SYNTAX

Realizing The Promise of ERP Innovation

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Introduction

The identification of sources of innovation drives value creation in organizations. Given the well-established link between innovation, technology, and data, there are clear benefits that stem from using an enterprise resource planning (ERP) platform.

In a survey of 900 organizational decision-makers across leading economies in North America and Europe who currently use ERPs, a large majority of respondents (94%) reported deriving maximum value from their ERP solutions. While decision-makers are positioned for success thanks to the recent migration of legacy ERP software and processes to the cloud, completing that migration is just the beginning.

There's more value to be had — a lot of it.

This report summarizes rich insights captured across key dimensions of innovation, why opportunities to innovate remain unfulfilled, and where and how organizational leaders can master agility and adaptability to advance their operations in new ways.

Our survey highlighted **four critical dimensions** of ERP solutions, pointing the way toward increased and sustainable innovation.

Strategy

Achieving the desired outcomes of ERP innovation depends on concrete strategies that intentionally connect technology solutions to operationally relevant objectives.

68%

of respondents have an ERP strategy that's powered by both fundamentals and innovative capabilities.

Talent

Respondents underscored the progressive role talent now plays as a make-or-break factor for realizing the full impact of technology investments.

84%

of respondents feel it would be easier to hire top talent if their organization was more dedicated to IT innovation.

Optimization

Enhancing current investments addresses untapped innovation opportunities, such as migrating ERP solutions to the cloud — something a sizable proportion of respondents haven't done yet.

No. 2

When it comes to recent cloud deployments, IT decision-makers ranked "migrating on-premises IT infrastructure to cloud" as their No. 2 challenge .

Cybersecurity

Finally, there's an important defensive move that ensures long-term organizational innovation — cybersecurity investments and strategy.

72%

of respondents agree attending to pressing cybersecurity needs takes time away from their team's ability to focus on IT innovation.

There's a common denominator across all four areas: **To achieve lasting gains, decision-makers must treat technology implementation as the** starting point **— never the end goal.**

ERP hard fact — innovation requires intention

IT decision-makers feel positive about the ability of their current ERP solutions to translate into operational success — whether the environment is on-premises, hybrid, or in the cloud. However, are current ERP systems all they're made out to be?

Most survey respondents shared that their organization uses some level of cloud services for ERP needs. Half of organizations (49%) use full cloud ERP, 41% use a hybrid system, and just 10% of organizations operate entirely on-premises.

Likewise, the bulk of organizations have an ERP strategy in place to complement their tech investments, with most already achieving both fundamentals and innovative capabilities. IT decision-makers also rate the effectiveness of their current ERP systems highly: 94% of respondents agree that their organization derives maximum value from their current ERP solution, and fully uses all ERP capabilities relevant to their organization.

How IT decision-makers describe their organization's current ERP strategy

68%
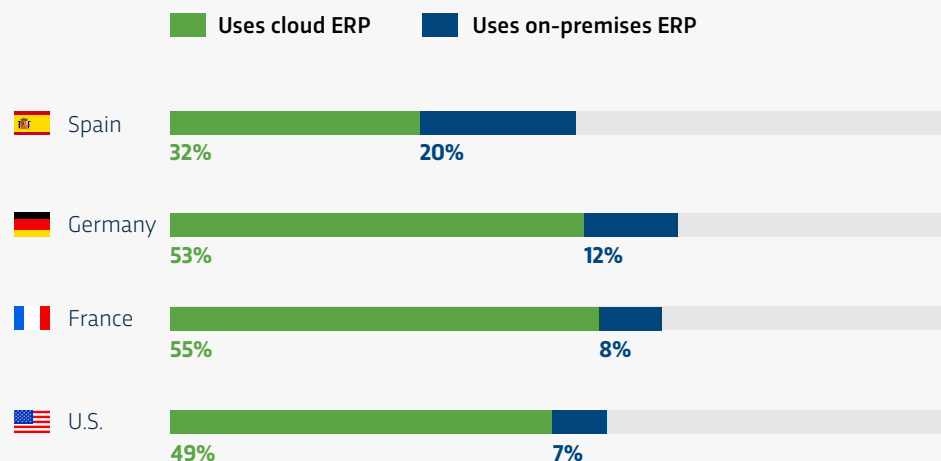We have an ERP strategy that's powered by both fundamentals and innovative capabilities

28%
We have an ERP strategy and we're focused mostly on fundamentals right now

4%
We don't have an ERP strategy

Spain has unrealized opportunities for cloud ERP expansion. **Now is the time to build momentum.**

■ Uses cloud ERP   **■ Uses on-premises ERP**

Spain
32%   20%

Germany
53%   12%

France
55%   8%

U.S.
49%   7%

One-fifth of respondents from Spain (20%) still use an on-premises ERP — a much higher percentage than in the Germany (12%), France (8%), and the U.S. (7%). There's a major opportunity for Spanish organizations to accelerate innovation by taking more advantage of cloud ERP capabilities.

Despite leaders feeling like they're driving immense value from their current ERP solutions, however, technology investments have yet to consistently translate into innovation gains.

That's because the promise of innovation doesn't automatically yield innovative best practices. While 95% of respondents agree that "my organization's current ERP solution is capable of helping us innovate at the pace required for long-term success," less than half of respondents (48%) also rate their organization as industry leaders in data innovation far ahead of their competitors. A nearly equal group of IT decision-makers (46%) rank their organization as just somewhat more innovative than competitors — "ahead of the curve, but middle of the pack/not the industry leader."

Responses indicate that there's room for organizations to capture additional value by intentionally positioning ERP solutions as core innovation engines. Sustained innovation is critical, with almost all IT decision-makers (95%) agreeing that "organizations in my industry that innovate the fastest stand the best chance of earning customer business." With this mindset, the disconnect between aspiration and actual innovation should be top of mind for leaders.

U.S.-based organizations can continue to be the flag bearers of ERP innovation if they **continue innovating with their ERP outputs.**

More than half of U.S. respondents (57%) rated their organizations as industry leaders in data innovation, compared to 41% in France, 37% in Germany, and 31% in Spain. This suggests American organizations really are leading the pack, and even so, U.S. leaders can certainly find more value in continuing to find ways to leverage their ERP data.

Respondents who rated their organization as an industry leader in data innovation

🇺🇸	U.S.	57%
🇫🇷	France	41%
🇩🇪	Germany	37%
🇪🇸	Spain	31%
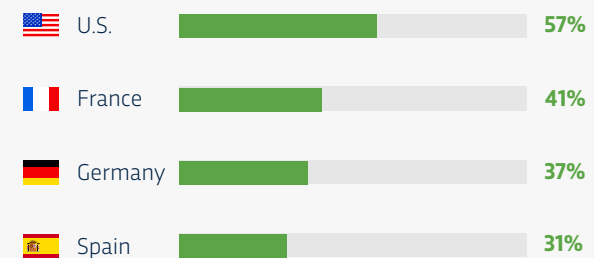
TAKEAWAY

Understandably, different markets and organizations sit at unique points on the journey to achieving maximum ERP value and innovation. **For many of them, the gap between aspirations and reality that we highlighted in last year's report persists.** Technology investments designed to prioritize innovations are the first step, but organizations must now take additional steps to translate innovative goals into actions and long-term practices.

Talent is a key ingredient for innovating with ERPs

While employee factors took a back seat last year as organizations prioritized technology investments, future evolution hinges on improved employee engagement and experience.

What's the difference between failure and success when it comes to innovating with ERP solutions?

According to our survey, talent is the make-or-break factor. Leadership buy-in plays an important role, too. Interestingly, support from an ERP provider is a big signal of success, but a lack of support doesn't doom an effort to failure.

If you're wondering about time and budget, those factors matter as well — but less so when internal and external talent is in place to support. All organizations face pressure to do more with less, and this year we're seeing how an emphasis on these personnel factors can counteract shortcomings in other areas.

Top reasons organizations derive/don't derive maximum value from their ERP solutions

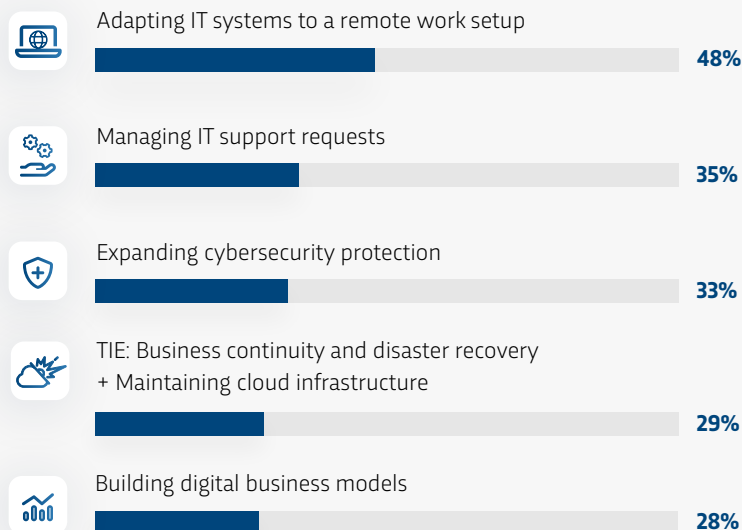| Derive maximum value		Don't derive maximum value	
Sufficient talent/access to necessary skills	56%	Insufficient talent/lack of necessary skills	55%
Ample support from an ERP provider	47%	TIE: Lack of time + Lack of budget + Lack of documentation and training	37%
Ample leadership support	43%	Lack of leadership support	31%
Ample budget	40%	Lack of employee buy-in	22%
Strong employee buy-in	39%	Lack of support from an ERP provider	20%

Until recently, other considerations — such as the customer experience — edged out personnel factors in the mind of decision-makers. Top challenges for the IT department in the past year include infrastructure hurdles like working remotely, solving technical problems, and boosting security.

Personnel struggles such as hiring and engagement ranked lowest on the list of last year's challenges. That doesn't mean IT leaders faced no personnel issues. But it shows that in the recent past, those issues were eclipsed by other concerns. The transition to remote work at the onset of the pandemic called attention to very practical IT infrastructure needs, but this is not necessarily the case headed into the future.

IT decision-makers have an eye on innovation moving forward — and that means they're turning their attention toward human resources issues as well as operational or technological ones. A focus on boosting employee retention/happiness emerged as the top forward-looking goal for IT innovation, outranking improving customer retention/happiness, improving operational efficiency, and launching new revenue streams.

IT departments' greatest challenges in the past year

Adapting IT systems to a remote work setup
48%

Managing IT support requests
35%

Expanding cybersecurity protection
33%

TIE: Business continuity and disaster recovery + Maintaining cloud infrastructure
29%

Building digital business models
28%

Top goals with regard to IT innovation, the year ahead

Boosting employee retention/happiness
45%

Improving operational efficiency
42%

Boosting customer retention/happiness
41%

Launching new revenue streams
40%

Differentiating products/services
37%
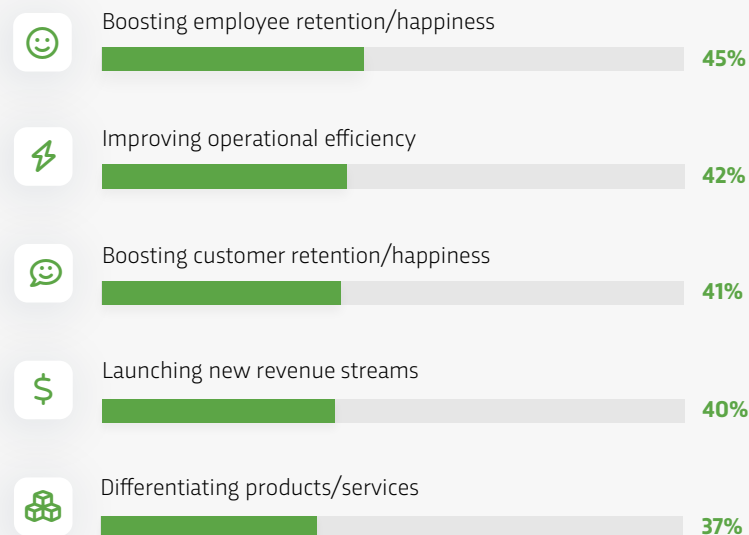
Similarly, the top current roadblocks to accelerated digital transformation center around personnel problems like knowledge gaps across generations, uninspired leadership, and lack of technology buy-in among employees. Now is the time to ensure alignment across all levels of the organization — and it begins with leadership.

We're even starting to see a shift away from core technology needs. "Inflexible legacy technology" ranked lowest (17%) among respondents' potential barriers to accelerated digital transformation. With more ERP solutions in place and hardware needs shored up, decision-makers must pivot to driving maximum value from those investments and championing cultural improvements.

Organizations can no longer throw money at the hottest tech and hope it sticks. Meaningful, long-term innovation requires equal investments in technology *and* people.
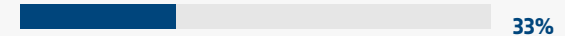
## Biggest potential barriers to accelerated digital transformation this year

Knowledge gaps between multiple generations (by age and/or experience) of users within the organization
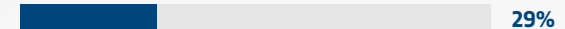
39%
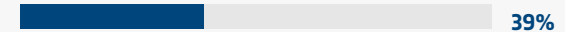
TIE: Lack of engagement in modernization from company leadership
+ Slow adoption of digital transformation initiatives by employees

33%

Difficulty of recruiting IT talent

32%
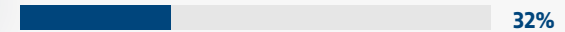
Technical debt from expedited digital transformation initiatives causing delays

29%

TAKEAWAY

Given the strong connection between innovation and digital transformation, the full spectrum of factors needed to sustain innovation are becoming apparent. Having tech solutions in place is not enough to inspire innovation long term. Organizations must elevate supporting factors of modernization, such as addressing talent/skills gaps and encouraging greater leadership buy-in.

A closer look at IT teams

While personnel issues were not top priorities last year, they're now a major area of focus — and concern — for IT decision-makers aiming for long-term success. Happy employees beget innovation, and innovation begets happy employees.

The factor IT decision-makers see as most important to sustaining innovation at their organization long term is "sufficient talent/necessary skills" (32%). Again, staffing hurdles are front and center.

Across the board, 94% of IT decision-makers say their team would benefit from having more employees — and innovation could be the determining factor in resolving staffing issues. 84% of respondents feel it would be easier to hire top talent if their organization was more dedicated to IT innovation, and 86% of respondents shared it would also be easier to retain top talent.

In light of internal staffing challenges, 91% of IT decision-makers agree that their organization needs outside help to overcome technical challenges. When organizations struggle to improve internal staffing structures, partnerships can fill talent gaps and offer support with ongoing education, process building, and more.

93%
of organizations have experienced staffing issues in the past year

Top problems include:

38%
Talent/staffing shortages hold us back from doing better work

36%
Struggles to fill vacant positions

33%
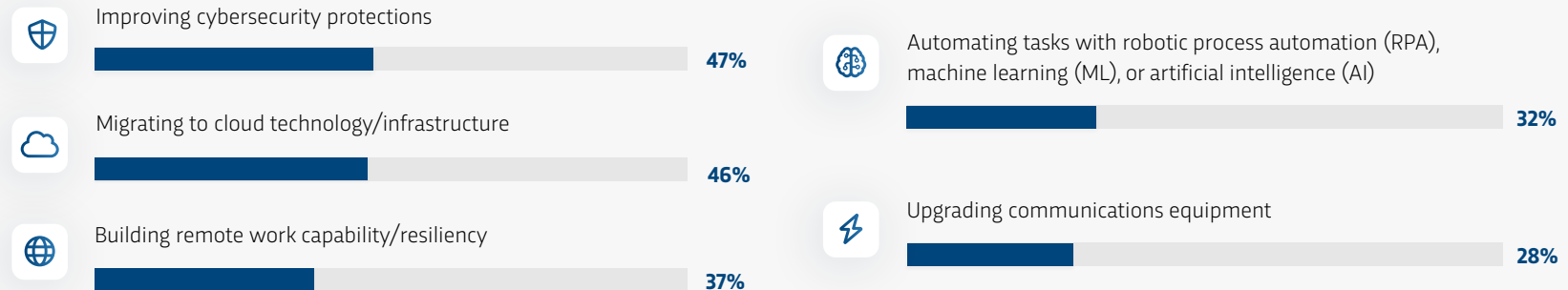Challenges meeting current employees' requests

Optimizing existing technology investments fuels innovation

To sustain innovation as an ongoing operational pillar, IT decision-makers plan to double down on cybersecurity improvements and cloud migration. Will gains in these areas offer leaders the agility and adaptability required to advance their organizations in unexpected ways?

In terms of IT investments, respondents plan to focus resources on cybersecurity and cloud migration. By contrast, onboarding new technology (11%) was the second lowest priority, reiterating that most major tech investments have occurred — or that organizations have already refined integration processes through a series of recent implementations.

Instead, organizations plan to invest in getting more out of the technologies they already have.

Initiatives IT decision-makers expect their organizations to invest in most this year

Improving cybersecurity protections

47%

Migrating to cloud technology/infrastructure

46%

Building remote work capability/resiliency

37%

Automating tasks with robotic process automation (RPA), machine learning (ML), or artificial intelligence (AI)

32%

Upgrading communications equipment

28%

In terms of the cloud, 100% of organizations planned to improve areas of cloud services in 2022. When reflecting on their most recent cloud deployment, IT decision-makers ranked their top three challenges as:

61%

Security

48%

Migrating on-premises IT infrastructure to cloud

30%

Scalability

To address these challenges, decision-makers intend to shore up their cloud services. Top areas to invest in and improve include:

55%

Multi-cloud and/or hybrid cloud capabilities

51%

Migrating on-premises IT infrastructure to cloud

49%

Increased storage and/or flexibility

TAKEAWAY

While leaders are making investments in the right direction, they should be careful to always keep the future in mind. When planning new initiatives, decision-makers should be asking themselves two key questions:

01 **How do our current investments position us to scale and grow our organization?**

02 **Who will be there to see through this evolution?**

A third question to ask — can a managed services provider (MSP) help?

# Does access to the cloud impact ERP success? Yes.

What came first, the chicken or the egg?
In the case of innovation, it's the cloud.

In the race for innovation, organizations with access to cloud services feel more optimistic about the future — whether they've fully migrated or adopted a hybrid posture. On-premises ERP users are less likely to have an ERP strategy with innovative capabilities or to say their ERP solution helps them innovate at a sufficient pace. The same trend applies to their feelings about their organizations' ability to innovate with data. The verdict is clear — the cloud drives stronger long-term performance.

The following charts are grouped by the ERP deployment method used at respondents' organizations.

Percentage of organizations with ERP strategies powered by both fundamentals and innovative capabilities

Cloud ERP
66%

Hybrid ERP
77%

On-premises ERP
38%
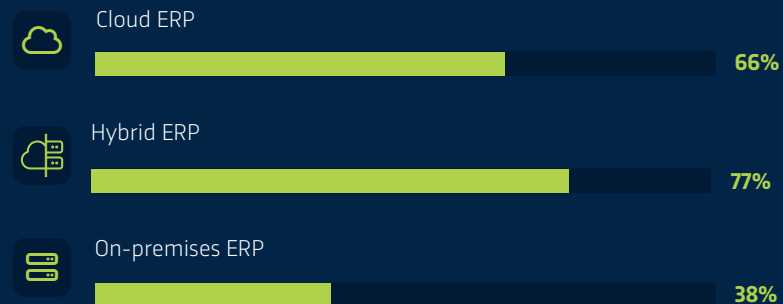
IT decision-makers who strongly agree "My organization's current ERP solution is capable of helping us innovate at the pace required for long-term success."

Cloud ERP
68%

Hybrid ERP
60%

On-premises ERP
38%
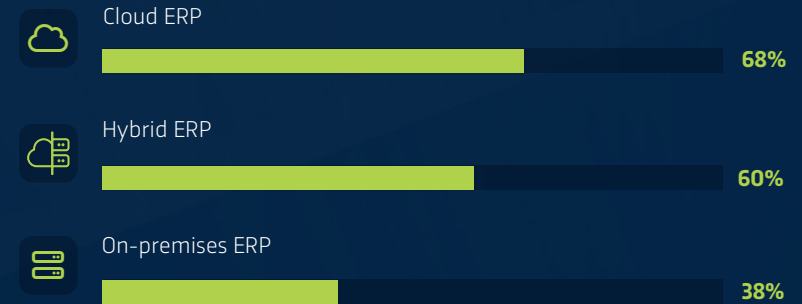
IT decision-makers who rate their organization's use of data in its day-to-day operations compared to other industries as "much more innovative"

Cloud ERP
54%

Hybrid ERP
44%

On-premises ERP
31%
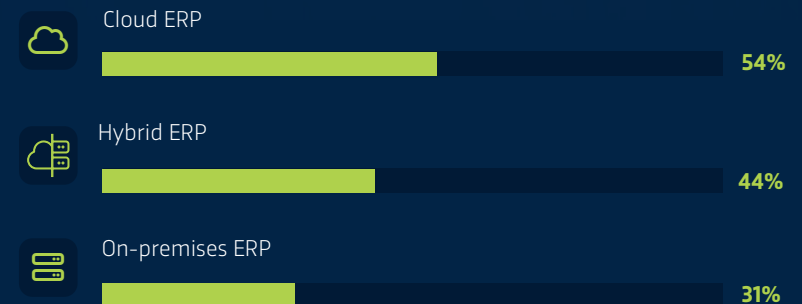
Defensive moves in cybersecurity can be factors in innovation

Letting the evolution of cybersecurity practices outpace your own adoption of solutions stands in the way of IT innovation. However, organizations would be wise to avoid making some of the common security mistakes associated with ERP investments.

Nearly three-quarters (72%) of IT decision-makers agree that attending to pressing cybersecurity needs takes time away from their team's ability to focus on IT innovation.

That's not a surprise considering the volume of cyber threats companies contend with today. Almost all respondents' organizations (90%) have experienced at least one of the cyberattacks listed in our survey. The most common cyberattacks are: 1) phishing/social engineering (53%), 2) denial-of-service (DoS) attack (34%) and 3) ransomware (31%).

Many organizations are planning significant expenditures to shore up cyber defenses. The largest group of respondents (27%) plans to invest between 21-30% of their IT budget in cybersecurity this year, while over half (58%) plan to spend 21-50%. In terms of where those investments go, IT decision-makers are most likely to increase their spending on infrastructure needs, followed by staffing improvements.

Cybersecurity aspects IT decision-makers plan to increase investment in over the next 12 months

🗄	Securing IT infrastructure	**63%**
👥	Security staffing	**60%**
👨‍🏫	Security training	**58%**
🛡	Security software and applications	**57%**
⊙	Security operations center (outsourced)	**46%**

However, a majority of organizations are ignoring a key source of support: security MSPs. Less than half of respondents (42%) plan to increase investment in these outside providers. Internal improvements are important, but IT decision-makers should consider where diverting more budget toward skilled external support would deliver stronger results.

The factors most likely to strongly influence a respondent's selection of cybersecurity MSP relate to reputation and expertise. "Scalability of solutions" ranked second to last, possibly because security solutions in the cloud have built-in scalability.

Factors that strongly influence selection of cybersecurity managed service providers

|		
🛡️	Security certifications	**43%**
📊	Advanced knowledge on cybersecurity metrics	**42%**
🔒	Access to the best and safest security systems on the market	**36%**
☑️	Actionable counsel on cyberthreats and attacks	**34%**
⚠️	Pressure from business leadership	**25%**

European organizations are primed to make **more significant investments in cybersecurity improvements when budgets allow**.

Nearly half of U.S. respondents (46%) plan to allocate at least 31% of their IT budget to cybersecurity, compared to less than a third of respondents in Germany, Spain, and in France. This willingness to invest in security seems to pay off for Americans, who are less likely than most other respondents to say cybersecurity concerns distract from IT innovation. However, French respondents were also less impacted by this issue.

Respondents who shared that attending to pressing cybersecurity needs has taken time away from their team's ability to focus on IT innovation

🇪🇸	Spain	82%
🇩🇪	Germany	78%
🇺🇸	U.S.	68%
🇫🇷	France	67%
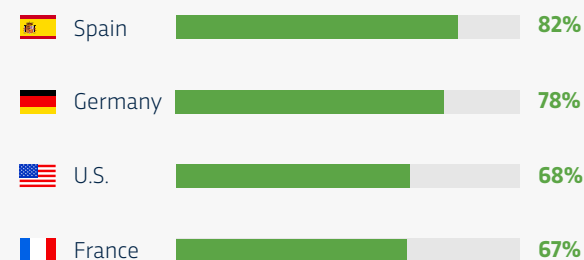
TAKEAWAY

Establishing a basic cybersecurity posture is a key building block for innovation. As with ERP strategy and cloud deployments, decision-makers should take a long-term view of their cyber-security investments, planning staffing and skills initiatives alongside infrastructure improvements. At the same time, they should look for areas certified MSPs can augment their in-house cybersecurity capabilities.

Conclusion

In recent years, many organizations have invested heavily in technology, and IT leaders are rightly proud of their resulting ERP capabilities.

However, innovation requires more than the right infrastructure. If your organization wants to drive lasting success, you can't neglect the human factor — or **the importance of well-qualified outside help**. By keeping your eye on your organization's long-term needs, not just its present challenges, you'll be able to chart a course toward a brighter, more innovative future.

METHODOLOGY

This study is based on a survey of 900 IT decision-makers at organizations with more than 500 employees and $500M+ in annual revenue currently using enterprise resources planning (ERP) software. Respondents sit at the senior manager level and above, work in the IT or finance departments, and are located in Europe and North America. The survey was conducted during July and August, 2022.

SYNTAX

Syntax provides comprehensive technology solutions and trusted professional, advisory, and application management services to power businesses' mission-critical applications in the cloud. With 50 years of experience and 700+ customers around the world, Syntax has deep expertise in implementing and managing multi-ERP deployments in secure private, public, or hybrid environments. Syntax partners with SAP, Oracle, JD Edwards, AWS, Microsoft, and other global technology leaders to ensure customers' applications are seamless, secure, and at the forefront of enterprise technology innovation.

syntax.com

marketing@syntax.com

1-866-705-6385