White Paper

Moving to Cloud ERP: What's Behind the Migration Momentum

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IDC OPINION

Disruption has been altering the business landscape for some time, but in the past few years, the pace of change has accelerated. This has forced companies to seek ways to be digitally resilient – to rapidly adapt to disruptions by leveraging technology not only to restore operations but also to capitalize on new conditions.

Digital resiliency is “resetting” organizations as they look toward migrating to the cloud. In a recent IDC study exploring the state of migration from on-premises ERP to cloud ERP among more than 1,600 companies, 68% of organizations said the global COVID-19 pandemic accelerated their transition. One Oracle Fusion Cloud Enterprise Resource Planning (ERP) customer Chief Accounting Officer at a medical organization said, "We have used this time to showcase the opportunity for digital transformation and to paint the bigger picture and vision for the organization. We made an investment into the future to scale and ensure our long-term survival."

Migrating to the cloud can give organizations access to continuous innovation and improve employee decision making, among other benefits, but there are critical elements to consider for a smooth transition. Data can be a key challenge, depending on the amount and quality of data to be moved and the ability to map and manage that data. "Our migration was like a three-sided marriage," said one Oracle Cloud ERP finance industry customer. "It was Oracle, it was the finance department, and it was our own IT department, and all had to deal with the logistics of moving the data." The migration efforts pay off for many, like the market leader and late adopter medical organization of cloud ERP that told IDC, "Operationally, we moved over without any conversion issues."

Change management is also a key requirement as organizations migrate to the cloud, especially with legacy solutions rooted in the past century. An industry market leader in finance told IDC, "Embrace change, dedicate the resources to it, and make the changes happen. You will get out of it what you put into the change, as it shapes the future proofing of your business."

State of Migration from On-Premises to Cloud ERP

To explore the state of the migration from on-premises ERP to cloud ERP even further, IDC conducted a study of over 1,600 companies in 2021. This IDC White Paper, sponsored by Oracle, examines the full results of the study, highlighting migration trends in ERP, expectations of cloud ERP, and the results achieved with cloud ERP by both the business and IT. The paper also reviews Oracle business applications and Oracle customers’ migration and digital transformation plans.
METHODOLOGY

Survey Demographics

The survey was conducted from May 2021 to July 2021 and included 1,610 respondents across the three global regions of North America (the United States and Canada), Europe (Italy, Germany, France, the United Kingdom, and Spain), and Asia/Pacific (China, India, Australia, Singapore, and New Zealand). The survey covered a multitude of industries including manufacturing, high tech, financial services, education, healthcare, insurance, public sector, and retail. Figures 1 and 2, respectively, illustrate the splits by country and industry.

FIGURE 1

Survey Demographics

n = 1,610

Source: IDC's Oracle Cloud ERP Survey, June 2021
FIGURE 2

Industry Splits

Key demographics of the survey include:

- The 12 countries represent all three major regions of North America, Europe, and Asia/Pacific.
- Among participants, 30% were larger enterprise companies (revenue >$2 billion), 39% medium-sized companies (revenue of $500 million to $2 billion), and 32% small companies (revenue of $100 million to <$500 million).
- Respondents were mainly senior-level executives (69%), as well as line-of-business executives (17%) and C-suite executives (14%).
- All respondents are either the primary decision maker or part of the team that makes decisions associated with ERP systems.
- All respondents were current customers utilizing Oracle business applications, including Oracle E-Business Suite (70.8%), Oracle PeopleSoft (49.7%), Oracle JD Edwards (42.5%), Oracle Fusion Cloud (11.6%), and Oracle NetSuite (10.8%). Some respondents may use multiple Oracle business systems.

This paper focuses on the overall study findings while weaving in Oracle business applications offerings, IT and line-of-business requirements, the migration paths organizations are utilizing, and the perspectives of Oracle customers interviewed by IDC.
KEY FINDINGS

We have identified five key findings that we will explore in greater detail in this paper:

▪ **On-premises-to-cloud momentum is dramatically underway.** Approximately 40% of Oracle customers surveyed have moved or are in the process of moving their business systems to Oracle Cloud ERP. However, 47% plan on moving to Oracle Cloud ERP within the next 2-10 years, with the bulk of the moves planned within the next five years. The remaining 13% currently have no plans to move to Oracle Cloud ERP because of their perceived need for their Oracle on-premises system and conflicting digital transformation journeys.

▪ **Capabilities beyond finance are important.** The selection criteria for cloud ERP providers extend beyond technical aspects and system functionality – 72% of organizations are seeking a provider that can offer cloud solutions for other lines of business beyond finance. The range of reasons why organizations need more capabilities than just ERP include expanding their current set of products, reducing technology risk and exposure, and simplifying their application portfolio with a suite of applications from one technology vendor. In addition to migrating ERP to the cloud, many are migrating their customer service, human capital management, and payroll.

▪ **Moving to the cloud is a positive experience.** Organizations that have already moved or are in the process of moving to Oracle Cloud ERP (84%) rate their move as good to very good. An industry market leader CIO in the marine industry noted, "Oracle Cloud ERP is more robust and more reliable and also more adaptable to change." In addition, a VP of Enterprise Applications at an energy company said, "The benefit of Oracle Cloud ERP is the standardized processes – one system, one tool, and one source of data."

▪ **Major benefits are realized after a cloud move.** Benefits achieved by both the line of business and IT vary, but they center on agility, digital enhancement, and the optimization of processes. A CIO industry market leader and an early adopter in the marine industry noted that "the benefit for the business from day 1 was around process standardization and optimization." A CIO industry market leader for a boat building manufacturer said, "The workflow automation is incredible as is the ease of use." And a marine industry CIO focused on overall IT benefits was very straight to the point, citing scalability, cost reductions, process standardization, business process innovation, system availability and performance, and reporting as benefits "because they are more standard and scalable." Organizations have also found digital optimization and the ability to use data for better analytics, predictions, and simulations are major benefits of deploying cloud ERP.

▪ **Sustainability and climate change are important cloud migration drivers.** Organizations find Oracle Cloud ERP has improved logistics efficiency in supply chain and overall business operations. In addition, 56% of organizations find cloud uses less energy than similar on-premises systems in a datacenter.
TURNING MIGRATION CHALLENGES INTO OPPORTUNITIES

The migration to cloud ERP is on, and organizations in the thick of it are realizing that their biggest challenges also present their biggest opportunities. The top 5 areas of challenges that turn into opportunities are:

1. **IT resources** are required to implement a move to the cloud, but organizations that have moved to the cloud recognize that IT is only one resource. Lines of business such as finance, procurement, customer service, and HR are all necessary resources that assist in the move. A team approach has become a best practice for organizations implementing cloud ERP.

2. **Data access and security** is a perceived challenge; however, a market-leading VP of enterprise applications at an energy company told IDC that "one of the complexities that doesn't change regardless if it is cloud or on premises is the data. The data is core to your business and migrating it requires clean and quality data. While it appears as a challenge, getting it right makes a big difference to the quality of your output in the new system." Data also needs to be secure. The head of finance for an insurance organization noted, "Oracle Cloud ERP is robust and reliable. We are thrilled with the performance." Oracle Cloud ERP has configurable security to ensure data protection, scalability, and performance.

3. **Systems integration** is often an issue for on-premises systems, but not with a comprehensive cloud ERP suite like Oracle Cloud ERP that has prebuilt integrations and APIs across its applications and available integration technologies to other vendor solutions. Integration then becomes a quick plug-and-play and is no longer a terrifying aspect of new systems.

4. **Costs of running cloud ERP** are much less compared with on-premises systems with customizations that must be kept up to date for the digital-first world. Organizations that have moved to the cloud collectively told IDC the costs are lower over time than with their previous on-premises systems. One head of technology at a financial industry organization said, "If we had stayed on our on-premises ERP system, we would not be in business with the costs we would have incurred to keep it up to date in this new digital economy."

5. **Data residency** may be in the cloud, but the organization still owns its data. Modular ERP systems like Oracle Cloud ERP use APIs to streamline the flow of data between applications so that there are no data issues, no matter where the data resides. This integration aspect also supports legal requirements in many countries.

SELECTION CRITERIA EXPAND BEYOND FINANCE

Half of the organizations surveyed reported they wanted to expand their suite of products beyond ERP and chose Oracle based on its broad business capabilities (see Figure 3). Reducing the technology vendor risk was noted by 47% of organizations as their reason for selecting a provider with capabilities beyond ERP. One organization in the energy sector told IDC, "We have over 800 applications and 150+ vendors, so reducing our technology vendor risk was critical to us choosing Oracle since they have so much more in capabilities."

Organizations also want to simplify and reduce their application portfolio with a suite of applications from one vendor. A market leader marine industry CIO told IDC, "We don't want to look at every application area out there for each functional requirement we have, so we just went with Oracle as our technology vendor with the suite of products we need."
FIGURE 3

Provider Capabilities Beyond ERP

Q. Why is/was your organization focused on a provider that could offer more capabilities than ERP?

 جاءت الاستجوابات التالية من 1,086 مشاركين الذين قدموا معلومات حول الحوسبة السحابية من Oracle، حيث تشير إلى أن حوالي 40% من العميلين يفترضون أنهم قد نقلوا إلى Oracle Cloud ERP، بينما ي плANN على نقلهم إلى Oracle Cloud ERP خلال السنوات الـ2-10 القادمة، بمعظم الانتقالات PlANNED خلال السنوات الخمس القادمة. من بين العميلين الذين قاموا بالانتقال إلى Oracle Cloud ERP جمع IDC، "نرغب أن ننتقل أسرع وألا نثبط النمو الخاص بنا، ولكننا لستين قادرين على التعامل مع أكبر قدر من التغييرات في الوقت. " قائد مالية صناعة تكنولوجيا المعلومات قال، "الآن تقع في مكان أفضل بفضل Oracle Cloud ERP.

المزيد من 13% من العميلين لم ينقلوا إلى Oracle Cloud ERP بسبب الحاجة الشديدة للاستثمار في نظام Oracle على المقر، أو النزاعات الرقمية. العميلين الذين لم يجّلوا نظام ERP السحابي تكنولوجي عمليات IDC أن المنظمة تركز على الجانب المالي الأول للاستراتيجية الرقمية، ثم سينقلون اهتمامهم إلى القلب العملي للعمل.

MAJORITY OF ORACLE CUSTOMERS ARE MIGRATING TO ORACLE CLOUD ERP

Migration to the cloud by Oracle business system clients is a continuous evolution. Organizations migrating to the cloud typically include finance, customer service, and human capital management. The IDC study found that approximately 40% of Oracle clients have moved or are in the process of moving their business systems to Oracle Cloud ERP, while 47% plan on moving to Oracle Cloud ERP within the next 2-10 years, with the bulk of the moves planned within the next five years. Organizations that have already moved to Oracle Cloud ERP collectively told IDC, "We wish we had moved sooner and hadn't inhibited our own growth, but we just couldn't handle more change at the time." An industry market leader head of finance in the financial industry said, "You are suddenly in a better place with Oracle Cloud ERP."

The remaining 13% of organizations are not moving to Oracle Cloud ERP because of the perceived need for their Oracle on-premises system and conflicting digital transformation journeys. Organizations that have not chosen a cloud ERP system told IDC that their organization is focused on the revenue side of the business first for digital transformation and then they will turn their attention to the operational core of the business.
ORACLE CUSTOMERS ACHIEVE EXCEPTIONAL BENEFITS BY MIGRATING TO ORACLE CLOUD ERP

Organizations that have already moved or are in the process of moving to Oracle Cloud ERP (84%) rate their move as good to very good. These organizations were originally concerned about the impact of the move to cloud on security, change management, the faster pace of innovation, and business processes. An accounting officer at a market-leading but late adopter medical organization told IDC, "We are working towards closing our books from 10 days to within five days and now have more meaningful information to share with the users of our systems." An energy VP told IDC that Oracle's quarterly updates helped the organization avoid technology obsolescence and security risks. Organizations have also found being digitally optimized and being able to use data for better analytics, predictions, and simulations are the major benefits of deploying cloud ERP (see Figure 4). An energy VP of applications said it well: "Our processes, data, and information are now all in one place. Adding innovation will help us see more in business opportunities."

FIGURE 4

IT and Business Benefits of Oracle Cloud ERP

Q. How has/will the move to Oracle Cloud ERP benefit the IT organization?
Q. How has/will the move to Oracle Cloud ERP impact business outcomes?

n = 1,414

Base = respondents that indicated their organization has moved, is in the process of moving, or is planning to move to Oracle Cloud ERP

Source: IDC's Oracle Cloud ERP Survey, June 2021
Benefits achieved by both the line of business and IT not only vary but also come together across agility, digital enhancement, and in the optimization of processes (see Figure 5). An energy VP of enterprise applications told IDC, “Bringing the business into a common and constantly up-to-date ERP platform has enabled us more agility in our mergers and acquisitions. Synergies and integrations are easier and divesting business is even easier now, too.”

FIGURE 5

Overall Organizational Benefits of Cloud ERP

Q. How has/will the deployment of cloud ERP impacted/impact your organization?

<table>
<thead>
<tr>
<th>Region</th>
<th>North America</th>
<th>EMEA</th>
<th>APAC</th>
<th>Education and research</th>
<th>Financial services</th>
<th>Healthcare</th>
<th>Insurance</th>
<th>Wholesale distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Now/will be digitally enabled</td>
<td>49%</td>
<td>46%</td>
<td>50%</td>
<td>47%</td>
<td>42%</td>
<td>47%</td>
<td>52%</td>
<td>45%</td>
</tr>
<tr>
<td>Use data for better analytics</td>
<td>41%</td>
<td>38%</td>
<td>42%</td>
<td>44%</td>
<td>45%</td>
<td>40%</td>
<td>42%</td>
<td>43%</td>
</tr>
<tr>
<td>Less time to process information</td>
<td>39%</td>
<td>29%</td>
<td>33%</td>
<td>41%</td>
<td>34%</td>
<td>39%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Support remote workers better</td>
<td>37%</td>
<td>25%</td>
<td>38%</td>
<td>38%</td>
<td>40%</td>
<td>35%</td>
<td>38%</td>
<td>36%</td>
</tr>
<tr>
<td>Respond to demand effectively</td>
<td>38%</td>
<td>31%</td>
<td>30%</td>
<td>41%</td>
<td>30%</td>
<td>33%</td>
<td>33%</td>
<td>36%</td>
</tr>
<tr>
<td>Better optimized processes</td>
<td>37%</td>
<td>34%</td>
<td>33%</td>
<td>39%</td>
<td>40%</td>
<td>30%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Implement new products or services quickly</td>
<td>35%</td>
<td>31%</td>
<td>30%</td>
<td>41%</td>
<td>30%</td>
<td>33%</td>
<td>33%</td>
<td>36%</td>
</tr>
<tr>
<td>Lower costs for infrastructure, maintenance, operations</td>
<td>35%</td>
<td>31%</td>
<td>34%</td>
<td>34%</td>
<td>37%</td>
<td>33%</td>
<td>38%</td>
<td>30%</td>
</tr>
<tr>
<td>Accelerated innovation in our organization</td>
<td>33%</td>
<td>35%</td>
<td>31%</td>
<td>28%</td>
<td>33%</td>
<td>33%</td>
<td>29%</td>
<td>30%</td>
</tr>
<tr>
<td>Talent recruitment/retention improvement</td>
<td>33%</td>
<td>19%</td>
<td>25%</td>
<td>21%</td>
<td>21%</td>
<td>35%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Quarterly updates</td>
<td>26%</td>
<td>16%</td>
<td>21%</td>
<td>22%</td>
<td>21%</td>
<td>23%</td>
<td>26%</td>
<td>29%</td>
</tr>
<tr>
<td>None of the above</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>

n = 1,514

Base = respondents that indicated their organization has moved, is in process of moving, or is planning to move to any cloud ERP

Source: IDC’s Oracle Cloud ERP Survey, June 2021
SUSTAINABILITY IS A DRIVER OF ERP MIGRATION

Sustainability and perspectives on climate change are major factors when it comes to deploying cloud ERP systems (see Figure 6).

FIGURE 6

Sustainability and Climate Change Factors of Cloud ERP Deployment

Q. How did/will your organization’s perspectives on sustainability and climate change factor in your deployment of cloud ERP?

Overall results

Major factor: 60%
Minor factor: 31%
No impact: 10%

Oracle E-Business Suite

Major factor: 65%
Minor factor: 27%
No impact: 8%

Oracle PeopleSoft

Major factor: 65%
Minor factor: 26%
No impact: 9%

Oracle JD Edwards

Major factor: 72%
Minor factor: 21%
No impact: 7%

n = 1,514
Base = respondents that indicated their organization has moved, is in the process of moving, or is planning to move to any cloud ERP

Source: IDC’s Oracle Cloud ERP Survey, June 2021

The head of finance at a financial organization told IDC, “Oracle Cloud ERP usage provides us the ability to show less datacenter use, allowing them to report better energy usage.” This reduction in energy usage was also noted in by other survey respondents (see Figure 7).
Biggest Impacts on Sustainability of Cloud ERP

Q. What was/will be the impact of cloud ERP on your organization's path toward sustainability?

<table>
<thead>
<tr>
<th>Impact</th>
<th>Region</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved logistics efficiency in supply chain and overall business operations</td>
<td>North America</td>
<td>North America</td>
</tr>
<tr>
<td></td>
<td>EMEA</td>
<td>Financial services</td>
</tr>
<tr>
<td></td>
<td>APAC</td>
<td>Healthcare</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Insurance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wholesale distribution</td>
</tr>
<tr>
<td>Cloud uses less energy than similar on-premises systems in a datacenter</td>
<td>63%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>55%</td>
<td>54%</td>
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<tr>
<td></td>
<td>56%</td>
<td>54%</td>
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<tr>
<td></td>
<td>57%</td>
<td>56%</td>
</tr>
<tr>
<td>Ability to track and monitor our carbon footprint across our products, services, and operations</td>
<td>54%</td>
<td>43%</td>
</tr>
<tr>
<td></td>
<td>48%</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td>54%</td>
<td>43%</td>
</tr>
<tr>
<td>Reduction in reliance on hardware (servers, etc.)</td>
<td>48%</td>
<td>43%</td>
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<tr>
<td></td>
<td>48%</td>
<td>44%</td>
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<td>44%</td>
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<td>38%</td>
<td>38%</td>
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<tr>
<td></td>
<td></td>
<td>52%</td>
</tr>
<tr>
<td>Less paper and reduced waste</td>
<td>43%</td>
<td>52%</td>
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<tr>
<td></td>
<td>43%</td>
<td>43%</td>
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<td>51%</td>
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<td>34%</td>
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<td></td>
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<td>50%</td>
</tr>
</tbody>
</table>

n = 1,514

Base = respondents that indicated their organization has moved or is in process of moving/planning to move to any cloud ERP

Source: IDC’s Oracle Cloud ERP Survey, June 2021

CONCLUSION

It is evident that migrating to cloud ERP is well underway, particularly with Oracle ERP customers. When 68% of organizations indicate the pandemic has hastened their journey to the cloud, it becomes obvious that working from anywhere, on any device is a necessity. It's apparent that a move away from on-premises technologies is now the norm.

While the shift from on-premises ERP may initially be seen as costly and complex, it doesn't have to be — and the results are likely worth any temporary concerns. When the ERP system is in the cloud and organizations find the move was simplified by eliminating the complexities of data movement, integration, and customizations, the new cloud reality removes their initial misgivings. In addition, when the system is maintained by the vendor and updated without issue on a quarterly basis, an organization no longer has concerns about updates. Without a doubt, the backward glance shared by many survey participants is one of "what were we worried about?"

Organizations that have migrated to Oracle Cloud ERP experience speed, scale, and agility. They also find standardized business processes that are easy to use and can consume data quickly. A market-leading energy company VP told IDC, "The biggest area of improvement using Oracle Cloud ERP was the reduction of human manpower needed to process large masses of data. Now our employees can simply gain insights instead of spending hours sifting through the data to understand it."

Perhaps the most telling aspect of cloud ERP is the fact that organizations are future proofing for the digital world that is now here. One organization told IDC that it is now running Oracle Cloud ERP because it wants to run their business according to the "digital-world standards" of the future.
About IDC

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