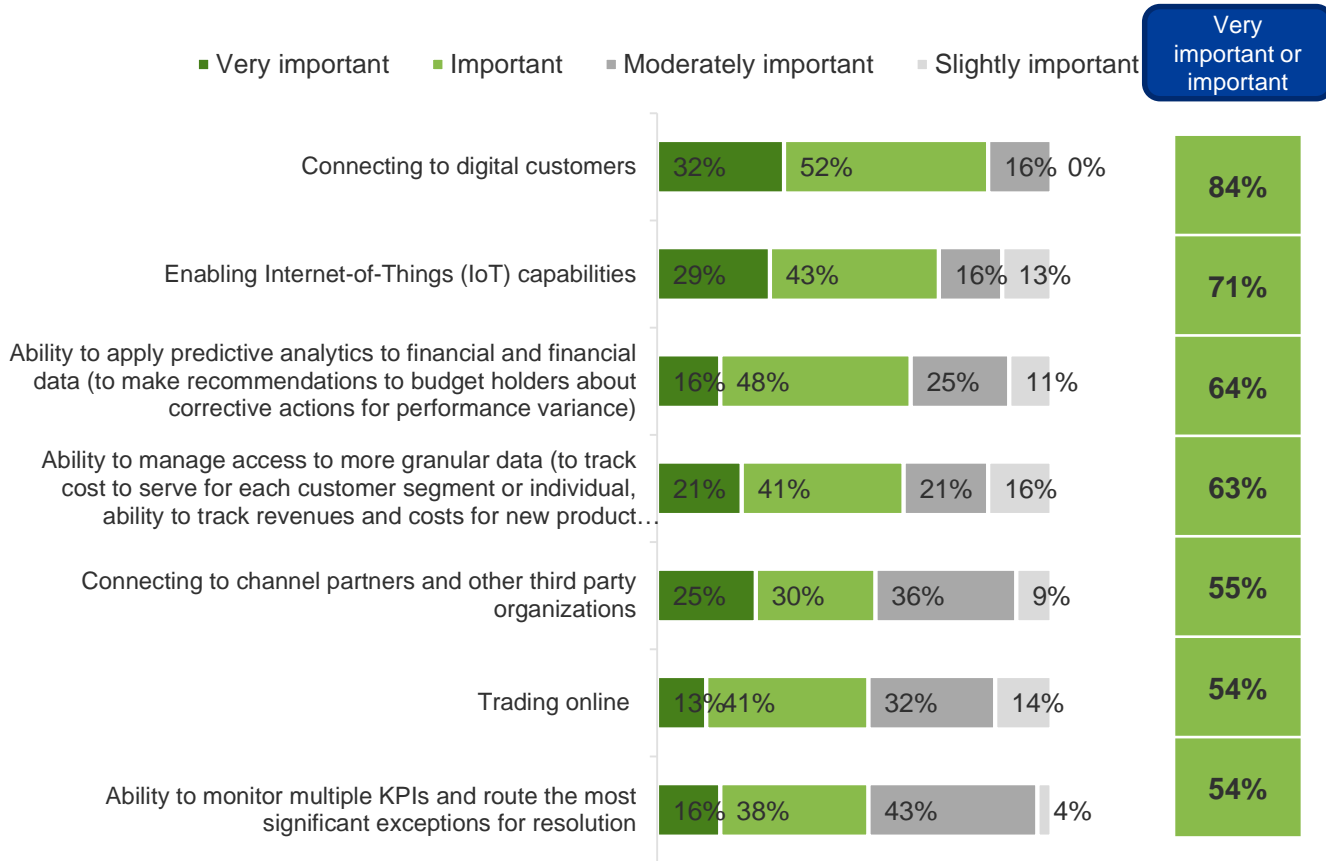Base: n17 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

Even firms with "no plans" recognize that **ERP hosted in a public cloud is important to connecting to digital customers (84%), enabling IoT (71%) and applying predictive analytics to financial data**

"How important is ERP hosted in a public cloud for the following?"

■ Very important   ■ Important   ■ Moderately important   ■ Slightly important

	Very important	Important	Moderately important	Slightly important	Very important or important
Connecting to digital customers	32%	52%	16%	0%	**84%**
Enabling Internet-of-Things (IoT) capabilities	29%	43%	16%	13%	**71%**
Ability to apply predictive analytics to financial and financial data (to make recommendations to budget holders about corrective actions for performance variance)	16%	48%	25%	11%	**64%**
Ability to manage access to more granular data (to track cost to serve for each customer segment or individual, ability to track revenues and costs for new product…	21%	41%	21%	16%	**63%**
Connecting to channel partners and other third party organizations	25%	30%	36%	9%	**55%**
Trading online	13%	41%	32%	14%	**54%**
Ability to monitor multiple KPIs and route the most significant exceptions for resolution	16%	38%	43%	4%	**54%**

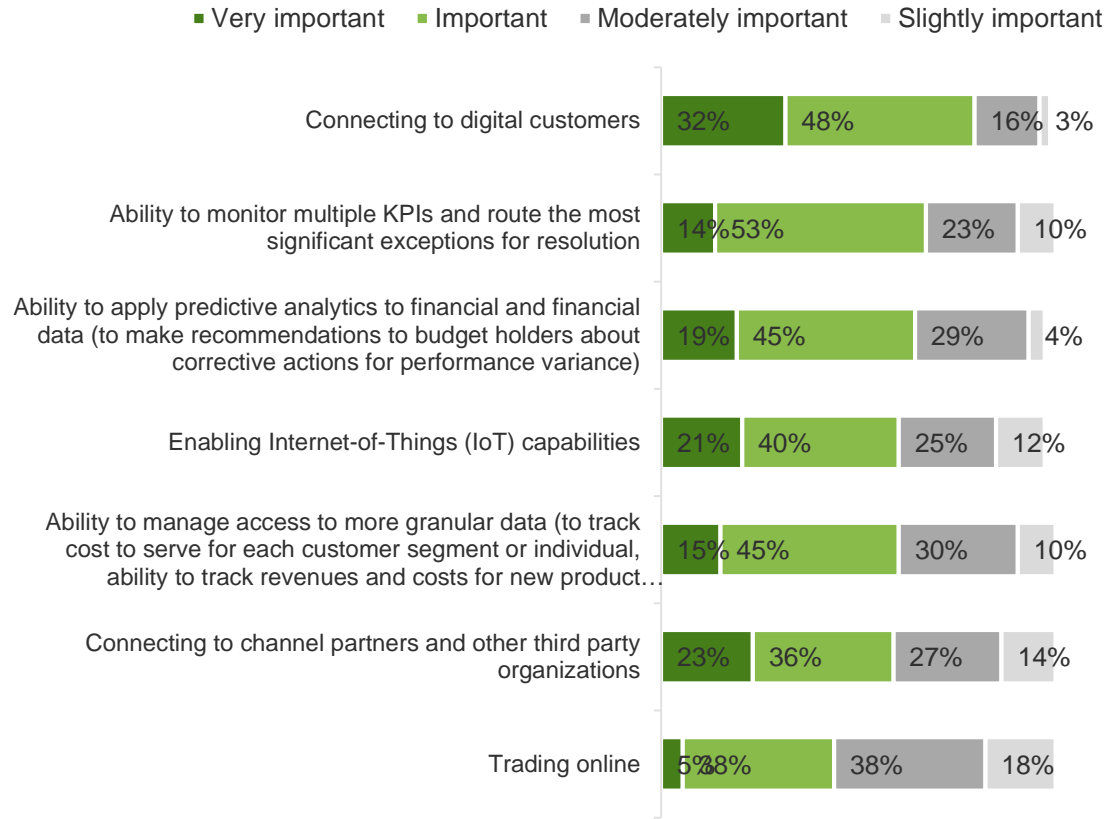Base: n56 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

SaaS ERP helps

i) To connect to digital customers

ii) Monitor multiple KPIs

iii) Deploy predictive analytics

"How important is ERP SaaS for the following?"

- ■ Very important ■ Important ■ Moderately important ■ Slightly important

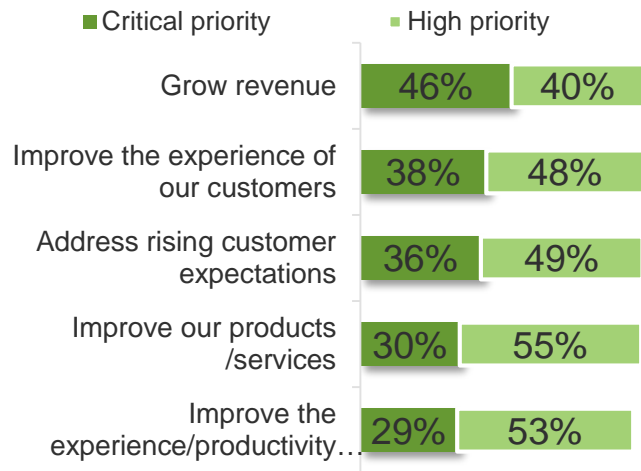|	Very important or important
Connecting to digital customers — 32% / 48% / 16% / 3%	**79%**
Ability to monitor multiple KPIs and route the most significant exceptions for resolution — 14% / 53% / 23% / 10%	**67%**
Ability to apply predictive analytics to financial and financial data (to make recommendations to budget holders about corrective actions for performance variance) — 19% / 45% / 29% / 4%	**64%**
Enabling Internet-of-Things (IoT) capabilities — 21% / 40% / 25% / 12%	**60%**
Ability to manage access to more granular data (to track cost to serve for each customer segment or individual, ability to track revenues and costs for new product… — 15% / 45% / 30% / 10%	**60%**
Connecting to channel partners and other third party organizations — 23% / 36% / 27% / 14%	**59%**
Trading online — 5% / 38% / 38% / 18%	**44%**

Base: n73 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017
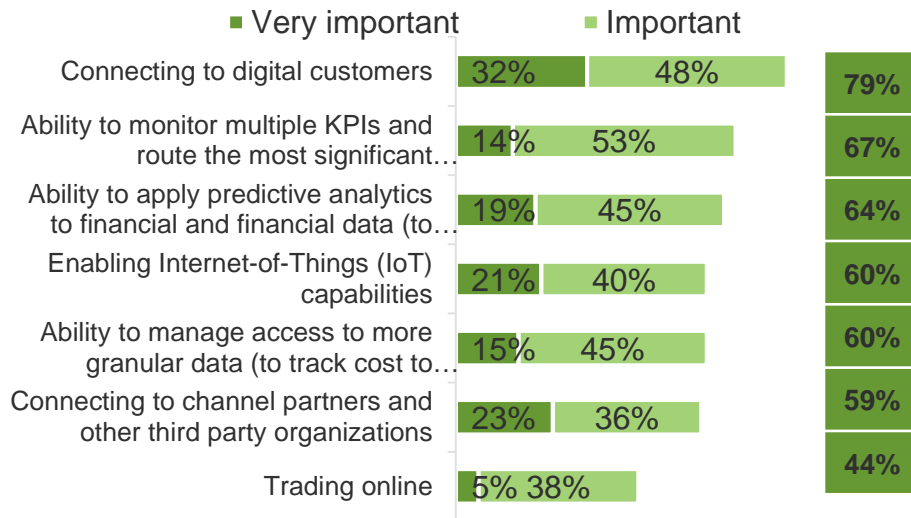
Near term plans:

› Over the next 12 months, aside from growing revenue, improving the customers experience (86%) is a critical or high priority.

› 85% also want to improve the products or services available to meet the customers expectations (85%)

› ERP SaaS has come to the forefront in the endeavor to connect to the digital customer (79%). ERP SaaS also enables the ability for organizations to monitor KPIs (67%), and apply predictive analytics to financial data (64%) and even other emerging enable technology innovations like IoT

Q1. "Which of the following initiatives are likely to be your organization's top business priorities over the next 12 months?"
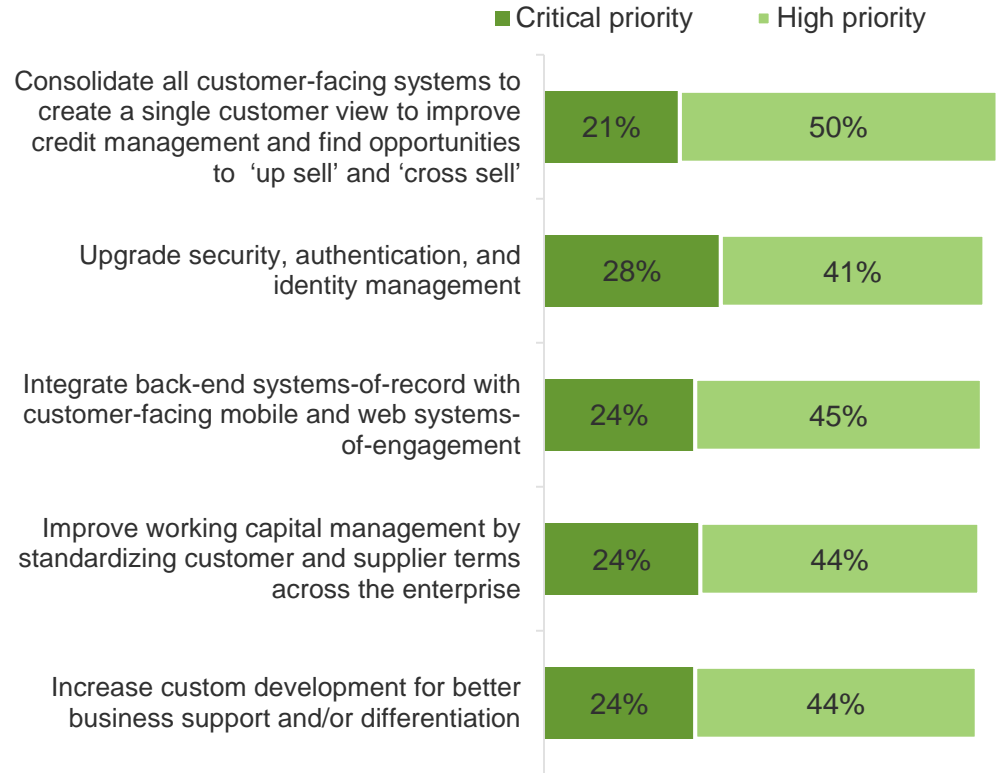
■ Critical priority   ■ High priority

Initiative	Critical priority	High priority
Grow revenue	46%	40%
Improve the experience of our customers	38%	48%
Address rising customer expectations	36%	49%
Improve our products /services	30%	55%
Improve the experience/productivity…	29%	53%

Q17. "How important is ERP SaaS for the following?"

■ Very important   ■ Important

Item	Very important	Important	Total
Connecting to digital customers	32%	48%	79%
Ability to monitor multiple KPIs and route the most significant…	14%	53%	67%
Ability to apply predictive analytics to financial and financial data (to…	19%	45%	64%
Enabling Internet-of-Things (IoT) capabilities	21%	40%	60%
Ability to manage access to more granular data (to track cost to…	15%	45%	60%
Connecting to channel partners and other third party organizations	23%	36%	59%
Trading online	5%	38%	44%

Near term plans :

› To meet customer demand and expectations in the digital age, organizations are prioritizing various enterprise apps.

› 71% said creating a single-view of the customer was a critical or high priority.

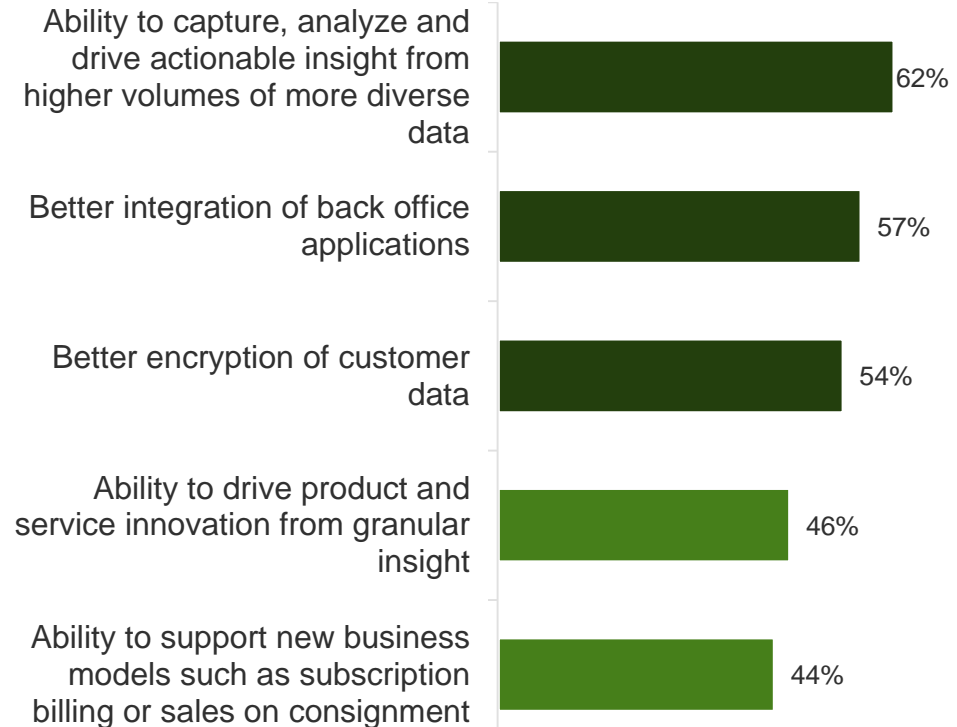› Upgrading security and integrating back-end systems were also high priorities.

Q2.Which of the following are likely to be your organization's top enterprise application priorities over the next 12 months?

■ Critical priority ■ High priority

Priority	Critical priority	High priority
Consolidate all customer-facing systems to create a single customer view to improve credit management and find opportunities to 'up sell' and 'cross sell'	21%	50%
Upgrade security, authentication, and identity management	28%	41%
Integrate back-end systems-of-record with customer-facing mobile and web systems-of-engagement	24%	45%
Improve working capital management by standardizing customer and supplier terms across the enterprise	24%	44%
Increase custom development for better business support and/or differentiation	24%	44%

Customer service

› Nevertheless, organizations recognize gaps they must close to better deliver excellent customer experiences. These include:

› The ability to capture, analyze and drive actionable insights from a variety of data (62%)

› Better seamlessness with other back-office applications (57%)

› And perhaps most importantly, 54% of organizations want to better protect their customer data.

"What capabilities must you improve in your back-office IT systems to better support digital collaboration processes and digital innovation value streams?" (TOP 5) Select all that apply

Capability	Percentage
Ability to capture, analyze and drive actionable insight from higher volumes of more diverse data	62%
Better integration of back office applications	57%
Better encryption of customer data	54%
Ability to drive product and service innovation from granular insight	46%
Ability to support new business models such as subscription billing or sales on consignment	44%

Agenda

› Research hypothesis and method

› Digital transformation priorities

› Perceived limitations of current applications

› Perceived risks and benefits of cloud ERP

› The state of digital transformation and cloud ERP

› Next steps

Next Steps

57% have an ERP strategy that is regularly reviewed

43% of firms do not have a clear ERP strategy
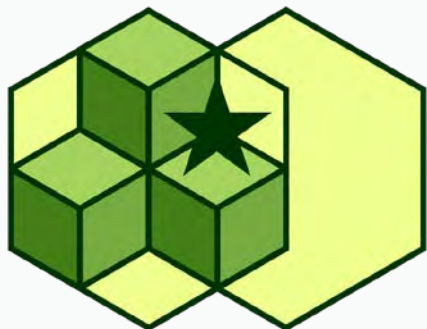
"Do you have a documented enterprise resource planning (ERP) strategy?"

■ Yes, we have an ERP strategy that we regularly review

■ No, we have a formal IT strategy but not an ERP strategy

■ No, we have no clear ERP strategy but understand business needs
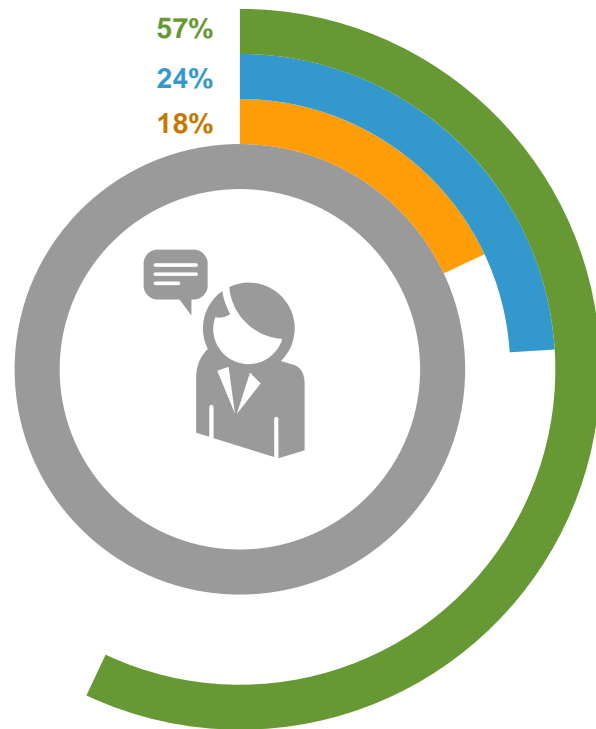
57%
24%
18%

Base: n250 IT decision makers responsible for the digital transformation and ERP at their organization in EU.

Source: A commissioned study conducted by Forrester Consulting on behalf of Avanade, May, 2017

Get Started On Your New ERP Strategy!

SaaS Requires New And Innovative Approaches To Applications Strategy

Ten Key Strategies For Pivoting Business Applications To SaaS

Strategy element	Traditional approach	SaaS applications approach
1. Applications strategy	On-premises is the default applications deployment model.	SaaS is a core tenet of business applications strategy.
2. Value proposition	Systems justification is driven by expected cost savings.	Business outcomes make SaaS investments more attractive.
3. Software selection	Lengthy RFPs, exhaustive evaluation of functions and features, on-site demonstrations.	Online trials, configured demonstrations, rapid prototyping.
4. Vendor viability	Large vendors are often preferred based on size and profitability.	Growth and cash flow metrics value innovative SaaS vendors.
5. Commercial models	Higher upfront costs, annual maintenance fees, unpredictable upgrade costs	Recurring subscription costs include use, support, enhancements, infrastructure
6. Integration strategy	Periodic and batch integration drives reporting and analysis.	Calibrate integration to support real-time business processes and insights.
7. Improvement and innovation	On-premises systems are enhanced infrequently; many updates are deferred.	SaaS vendors provide frequent updates; customers benefit from continuous improvements.
8. Risk mitigation	Manage security and performance risks in your data center.	Continually monitor and manage risks, holding SaaS vendors accountable.
9. Vendor relationships	Customer lock-in based on maintenance contracts	Active customer engagement, renewals based on earning customer satisfaction
10. Ownership and governance	Technology management (IT) organization is in control; business unit is a customer.	Business unit owns and manages SaaS systems; Technology management organization provides technical guidance.

136021   Source: Forrester Research, Inc. Unauthorized reproduction, citation, or distribution prohibited.

Forrester's Business Application Road Map Approach

Create A Business Application Road Map For The Digital Age

Assess app portfolio and processes	Set the strategy and vision	Define the target architecture	Build a business app road map
• Review BT strategies • Assess the current app and technology environment • Assess process capabilities and requirements • Determine gaps	• Articulate the vision for business processes • Define the technology innovation strategy to support the process vision • Define the scope and objectives of the strategy • Develop a preliminary business case for the transformation	• Define functional architecture • Identify technology characteristics and deployment methods • Determine how current apps fit into future plans • Map integration and data management strategies • Define BI strategies and performance measures • Define the BT organizational model	• Define phasing priorities • Assess buy versus build alternatives • Determine candidate software suppliers • Analyze project dependencies and time frames • Define the business application road map

73801

Source: Forrester Research, Inc. Unauthorized reproduction, citation, or distribution prohibited.

Thank you

George Lawrie
glawrie@forrester.com

Tarun Avasthy
tavasthy@forrester.com

FORRESTER®