

The digital-first world has arrived, and with it comes a greater dependence upon cloud technology. ERP in the cloud, innovation, intelligence, real-time data, and anywhere, anytime access are the foundational elements for reducing mission-critical risk.

# Operating in the Digital World Requires a Focus on Cloud ERP to Reduce Mission-Critical Risk

June 2022

**Written by:** Mickey North Rizza, Group Vice President, Enterprise Software

## Moving Beyond Static into the Dynamic Digital-First World

Organizations are growing more resilient, better able to navigate disruptions and fulfill customer requirements while meeting their overall business objectives. The cloud, innovation, intelligence, real-time data, and anywhere, anytime access are among the capabilities that organizations have embraced to help reduce mission-critical risk and enable more resiliency. However, companies still struggle with operational legacy applications because they only semi-automate business processes, utilize batch or near-real-time information and data, update infrequently (every few years versus quarterly), and are static underpinnings within their organizations. These static legacy systems make it harder to meet operational and customer commitments in the digital-first and real-time information world.

A digital-first approach enhances the experience for consumers, employees, customers, suppliers, and partners by bringing intelligence, relevancy, and information into real-time interactions for greater value and understanding. However, the digital-first world requires a digital technology fabric that can be leveraged continuously to minimize risk and help the organization navigate disruptions as they occur. This digital fabric starts with cloud applications, provides real-time information, and brings innovation in at a regular cadence, ensuring the organization is digitally up to date. Utilizing this cloud-based intelligent digital technology fabric enables the business to reduce its mission-critical risk, meaning the disruptions that hinder or stop an enterprise from meeting its promise to deliver the right products and services to the right place and at the right time.

## AT A GLANCE

### WHAT'S IMPORTANT

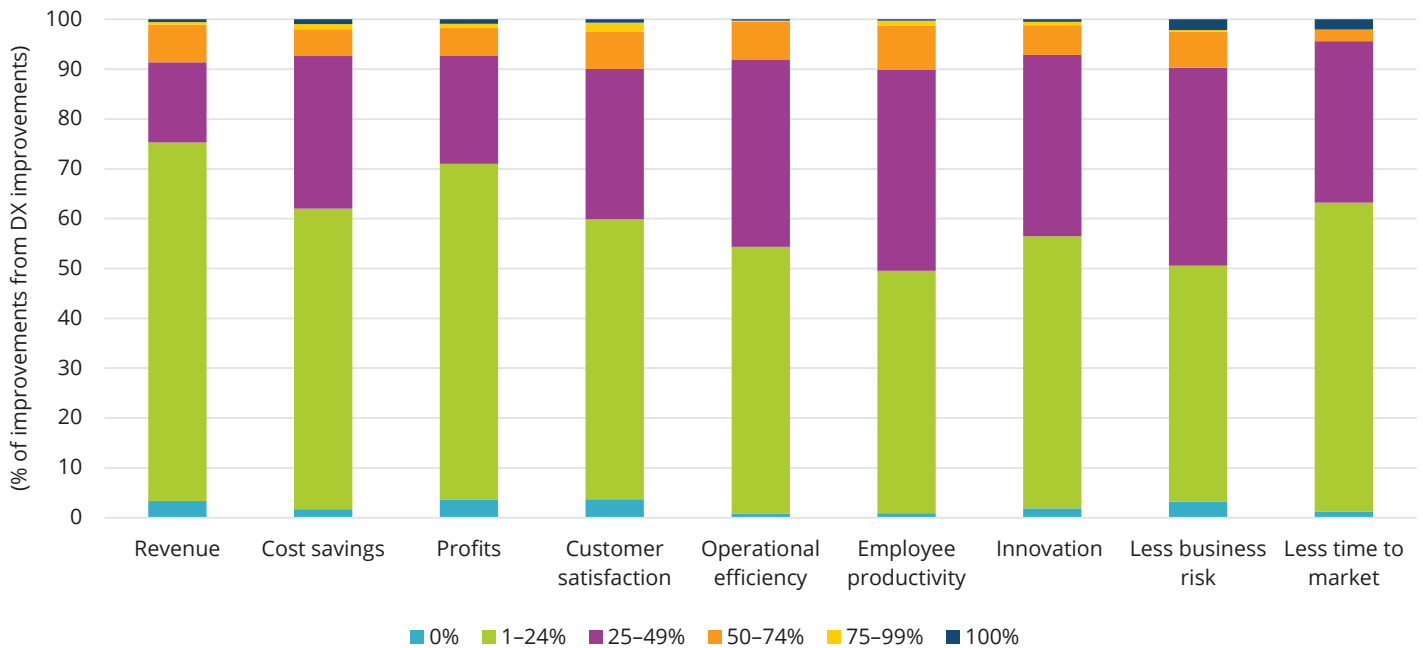
- » 74% of organizations surveyed would rather work with a software suite provider than with one line-of-business point solution. (IDC's *SaaSPath Survey*, 2021)
- » IDC expects that by the end of 2023, 65% of the G2000 will have redesigned their operations into a seamless, interconnected operational fabric that encompasses traditional front-office and back-office functions.
- » The movement away from static legacy systems toward more modern, modular, and intelligent cloud ERP systems is the first step toward a more unified, seamless, and interconnected operational system.
- » Mission-critical risks are the disruptions that hinder or even stop the ability of the organization to meet its promise to deliver the right products and services to the right place and at the right time.

Meeting this customer promise in the digital-first world requires an organization to use the insights within the intelligent cloud technology to mitigate disruptions. Mission-critical risk is a major focus for every enterprise as it navigates second by second through supply chain issues, labor shortages, changing customer demand, new sustainability and environmental, social, and governance (ESG) requirements, and geopolitical requirements. It can be strategically navigated with the right digital technology fabric, one that is in the cloud, automates workflows, brings insights and intelligence, and helps circumvent roadblocks. But where to start? IDC finds organizations are investing in intelligent cloud applications as part of a strategic technology plan to help negate as much risk as possible.

### Mission-Critical Risk Requires a Strategic Plan

A strategic technology plan in the digital-first world requires two elements: innovative, modern, modular, and intelligent technology focused on resiliency and trusted partners to help execute the plan while meeting the value objectives. IDC's *Future Enterprise Resiliency and Spending Survey, Wave 8* (September 2021) found that 87% of organizations are already engaged in executing their digital-first strategy. This is a shift that culminated during the pandemic as companies more fully embraced digital transformation initiatives. IDC research found that during the pandemic, digital transformation led to a financial improvement of 14% on average. Our research further uncovered that digital transformation brought other business improvements (see Figure 1).

FIGURE 1: *The Impact of Digital Transformation*



n = 858

Source: IDC's Future Enterprise Resiliency and Spending Survey, Wave 11, December 2021

However, these improvements were not possible without a strategic mission-critical technology plan focused on the future of the organization.

### ***The Need for a Strategic Mission-Critical Technology Plan***

When it comes to technology, organizations have focused for too long on just adding a tad of innovation here and there to make sure the business can survive. Many companies have done little to leverage innovative cloud technology as a tool to help them meet or exceed their customer commitments and defend against the disruptions plaguing organizations today. This lack of focus reduces the opportunity for an enterprise to capitalize on its competitive differentiation. Survival in the digital-first world requires an innovative digital cloud technology plan to help a business minimize the disruptions, pivot quickly, and move with speed toward meeting its customer commitments.

Below is a four-part technology plan that organizations tell IDC they are using to reduce mission-critical risk:

- 1. Align the investment plan with mission-critical technology requirements.** Companies make investments every day; however, not all bring a return to the business and help reduce mission-critical risk. Technology investments are the foundational component in the digital-first world to help the organization manage disruptions. Making the right technology investment requires putting a spotlight on the disruptions and then finding the technology that can help reduce them. For instance, operational and manufacturing enterprise resource planning (ERP) systems coupled with supply chain management (SCM) and human capital management (HCM) systems can help uncover issues including potential financial constraints, concerns with materials or labor, and transportation shortages. In addition, systems that capture ESG and sustainability data can ensure the organization realizes where improvements are needed to meet its regulatory and country-specific nonfinancial requirements. Selecting the right technology partner for mission-critical risk means the business must understand its current and future needs. Such a partner can help focus on the systems needed today and work toward the needs of tomorrow, as part of a sound innovation strategy. An IDC client recently said, "We need to select a partner that is an integrated suite organization with an exceptional innovation strategy and one that will be here for the long term. We don't want to keep looking at different application vendors and continuously upgrading and reconnecting them to other systems. We need one solid application technology vendor that will take us well into the digital world." This focus on finding the right technology applications as well as a trusted advisor and vendor partnership is one of four points organizations are focused on to reduce their mission-critical risk.
- 2. Invest in modern, modular, and intelligent systems.** Enterprises that invest in such systems find they can navigate the digital-first world operationally and meet customer expectations. They can deliver on these customer commitments as well as achieve their desired results, from financial goals to nonfinancial goals such as ESG and sustainability. Modern, modular, and intelligent systems are innovative solutions that have several leading characteristics that enable an organization to reduce its mission-critical risk:
  - **SaaS- and cloud-enabled** capabilities empower employees with greater flexibility to work anywhere, anytime, on any device, and in real time. This characteristic allows organizations to navigate disruptions successfully with higher flexibility across the entire organization, not just a certain location. In addition, these systems typically adopt innovation faster and leverage advanced technology capabilities enabling the company to develop new business processes and models at a faster rate. And being SaaS and cloud enabled can also reduce total cost of ownership and maintenance costs by freeing up resources to do higher-value activities and enable the organization to reinvest in growth and the company's future. IDC finds organizations that have enabled a SaaS- and cloud-enabled strategy have embraced the digital-first world.

- **Automated workflows** can complete tasks faster, reduce human errors, capture more critical operational information, and enhance the organization's decision-making capabilities. Automation everywhere is the new mantra, especially with hybrid work models.
- **Artificial intelligence (AI)** can help streamline business processes, provide great insights, and enable the organization to uncover opportunities and pivot faster around disruptions. The use of AI, machine learning, and robotic process automation (RPA) is making technology more intelligent by converging workflows with more data and allowing decisions to be made sooner. For example, an industrial manufacturer found it was able to reduce workflows, combine more data, and improve decision making to seconds from hours by investing in an intelligent ERP system.
- **Microservices architecture** helps evolve the technology stack itself via loosely coupled services that are independently deployable and organized around business capabilities. Enabling more usage with services to configure the workflows, data, and information together allows an organization to quickly maneuver and reduce mission-critical risk.
- **Application programming interfaces (APIs)** help facilitate increased automation by streamlining the flow of data between applications. Integration is one of the most cumbersome aspects of application-to-application communication. APIs make it much easier for organizations to configure by plugging and playing right away.
- **Endless innovation** is one of cloud technology's greatest assets and can keep the organization at the forefront of the digital world. Success is no longer about periodic static upgrades but rather continuous innovation that drives more insights, intelligence, and automation so the enterprise continues to grow, advance, and bring competitive differentiation in the digital world.

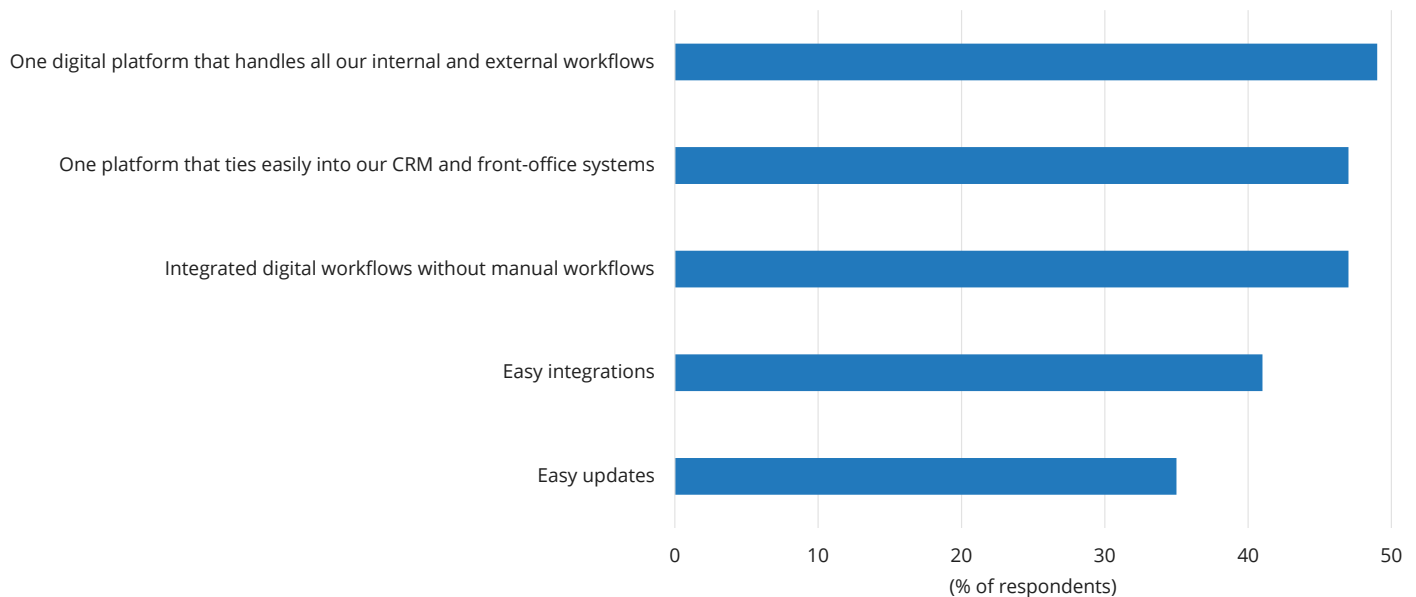
When tied into the applications themselves, these characteristics quickly allow an organization to work as needed, anywhere and in real time. Decision-making time is reduced, leading to more sound performance decisions. In addition, the innovation that continues to evolve over the system's use enables the business to stay current in the digital-first world. As an example, a U.S. energy organization made a series of acquisitions to accelerate its growth. Over time it ended up with too many business processes and inefficient technology utilization with thousands of objects to consolidate. By moving to a digital-first technology strategy with modern, modular, and intelligent systems, the company reduced mission-critical risk by standardizing its business with one cloud technology fabric with continuous innovation at the center of its corporate strategy.

3. **Move to new digital-first world technology systems with a solid pathway.** Moving into the digital-first world requires a solid technology foundation and a pathway filled with innovation that continuously evolves with the organization. Selecting the right technology partner is critical to a continuous evolution strategy. As an example, a major sports organization selected a digital-first world cloud technology partner to help it modernize and consolidate critical business processes for operational efficiencies. It also needed to power several direct-to-consumer and direct-to-fan engagement activities while supporting the league's long-term international growth strategy. This digital-first technology approach brought together customers and fans globally demandwise while also tying back into operational strategy. It was a true mission-critical pathway that helped meet the organization's customer promises and its own operational requirements.

4. **Deliver business value with the cloud and reduce mission-critical risk.** Business value is achieved through operational efficiencies, reducing or eliminating disruptions, and meeting financial and nonfinancial goals. Having a strategic cloud technology plan can help an organization meet these challenges. For example, a global pharmaceutical manufacturer modernized its business with mission-critical systems, bringing added value to the organization by enabling greater visibility into manufacturing processes and more real-time information at all locations. Having real-time data and insights has led to better decisions and performance outcomes and enabled the organization to bolster its investment in employee growth and development as well as unifying its operations with customer requirements.

IDC research finds that by 2025, 80% of organizations responding to the digital-first economy will require advanced enterprise applications with exceptional innovation, multifunctional capabilities, and self-learning aspects. The movement away from static legacy systems toward more modern, modular, and intelligent cloud ERP systems is the first step toward a more unified, seamless, and interconnected operational system. When asked about their vision for ERP, organizations overwhelmingly want a digital platform integrated with front-office systems and digital workflows without manual processes (see Figure 2).

FIGURE 2: **ERP Vision**



*n* = 150

Source: IDC's DX Platform Survey, 2021

IDC expects that by the end of 2023, 65% of the G2000 will have redesigned their operations into a seamless, interconnected operational fabric that encompasses traditional front-office and back-office functions. Deploying technological solutions that allow this seamless coordination to happen will lead to better performance by enabling the free flow of data, the refinement of processes, an increase in transparency, greater cooperation between functions, and an overall improvement in insights. For large enterprises, the potential for cost savings, streamlined operations, and getting to a single version of the truth are key incentives to connect the front office and the back office within the business and open the pathway toward a future connected enterprise. ERP systems with an operational view and a financial view are a great starting point for this vision.

## Reducing Mission-Critical Risk Brings Additional Benefits

Delivering business value is critical to enhancing an organization's performance because it leads to improved workflows, better systems performance, and greater user acceptance. These benefits enable a workforce that is more agile and can scale quickly, pivoting to answer multiple demands such as helping an organization become more digitally resilient. All are critical to reducing mission-critical risk. But there are other advantages to be derived from reducing mission-critical risk, including value for the price paid, ease of integration and implementation, working with a trusted brand, improving user workflows and interfaces, and product innovation. According to IDC's 2021 *SaaSPath Survey*, 74% of organizations surveyed would rather work with a software suite provider than with one line-of-business (LOB) point solution. Figure 3 details the advantages that organizations find in working with an integrated software suite provider.

FIGURE 3: *Benefits of an Integrated Software Suite*



n = 1,381

Source: IDC's *SaaSPath Survey*, April 2021

A software suite provider will have not only the full suite but also solutions for LOB areas and industry-specific requirements. The entire suite is an advantage for many reasons, including the overall organizational benefits such as more insights, faster decision making with real-time information, and enabling employee system usage and engagement anywhere and anytime.

Additional benefits derived from a suite provider cut across the various lines of business and initiatives within the company and include value such as:

- » **Finance:** Streamline financial close processes, gain real-time insights, enhance FTE productivity
- » **Procurement:** Reduce operational procurement costs, optimize DPO, improve decision making
- » **Supply chain:** Lower costs for transportation and warehouse management, speed order fulfillment time
- » **Manufacturing:** Improve manufacturing efficiency time, grow revenue from new products, lower manufacturing costs
- » **HCM:** Understand, manage, and optimize the employee workforce; improve cross-business decision making; increase engagement and efficiency with seamless experiences
- » **R&D:** Decrease time to market for new products, reduce existing product and launch costs
- » **Sales:** Boost revenue from new business models, lessen sales costs, improve sales team and customer satisfaction, increase on-time delivery and performance
- » **Service management:** Decrease ticket time to action, reduce overall queue times, increase performance
- » **Asset management:** Improve maintenance schedules, improve uptime of equipment
- » **Sustainability:** Improve measuring, managing, and optimizing of sustainability performance around carbon emissions, waste management, and diversity, equity, and inclusion
- » **Risk and compliance:** Reduce risk while increasing compliance with improved organizational insights

Access to industry-specific process differentiators in the cloud is critical to quick, sustainable innovation to core LOB solutions and to ensure competitive differentiation. Organizations need access to these industry-specific cloud solutions as well as the ability to extend them to include partner solutions and to manage their own unique differentiators in a consistent platform that scales with change. For example, such a solution allows:

- » Retailers to connect digital and physical channels for core merchandising process, promotions, and innovative returns processing for a seamless end-to-end customer experience.
- » Automotive companies to better compete by maintaining pace with core manufacturing processes supported by cloud innovations for connected cars, fleet sharing, and an always-connected billing process.
- » Governments to become more data driven and citizen focused with cloud-based core processes driven by AI and innovative regulatory and procurement cloud solutions specific to a given region and government sector.

## Considering SAP

RISE with SAP is a comprehensive solution that helps organizations to become intelligent, sustainable enterprises in the cloud. It comes with a cloud ERP for every business need, industry best practices and extensibility, analytics and business process intelligence, and outcome-driven services from SAP and its partners.

RISE with SAP helps organizations take the lead with industry innovation for top-line, bottom-line, and green-line growth. It focuses on industry-specific processes and best practices that can help build margin while creating subscription and usage-based models that assist in improving revenue by unlocking new efficiency with intelligent automation across mission-critical processes. In addition, RISE with SAP enables an organization to manage sustainability with companywide transparency and controls.

RISE with SAP also empowers employees to continuously improve their own performance as well as the performance of the business. Prioritizing optimization opportunities with instant analysis of processes, activities, and tasks means an organization can make data-driven decisions that prioritize improvements overall. They can also sharpen their process performance, enhancing their time to meet customer commitments while reducing inefficiencies. And organizations can also uncover more insights and process improvement areas by automating their business processes with AI.

RISE with SAP helps organizations secure success by running their mission-critical operations at global scale. The solution possesses more than 50 years of proven business process experience in a multitude of industries and with 60+ country localizations and 35+ languages. RISE with SAP can help organizations shift to the cloud with its large cloud portfolio of LOB applications including finance, customer relationship management (CRM), customer experience, spend management, supply chain management, and human capital management. And RISE with SAP assists organizations in taking charge of the digital-first world with a versatile platform designed to accelerate innovation without disruption by utilizing extensions that can be implemented quickly in business processes (e.g., side-by-side extensibilities, integrated workflows, or a business rule engine.) RISE with SAP is a digital-first world solution that can help organizations take control of their digitization efforts.

## Challenges

Many organizations have invested heavily in their on-premises ERP systems, slowing down the movement to cloud ERP systems. Prolonging the investment and delaying migration to more modern, modular, and intelligent ERP systems inhibit an organization from taking greater control of its mission-critical risk. Innovation matters in the digital world. Continued reliance on cumbersome, complex antiquated business processes in legacy systems is a recipe for disaster, especially for mission-critical risk mitigation.

Organizations have also moved forward with additional SaaS and cloud applications that are tied to their legacy ERP systems with customized workflows. These customizations must be updated or untethered only to be retethered when an update occurs. To avoid these issues, organizations often leave SaaS and cloud applications alone to run on their own, creating additional data silos and manual processes between applications. Organizations must rethink their entire application portfolio strategy to clearly reduce mission-critical risk.

Businesses may also move toward competitive providers such as SAP that offer opportunities to help with mission-critical risk. However, it is critical that they look at all aspects of a provider's product, including features, functionality, innovation, and product road map, and compare the product with their own transformational journey. The compare and contrast with an organization's own digital-first world strategy and plan will ultimately help the organization make the right decision.



## ***Conclusion: Survival in the Digital-First World Requires a Focus on Mission-Critical Risk***

The digital-first world is new, modern, and innovative, relying on cloud technology as the keystone for conducting business. Surviving in this world requires a laser focus on navigating the disruptions and removing mission-critical risk by underpinning the organization with the right cloud technology fabric. Removal of legacy systems, semi-manual business processes, and siloed batch information is critical to thriving in the digital-first world. Organizations navigating the digital-first world are making SaaS- and cloud-enabled innovative and intelligent technology the priority, investing in it as their backbone by combining people, processes, and technology while reducing risk and enhancing business performance.

## **About the Analyst**



### ***Mickey North Rizza, Group Vice President, Enterprise Software***

Mickey North Rizza is Group Vice President for IDC's Enterprise Software. She leads the Enterprise Applications and Strategies research service along with a team of analysts responsible for IDC's coverage of next-generation enterprise applications including digital commerce, employee experience, enterprise asset management and smart facilities, ERP, financial applications, HCM and payroll applications, procurement, professional services automation and related project-based solutions software, supply chain automation, and talent acquisition and strategies.

## MESSAGE FROM THE SPONSOR

To reduce risk and avoid being disrupted, enterprises need to focus on developing new business models, drive new operational efficiencies to reinvest into growth, and modernize mission-critical systems without interruption. RISE with SAP can help you to address those challenges successfully. It is the solution to become an intelligent, sustainable enterprise in the cloud. It comes with a cloud ERP for every business need, industry next practices and extensibility options, analytics and business process intelligence capabilities, and outcome-driven services from SAP and partners. Ultimately, RISE with SAP is the solution to drive business innovation, so you can:

- » Take the lead with industry innovation for top-line, bottom-line, and green-line growth
- » Never stop improving with live insight to continuously optimize processes
- » Secure your success with a trusted partner for your business needs, at every step of the way

To learn more about RISE with SAP and how customers drive business innovation with the solution, contact your SAP partner or visit our website: [www.sap.com/rise](http://www.sap.com/rise)



The content in this paper was adapted from existing IDC research published on [www.idc.com](http://www.idc.com).

**IDC Research, Inc.**  
140 Kendrick Street  
Building B  
Needham, MA 02494, USA  
T 508.872.8200  
F 508.935.4015  
Twitter @IDC  
[idc-insights-community.com](http://idc-insights-community.com)  
[www.idc.com](http://www.idc.com)

**This publication was produced by IDC Custom Solutions.** The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis independently conducted and published by IDC, unless specific vendor sponsorship is noted. IDC Custom Solutions makes IDC content available in a wide range of formats for distribution by various companies. A license to distribute IDC content does not imply endorsement of or opinion about the licensee.

External Publication of IDC Information and Data — Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Copyright 2022 IDC. Reproduction without written permission is completely forbidden.