

Moving from on-premises ERP to cloud ERP is an investment that provides organizations with the capabilities they need to compete in the digital-first world. However, organizations may struggle to understand the competitive differentiation offered by cloud ERP solutions.

Cloud ERP: A Competitive Advantage in a Digital-First World

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Moving from on-premises ERP to cloud ERP shifts a business from reactive to proactive as a result of the speed, agility, and decision velocity that cloud applications deliver. Those companies still running ERP on premises are finding that they are at a rapidly growing competitive disadvantage.

In the digital-first world, disruptions that are complex and simultaneously cut across society, economics, and technology have created a need for businesses to rapidly change course in order to survive. These disruptions are impacting all businesses and wreaking havoc on their survivability.

And this pace of digital transformation is accelerating, requiring organizations to adapt and scale their technology at a more rapid cadence than in the past. This competitive advantage is clearly observed in IDC research that reveals that during the pandemic, organizations with digital transformation initiatives realized a 14% improvement in financial performance on average. IDC research also shows that since 2015, digitally transforming companies have experienced significant growth in Revenue Performance Index (RPI) and Profit Performance Index (PPI), whereas nondigital organizations have experienced declines.

The Disadvantages of On-Premises ERP

The pandemic brought disruption that has forever altered businesses in every industry across the globe. Safeguarding employees required more remote work; organizations quickly recognized employees could still be productive and they could remain in business. However, on-premises ERP systems meant many of these businesses couldn't enable employees to work from anywhere, anytime, and on any device. Instead, organizations loaded software on portable devices, distributed the devices to employees, and tied this software back to their on-premises systems.

Ensuring security and remote access workflows has also been an issue for organizations with on-premises systems. They had to quickly reconfigure their onsite policies so they could deliver data privacy and secure access for all employees, contractors, and suppliers, regardless of locations.

AT A GLANCE

KEY STAT

According to IDC, organizations with digital transformation initiatives during the pandemic realized a 14% improvement in financial performance on average.

WHAT'S IMPORTANT

As the pace of digital transformation accelerates, companies that move to the cloud are at a clear competitive advantage in terms of financial results and employee productivity.

Most organizations with on-premises ERP systems rely on reporting and analytics tools — including third-party applications, data warehouses, and data lakes — to pull, report, review, analyze, and utilize what is contained within their aggregated enterprise systems, which often extends to other integrated solutions and technologies. These efforts are time consuming for employees, and because they utilize batch or real-time data, the information becomes outdated after the hours spent creating and organizing it. Thus, data is only marginally helpful in providing the insights needed to drive key business decisions.

In addition, because employees often use data in manual activities performed outside the on-premises system, data compliance and risk issues surface that can result in organizational and employee information and misinformation being exposed to the wrong parties, which can cause irreparable damage to the company and employees. There is also a high propensity for human error, resulting in wrong or delayed decisions and ultimately leading to poor performance and even operational missteps. In some cases, only some data can be accessed because customized onsite workflows that integrate a multitude of systems are not optimized or available. In addition, relying on partial data leads to inept or incomplete decision making and can create the wrong view of information, which in turn delivers a poor task resolution and impacts operational performance, insight, and decision making.

Further, organizations using on-premises ERP systems typically find they cannot upgrade quickly because of their many customizations and dependencies on aging hardware, operating systems, and other enterprise infrastructure components. This results in frustration for employees who need and want streamlined and faster workflows enabled by mobile devices. It is also more difficult, if not impossible, for these employees to make decisions that impact their business' success quickly and accurately.

The Advantages of Cloud ERP

The long list of business and IT benefits delivered by cloud ERP includes the following points:

- » **Employees can work anywhere, anytime, and from any device.** An Oracle Cloud ERP early adopter in the marine industry told IDC, "Availability of the system for anywhere and anytime access, during the pandemic and lockdown period, really helped our organization and the people working from home."
- » **Workflows enhanced with automation and standardized business processes become the new normal.** Organizations find there is no longer a need for complex, customized business processes. Doing more with less, while also reducing the number of clicks for tasks, improves employee system engagement and efficiency. One Oracle Cloud ERP customer noted, "The business users of our ERP system gained instant efficiency upon the first day of the go-live. The benefit for our business from day 1 was around process standardization and optimization."
- » **Integration with other systems is easier and faster.** Next-generation ERP systems ensure the digitization of workflows, integration of a portfolio of products, and innovation at "lightning speed," meaning the organization can gain greater insights, ultimately making better decisions overall.
- » **Security management in the cloud costs less.** The security responsibilities are reduced because they have shifted to the cloud provider. Instead of an organization worrying about the costs from security and risk, it can transfer the responsibility to a technology vendor, such as Oracle, with more security expertise.
- » **Security design and services are included across cloud applications.** Most SaaS offerings bake security requirements and services into their applications and associated infrastructure. As part of a SaaS subscription, cloud vendors such as Oracle use their security teams to proactively monitor, track, and respond to internal and

external threats, breaches, and other situations that can result in damaging data theft, service denials, and similar nefarious behaviors that put an organization at financial, legal, compliance, and survival risk. With cloud vendors that deliver a total solution, current and changing regulatory compliance is significantly improved, and data privacy requirements are better addressed. With cloud applications, companies benefit from system and data protections delivered 24 x 7 included in their subscriptions.

- » **Organizations can scale globally or regionally without infrastructure, performance, and scalability concerns.** An Oracle Cloud ERP customer in the financial services industry considered an average adopter of technology said, "We did consider on premises. We decided going into the cloud would have so many benefits for us, from processes to being more competitive and being a better business for our customers. We saved money by not having the hardware anymore while also scaling quickly. On premises was an option at the time, but it's not one we thought about for too long."
- » **The employment cycle is enhanced from recruitment to retirement.** Cloud applications make employers more attractive to employees because these solutions are aligned with modern user experiences found across consumer products and services. Several Oracle Cloud ERP clients across multiple industries told IDC that using Oracle Cloud ERP has made a difference in the talent they hire and the tenure of their employees. One client noted, "For most of our employees, especially on the finance side, their job has changed from data entry to analysis. The employees firmly believe they are no longer clerks but now analysts within the business. The employee experience has improved overall with this new system."
- » **Cloud products are better for the environment.** In a recent IDC study, respondents identified five top impacts cloud ERP had on their organization's journey to the cloud:
 1. 60% improved logistics efficiency in their supply chain and overall business operations.
 2. 56% said they used less energy with cloud systems than with similar on-premises systems.
 3. 51% gained the ability to track and monitor the organization's carbon footprint across products, services, and operations.
 4. 46% saw a reduction in reliance on hardware (i.e., servers).
 5. 44% used less paper and reduced waste because of their cloud implementation.
- » **Innovation is delivered continuously.** Continuous innovation is delivered via regular updates across all applications, security, user experience, and administrative aspects. A marine industry CIO told IDC, "Certain things are done monthly, which means we don't need to do anything internally. Other things are done on a quarterly update, and during these updates, Oracle provides us instructions on what to do, such as the changes the IT administrators read and make."

Moving to Cloud ERP: Eight Things to Consider

Moving from on-premises applications to cloud applications isn't easy, but the benefits far outweigh any challenges. IDC research finds the global pandemic hastened two-thirds of organizations' plans for adopting a comprehensive cloud ERP strategy.

Organizations moving to cloud ERP must prepare a long-term strategy and generate comprehensive project plans executed over a period and aligned with other enterprise problems, needs, and objectives, helping them accelerate their

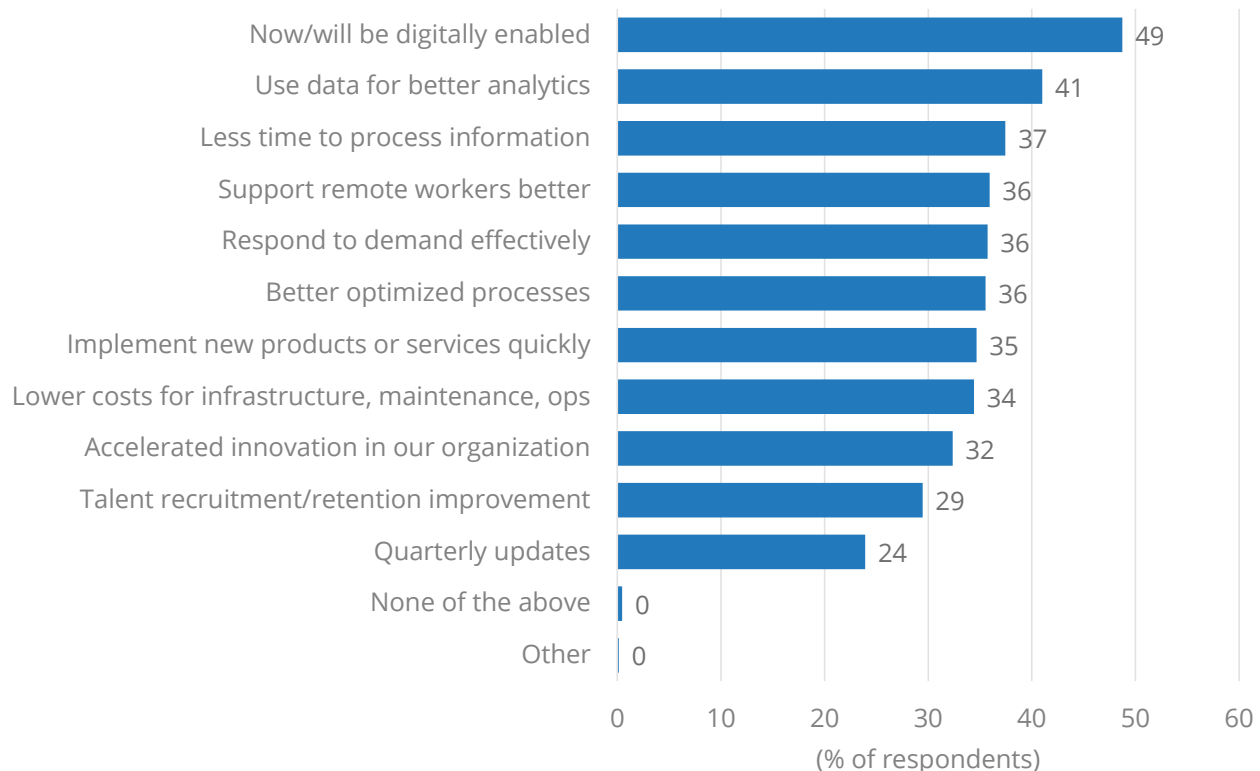
digital transformation. The right strategy requires resources to make the move easier, reduce friction, and simplify the journey. This means focusing on:

1. **Change management** so that the organization understands the need for the project, is trained on the new system, and is ready to embrace new technology for its business processes
2. **Executive support**, including the right level (C-suite) of sponsorship
3. **A leading technology vendor** that is able to support the project
4. **Internal organizational resources** that can design, manage, and implement the entire migration project
5. **Process mapping** that promotes best practices that are simplified and standardized
6. **A data plan** that addresses approaches and requirements for data archiving, cleansing, and migrating enterprise data
7. **A trusted partner** with on-premises and cloud experience that can help throughout the migration project
8. **An internal communication plan** that includes periodic updates from the team and a C-suite sponsor on why the move is happening, the change with the new cloud lifestyle, and what the project timeline looks like (This plan is updated periodically.)

In a quantitative IDC study conducted on behalf of Oracle, Oracle customers cited several benefits of Oracle Cloud ERP (see Figure 1).

FIGURE 1: *Benefits of Oracle Cloud ERP Systems*

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



n = 1,514

Source: IDC, 2021

Cloud ERP Delivers Business Results

The digital era involves enabling a new world of enterprise applications in the cloud. Here's what some research respondents who have implemented Oracle Cloud ERP had to say:

- » "We can close our books faster by five days, and [we] have more meaningful information to share with the users of the systems."
- » "Oracle Cloud ERP is really helping our management make decisions in real time. Everyone has their own dashboard to do things, and [with] all [information] displayed there, they can drill down from there to see the details. It is quite impressive."
- » "With Oracle Cloud ERP, our KPIs continue to improve. At some point we will be the new benchmark of the future or digital world."

"Digital transformation was critical — making sure we had more automated and less manual processes, bringing enhanced data to the business so they could make better operational decisions, better mergers and acquisition processes, and scalability."
— Medical organization that is a market leader, late adopter

Considering Oracle Cloud ERP

Oracle offers an integrated suite of SaaS business applications delivered using the secure and autonomous infrastructure of Oracle Cloud. This comprehensive cloud suite of business applications manages core enterprise operations including finance, supply chain management, manufacturing, human resources, advertising, marketing, sales, and services with embedded analytics and reporting. Built using a common data structure with a modern user experience that leverages Oracle's eponymous database, these SaaS applications also incorporate next-generation technologies including artificial intelligence (AI), blockchain, machine learning (ML), digital assistants, and robotic process automation (RPA). Besides core enterprise applications, Oracle is delivering industry-specific capabilities and enables independent software vendors to offer other cloud capabilities.

Over 8,500 organizations across the world today use Oracle Cloud ERP to meet their daily business needs. In addition, thousands of other companies use Oracle to handle their cloud infrastructure requirements and other cloud services. These enterprises rely on Oracle for a secure, reliable, and innovative platform that stays current with quarterly updates and is supported by a global network of professional support staff and independent business and technology partners.

With corporate headquarters in Austin, Texas, Oracle is a public Fortune 100 company (NYSE: ORCL) with over 130,000 employees across the globe. Oracle invests over \$6 billion annually on research and development across cloud.

Challenges

Migrating mission-critical applications from on premises to the cloud often requires significant work in terms of strategic planning, organizing resources, and selecting the most appropriate vendors. With its track record, Oracle should continue to educate its customers about the benefits associated with cloud ERP systems for both the business and IT.

Conclusion

The benefits of moving ERP systems to the cloud are significant, and many organizations have embraced a comprehensive cloud ERP strategy in response to recent disruptions. As organizations increasingly adopt digital-first approaches, those that move to cloud ERP are at a distinct competitive advantage.

About the Analyst



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Mickey North Rizza is program vice president for IDC's Enterprise Applications and Strategies, Financial Applications, Enterprise Asset Management and Smart Facilities, and Digital Commerce research practices. She leads a team of analysts responsible for IDC's coverage of next-generation enterprise applications including ERP, financial applications, procurement, supply chain automation, enterprise asset management and smart facilities, professional services automation, and related project-based solutions software and the digital commerce business applications and network.

MESSAGE FROM THE SPONSOR

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