Microsoft Dynamics 365

ERP Priorities Today:

IT Leadership Survey

Audience

This information is for you if you are a director of IT, CIO, or other IT decision-maker considering a new ERP system to improve business performance.

Estimated reading time: 7 minutes

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Introduction

IT leaders face a number of increasingly sophisticated responsibilities. In addition to ensuring that systems run smoothly, they must help their organizations mature digitally, address ongoing security threats, remain compliant with regulations, and help their teams develop the skills to succeed in a complex and changing digital environment. An effective cloud-based enterprise resource planning (ERP) strategy can help IT leaders meet these demands while streamlining operations and improving business performance.

The selection and implementation of new systems and processes pose a corresponding array of challenges, including integration with existing infrastructure, as well as budgetary and resource limitations. The purpose of this report is to share insights on the needs, goals, and considerations of IT leaders, to help guide decision-makers on their journey toward implementing ERP solutions that will enable their businesses to prosper.

Methodology

This report is based on a qualitative online survey of 240 IT decision-makers (Director title or higher) across the following markets: US, UK, Australia/ New Zealand, Singapore, India, and Canada. Those surveyed span a variety of industries, with a focus on manufacturing, healthcare, and retail. Respondents work at corporations averaging 3,900 employees and $1.3 billion in revenue. The survey took place between November 6-9, 2020.

ERP priorities and challenges

Today's IT leaders are under increasing pressure from many directions. Their organizations look to them to provide infrastructure that can reduce costs, drive resource efficiency, increase workforce productivity, and enhance agility/speed time to market.

However, they face a number of challenges in meeting these demands. Complex integrations with legacy systems can inhibit agility and increase exposure to security and compliance risk. There is also the high cost of upgrades and the need to leverage existing investments. Finally, siloed data across disparate systems can limit their ability to harness emerging technologies such as AI, machine learning, and automation.

This section of the report demonstrates the top priorities and challenges IT leaders face when determining ERP investments.

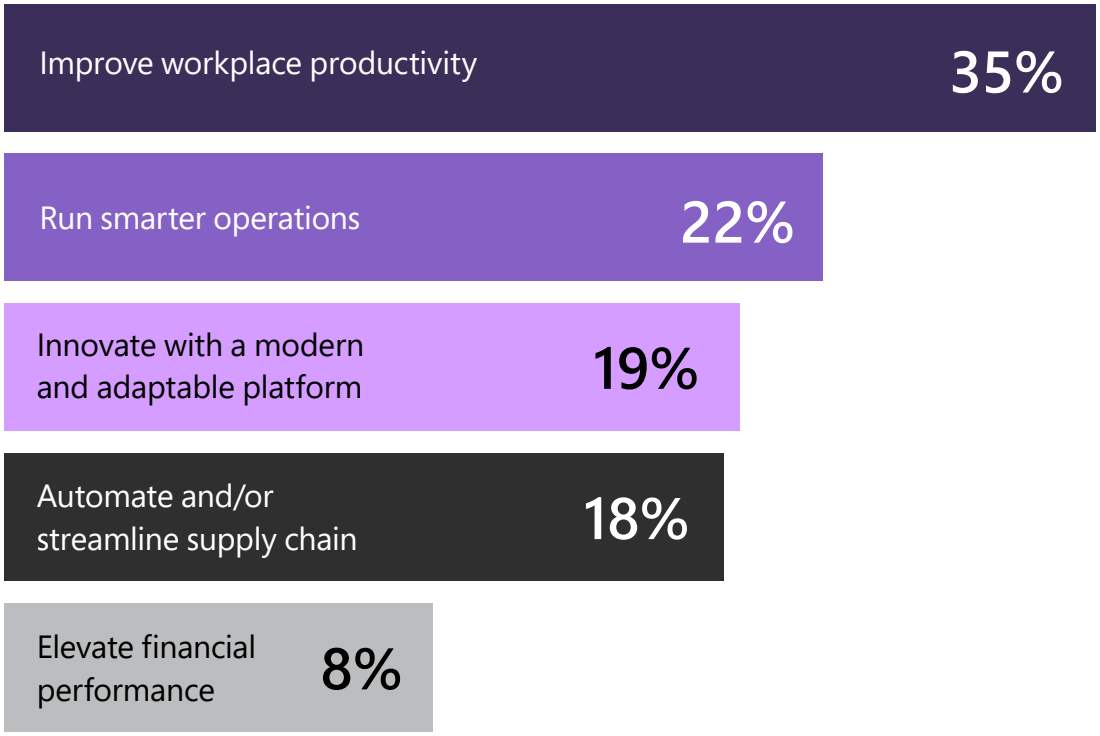
Productivity is a top ERP priority

Insights

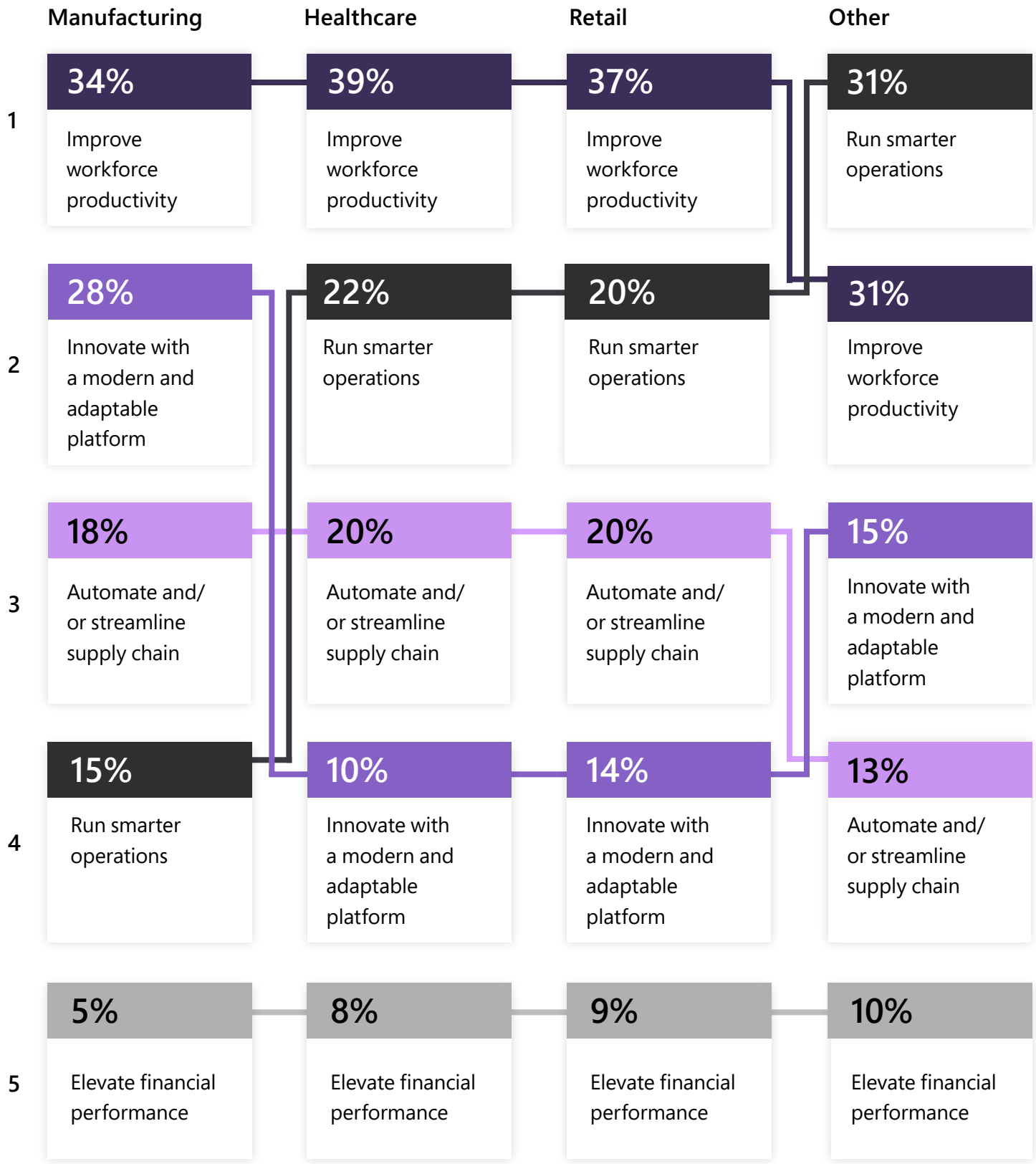
- Most IT leaders are looking to improve productivity and run smarter operations.
- Notably, workforce productivity is a top goal regardless of how advanced the ERP system is.
- Manufacturing executives also have an eye toward innovation.

Key findings

ERP goals by priority:



ERP goals by industry:



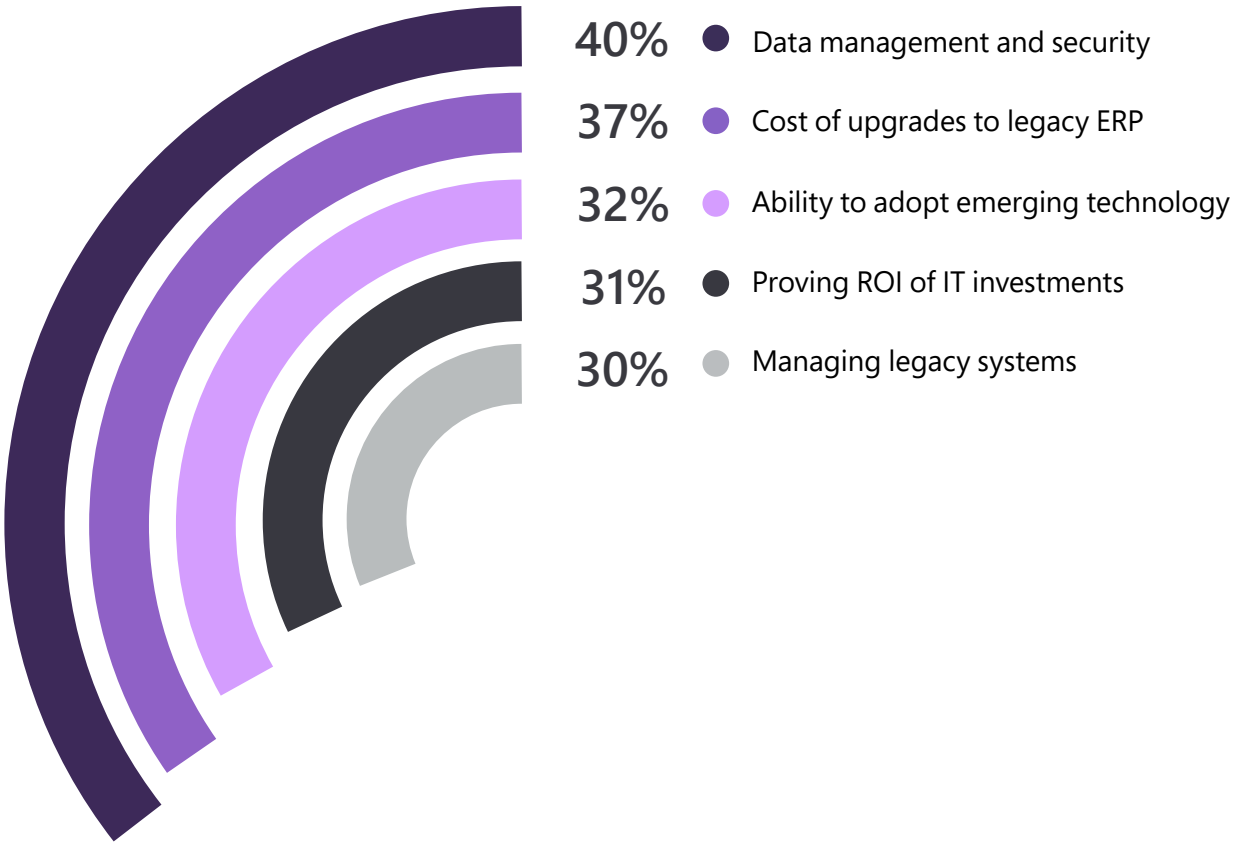
Data management and security leads as primary ERP challenge

Insights

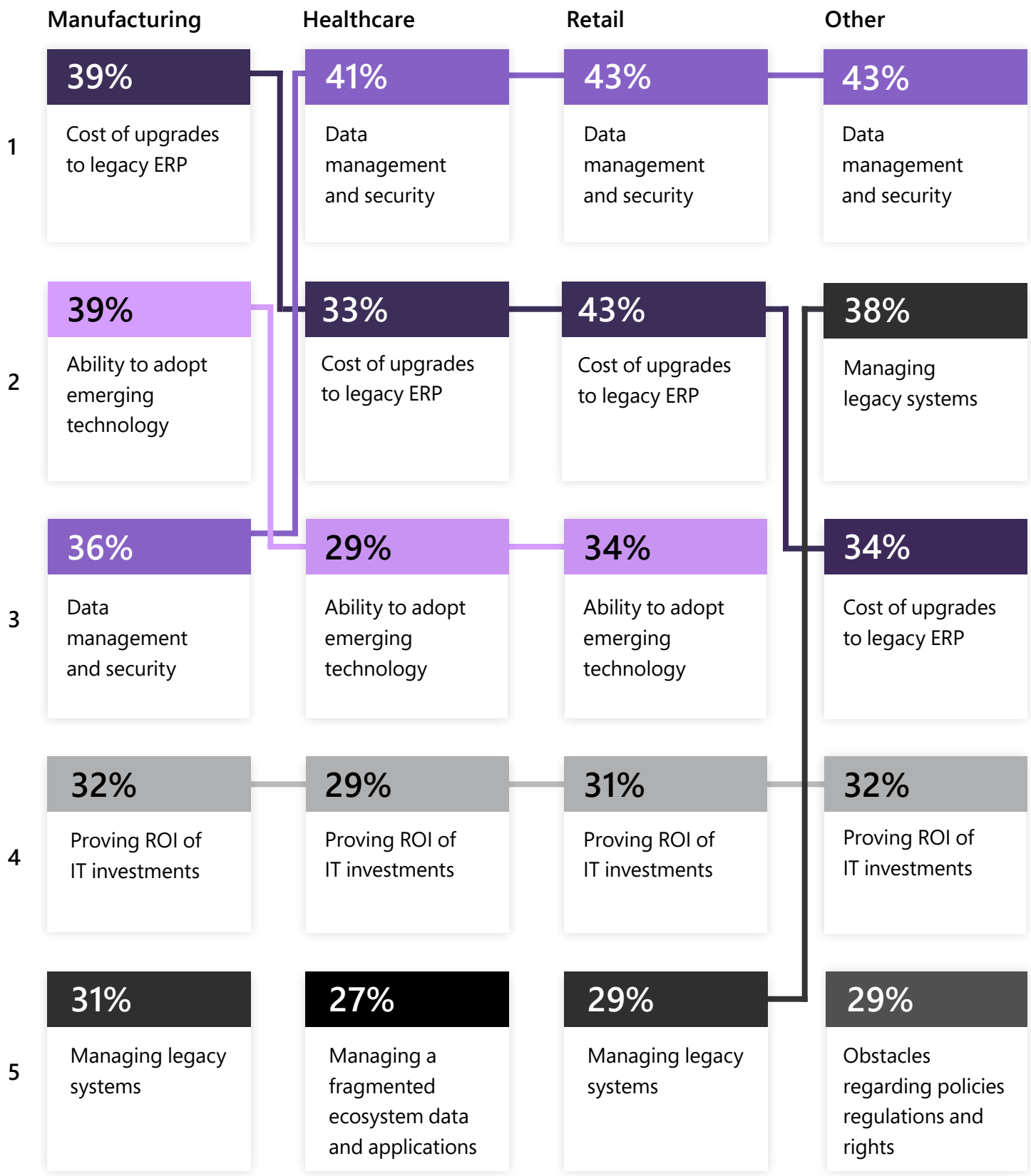
- Data management and security and upgrade costs are the primary challenges IT leaders face today with their ERP systems.
- Upgrade costs are particularly challenging for those running multiple ERP systems (41 percent cited it as a challenge, compared to 37 percent overall).
- The prevalence of legacy on-premises infrastructure makes it more challenging to adapt to new technologies.

Key findings

ERP challenges by priority:



ERP challenges by industry:



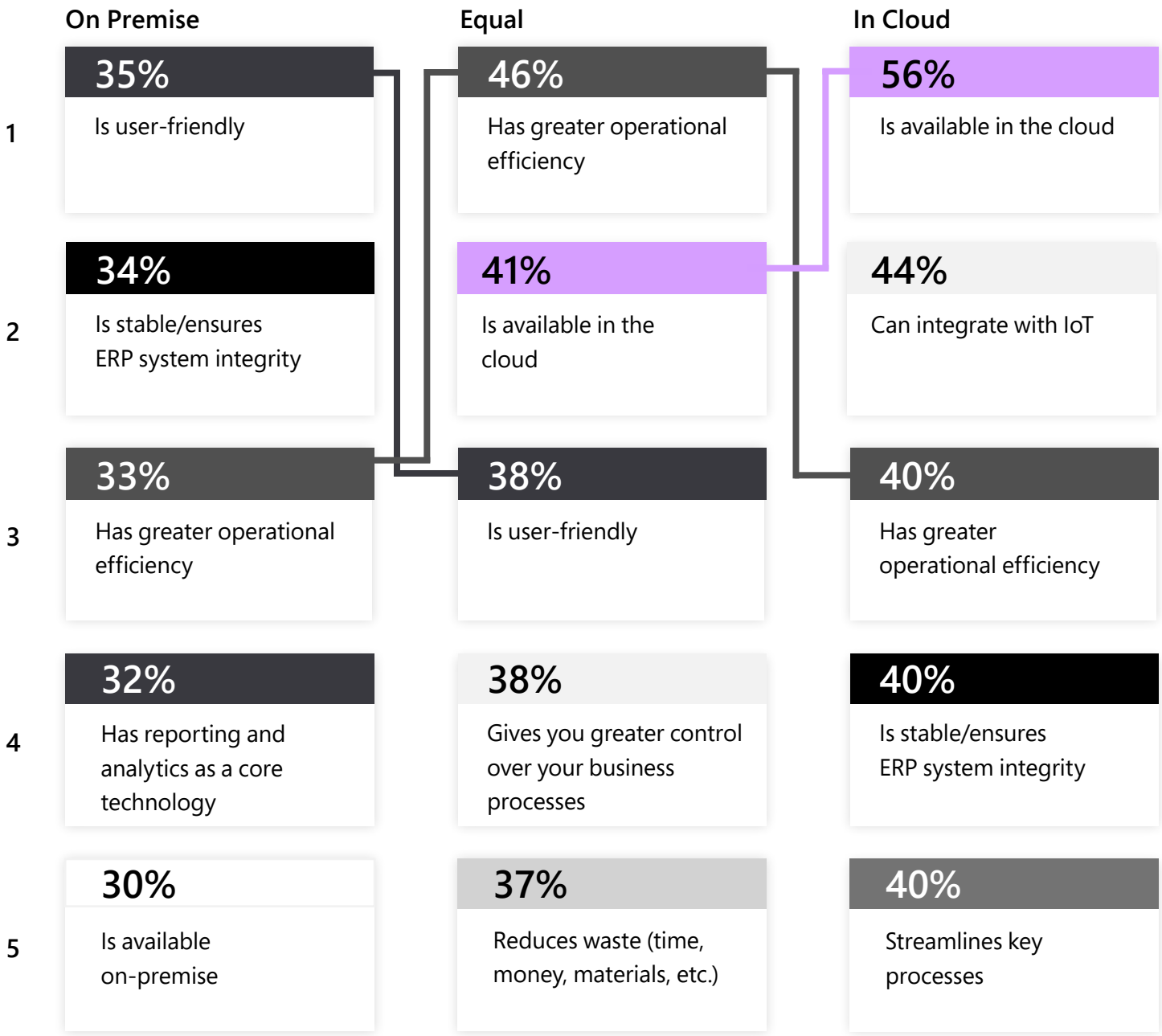
Operational efficiency drives ERP satisfaction

Insights

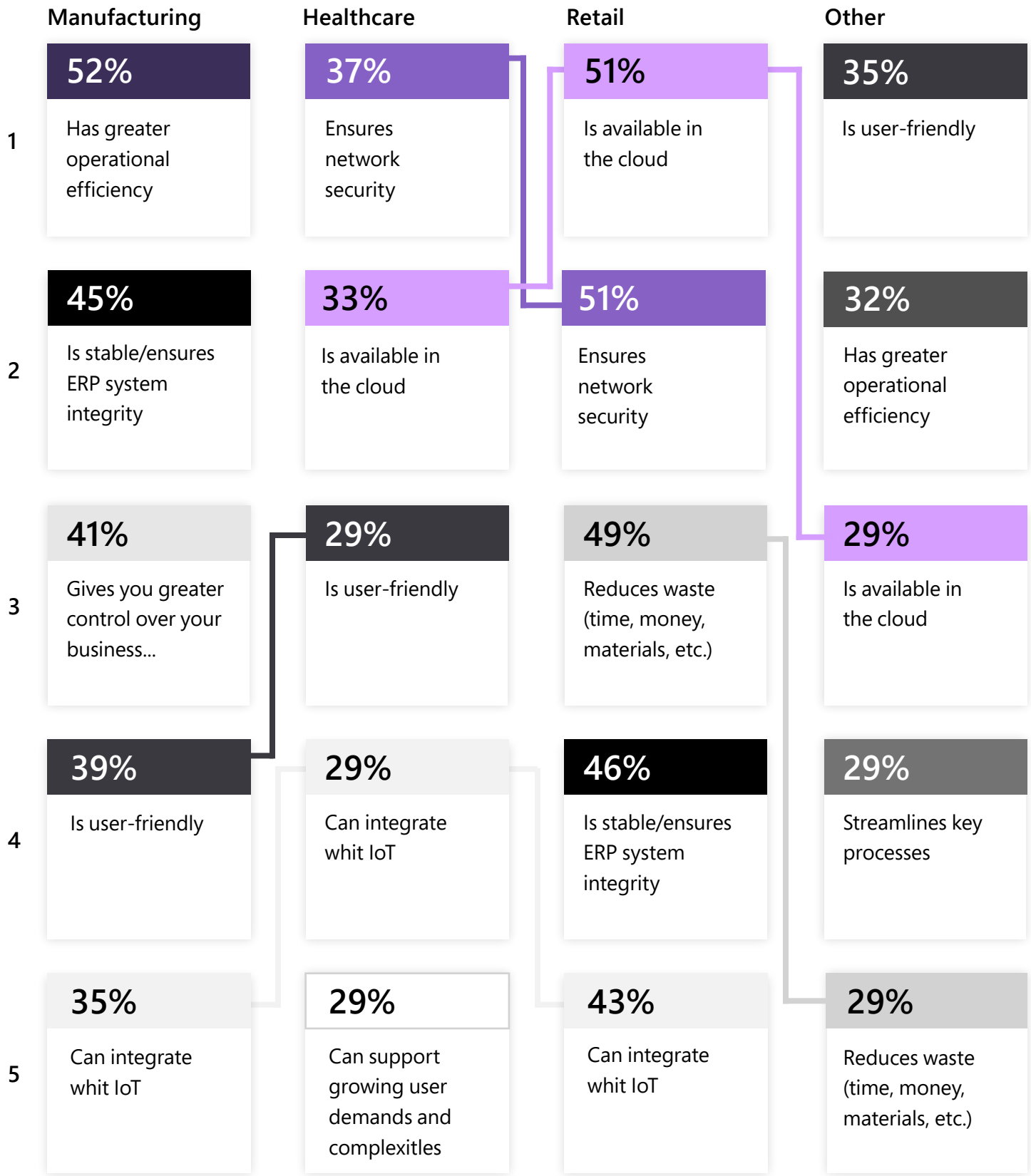
- Factors driving ERP satisfaction include operational efficiency, ease of use, stability, and cloud availability.
- These drivers can vary by industry. For example, network security ranks particularly high in the healthcare industry.
- IoT integration is another strong driver for cloud-based system satisfaction.

Key findings

Top factors driving ERP satisfaction – on-premises vs. cloud:



Top factors driving ERP satisfaction, by industry:



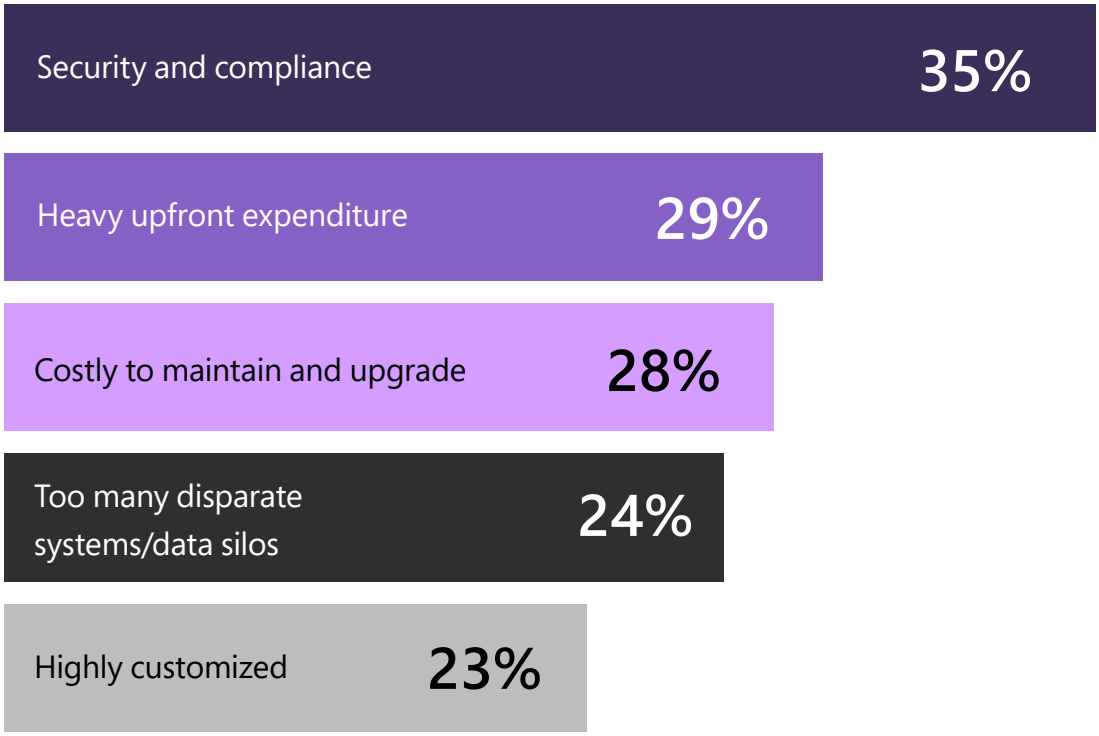
Security and compliance is the top challenge with current ERP systems

Insights

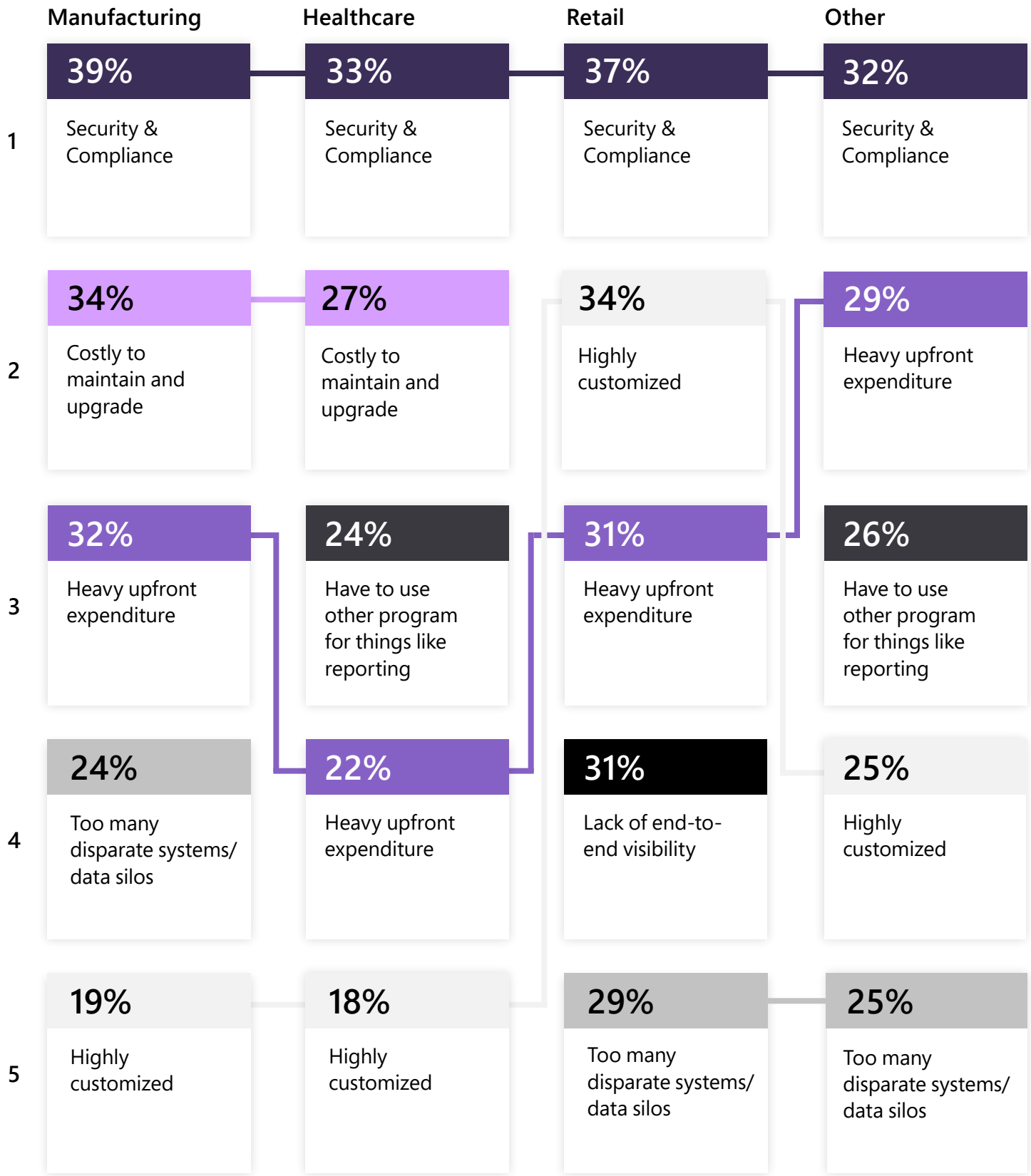
- Security and compliance is the most-cited challenge overall, and also the most common challenge across industries.
- Maintenance costs are also an issue in manufacturing and healthcare.
- For those using on-premises systems, heavy upfront expenditures are a top challenge, along with security and compliance.

Key findings

Top 5 ERP challenges:



Top 5 ERP challenges, by industry:



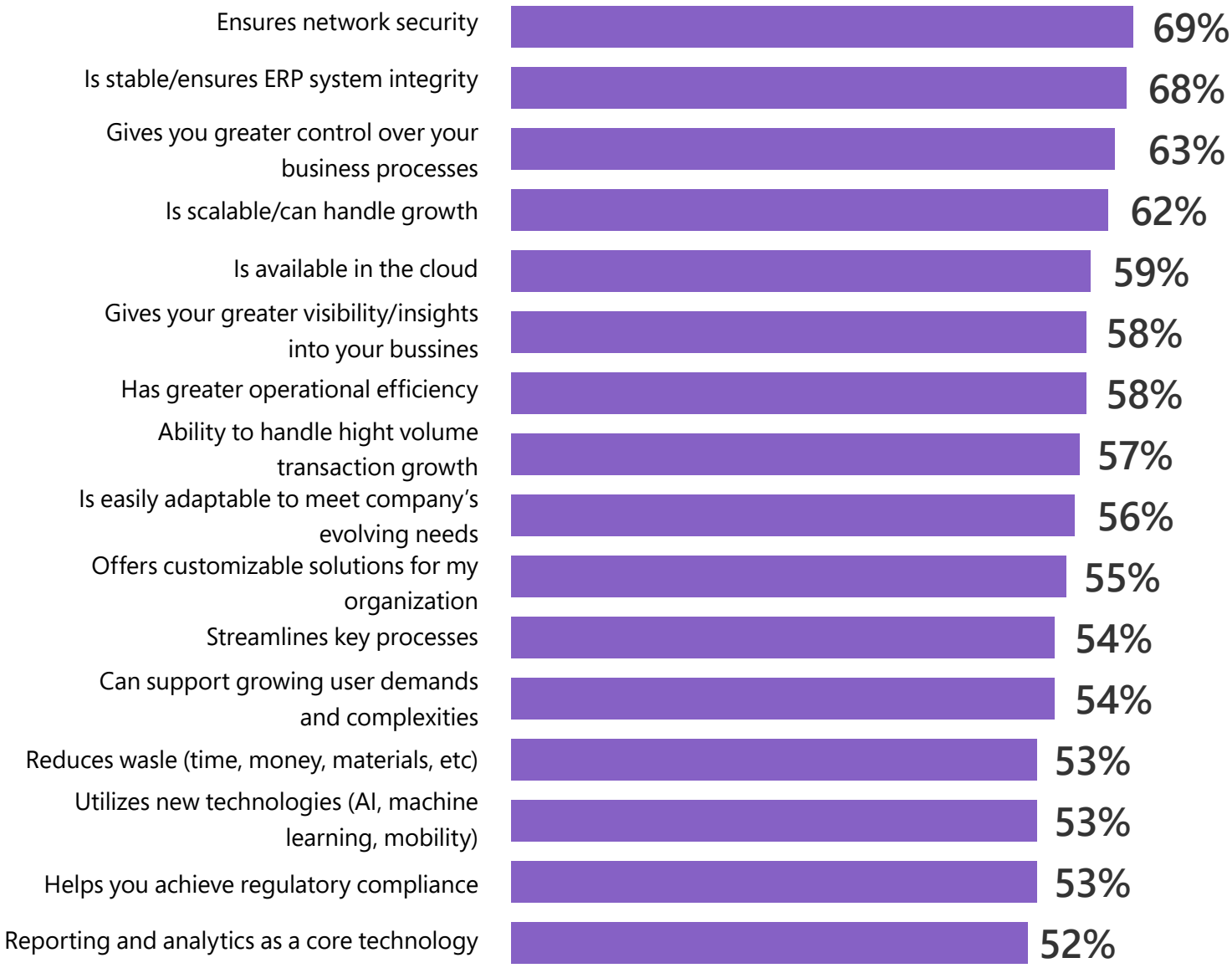
Security, stability, and control are top ERP considerations

Insights

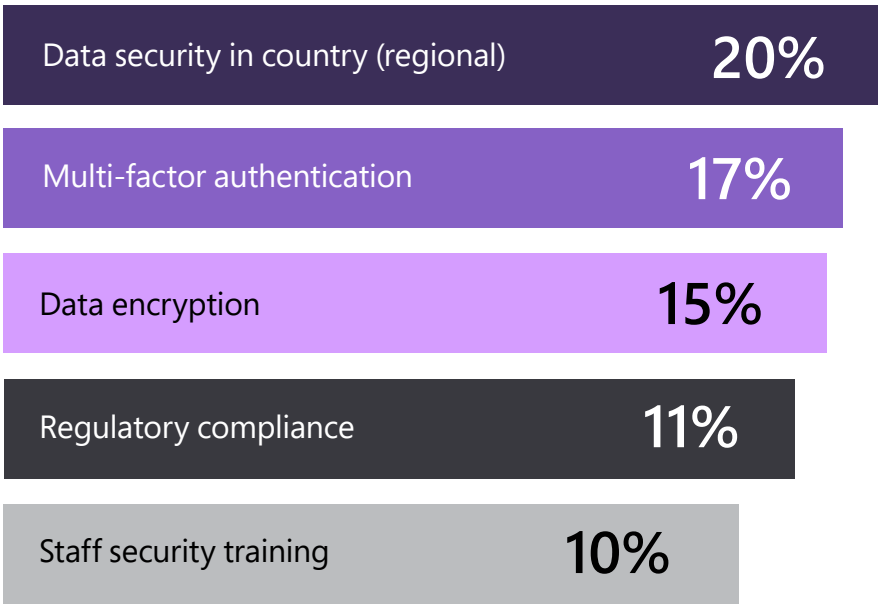
- Security, stability, control, and scalability are all very important. ROI is secondary.
- Manufacturing and healthcare leaders are more likely to prioritize data security and visibility. Fraud protection is highly important to retail leaders.
- Data security is most important regardless of how modern the ERP system is.
- Fraud protection is more important to those who have a cloud-based system. Financial regulations are more of a consideration for those with on-premises systems.
- Modular ERP systems are generally perceived to be more secure, offer greater value, and reduce IT complexity/dependencies.

Key findings

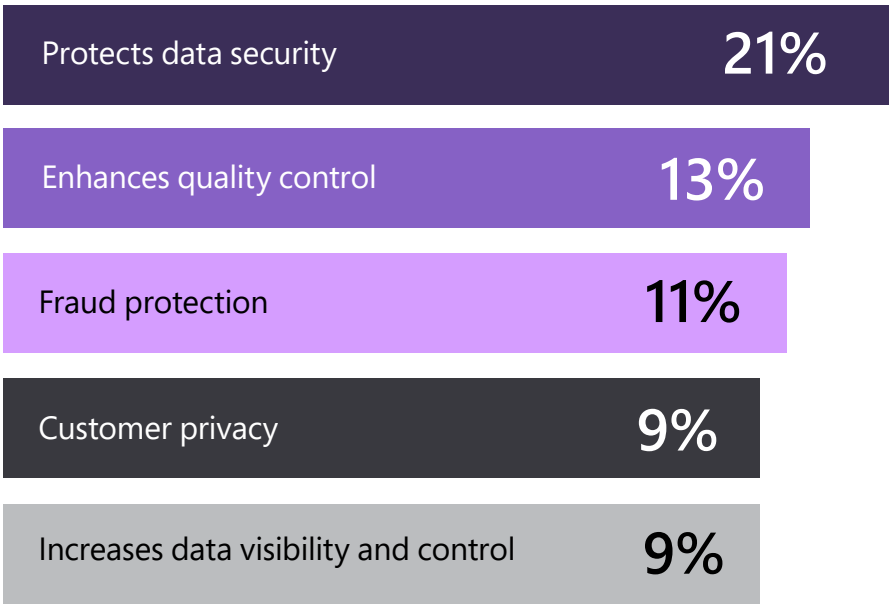
Decision making factors



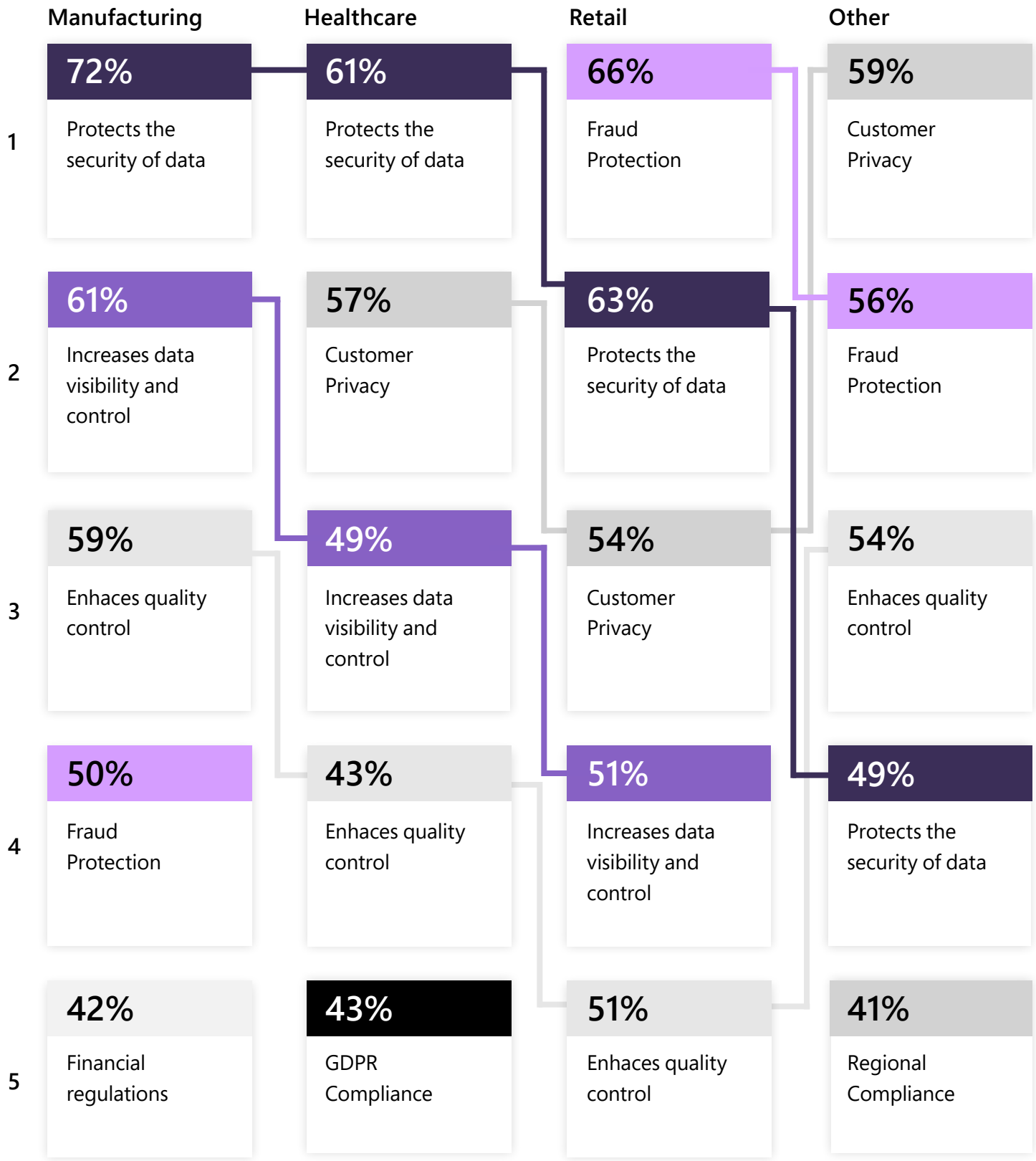
Top 5 ERP security considerations:



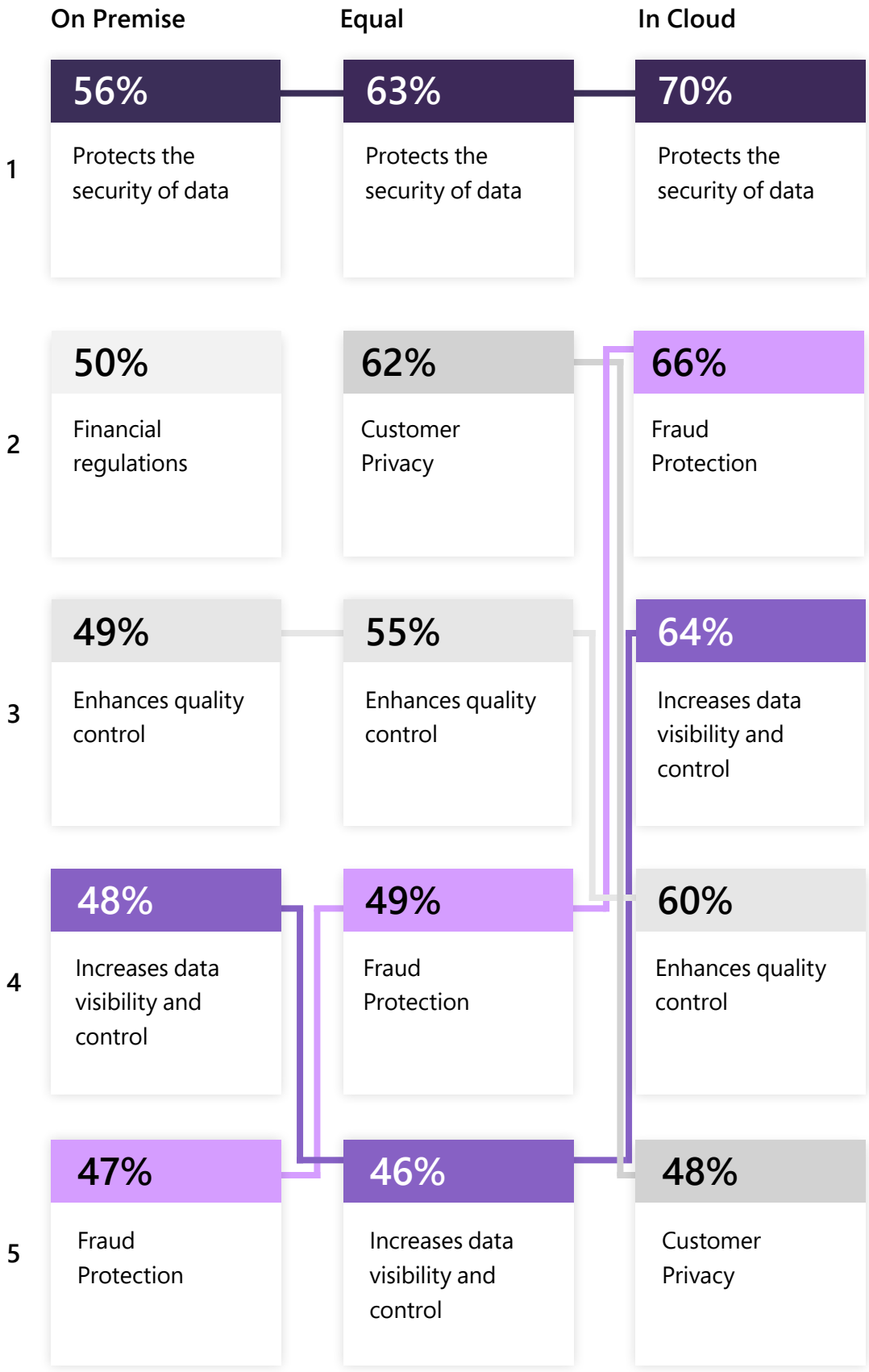
Top 5 ERP compliance considerations:



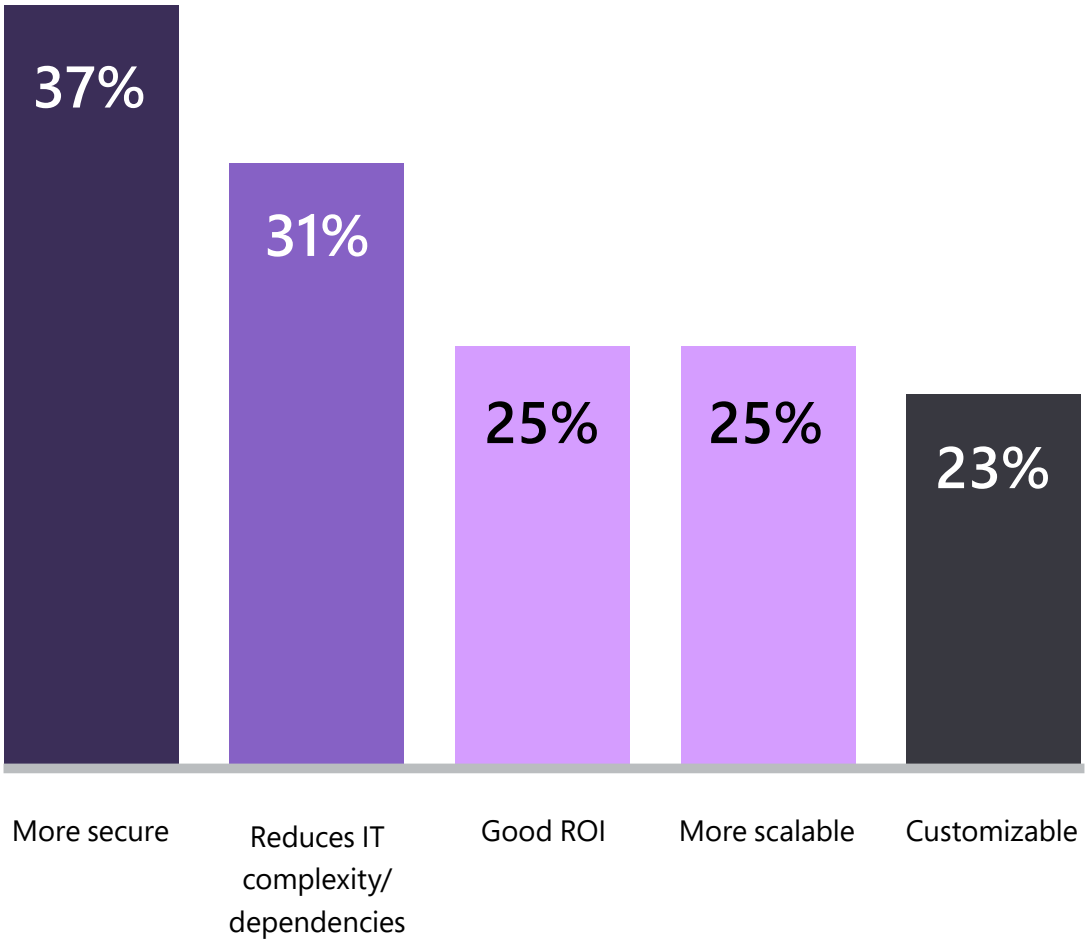
Top 5 compliance and security considerations, by industry:



Top 5 compliance and security considerations—on-premises vs. cloud:



Top 5 opportunities for modular ERP systems:



ERP evaluation journey

The past year has accelerated the need for organizations across every industry to re-evaluate their ERP strategy. Supply chain disruptions, quickly evolving customer demands, the shift to remote work, and the need to rapidly innovate have put increased pressure on IT leaders to modernize ERP systems in order to increase agility, reduce costs, and remain competitive.

IT leaders face many challenges when evaluating ERP solutions—from comparing capabilities to quantifying risk and understanding the broad range of needs from across their organization. This section of the report shows where other IT leaders are in their evaluation process, the forces accelerating the need for ERP modernization, and the top challenges encountered during the evaluation process.

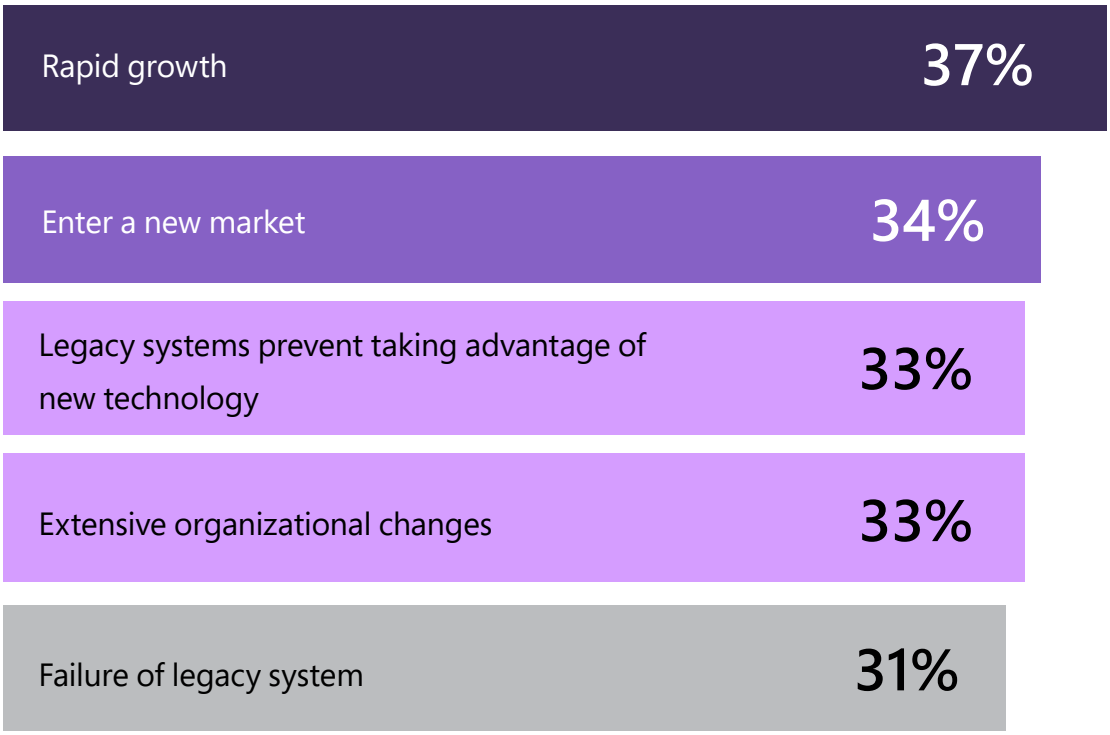
Rapid growth is a leading ERP evaluation trigger

Insights

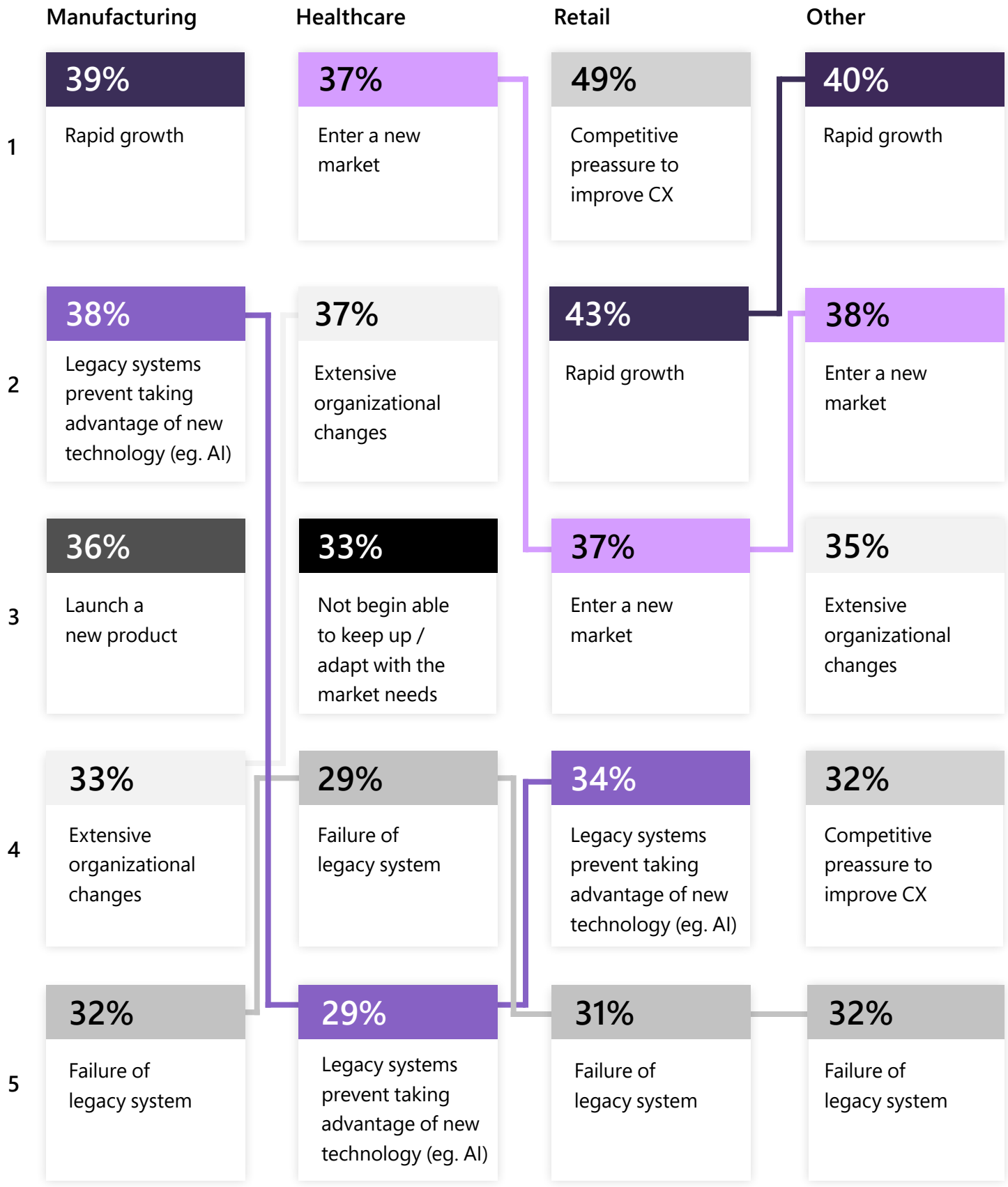
- Rapid company growth is a common trigger, particularly in manufacturing and retail.
- Those with on-premises systems are often triggered by the need to evolve toward newer technologies.

Key findings

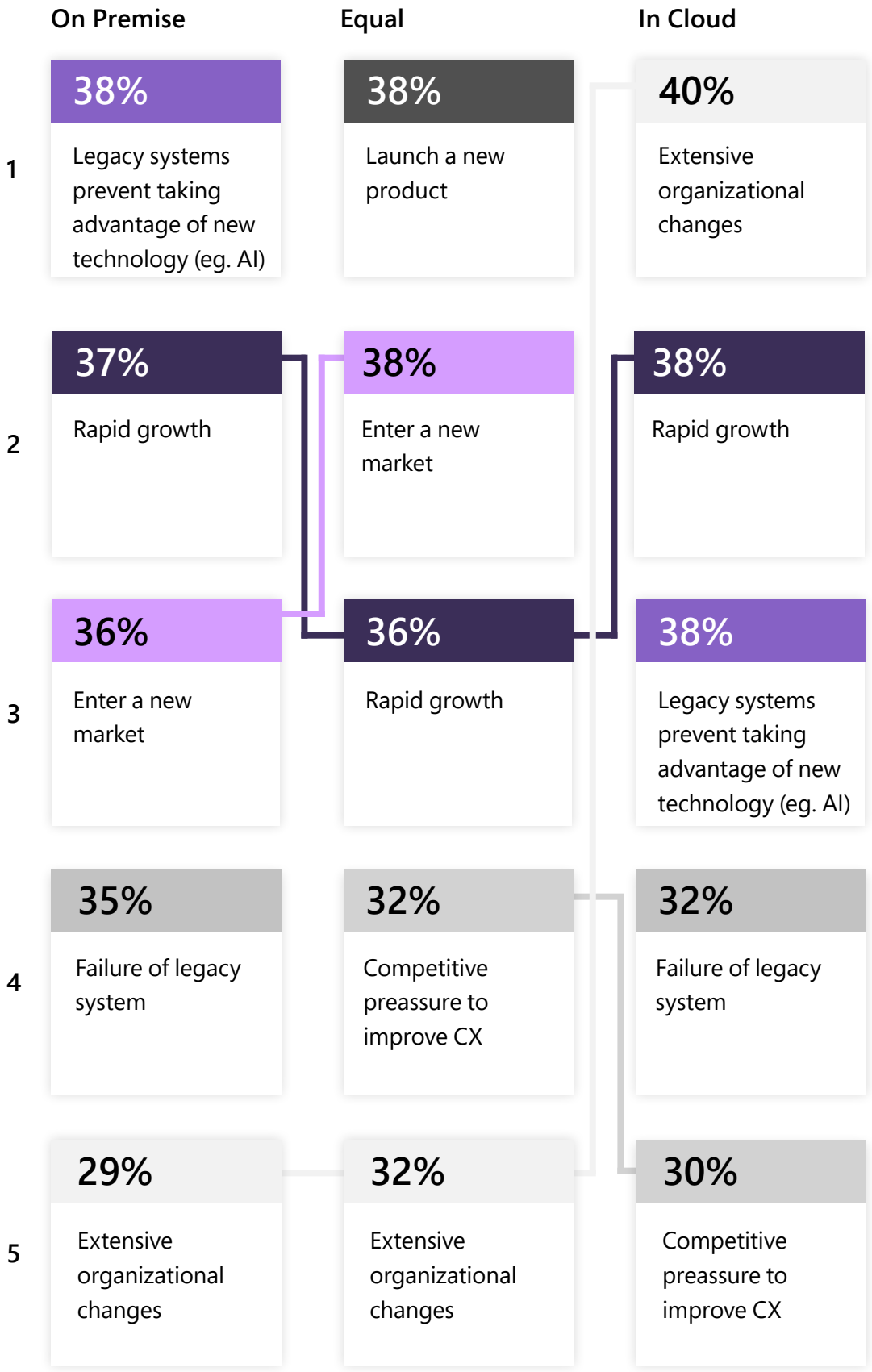
Top 5 evaluation triggers:



Top 5 evaluation triggers, by industry:



Top 5 evaluation triggers—on-premises vs. cloud:

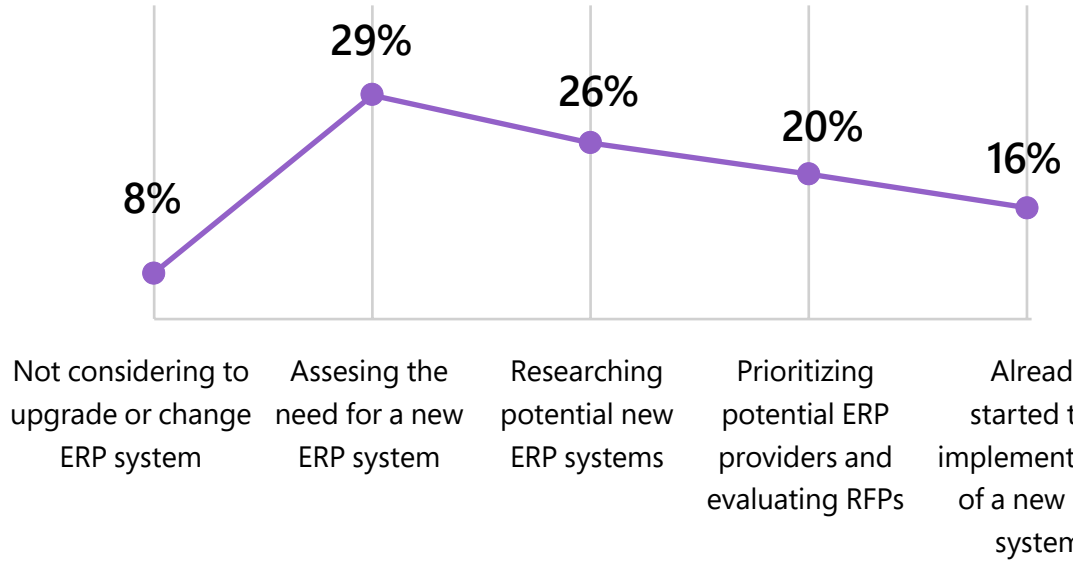


Most IT leaders are in early stages of considering a new ERP system

Insights

- More than half of IT leaders surveyed are either assessing the need for a new ERP system or researching potential new ERP systems.
- This suggests that the business challenges raised by the public health crisis and recent abrupt shift toward remote operations has helped tip the scales toward speedier adoption of next-generation ERP systems.

Key findings



The ERP evaluation process is full of challenges

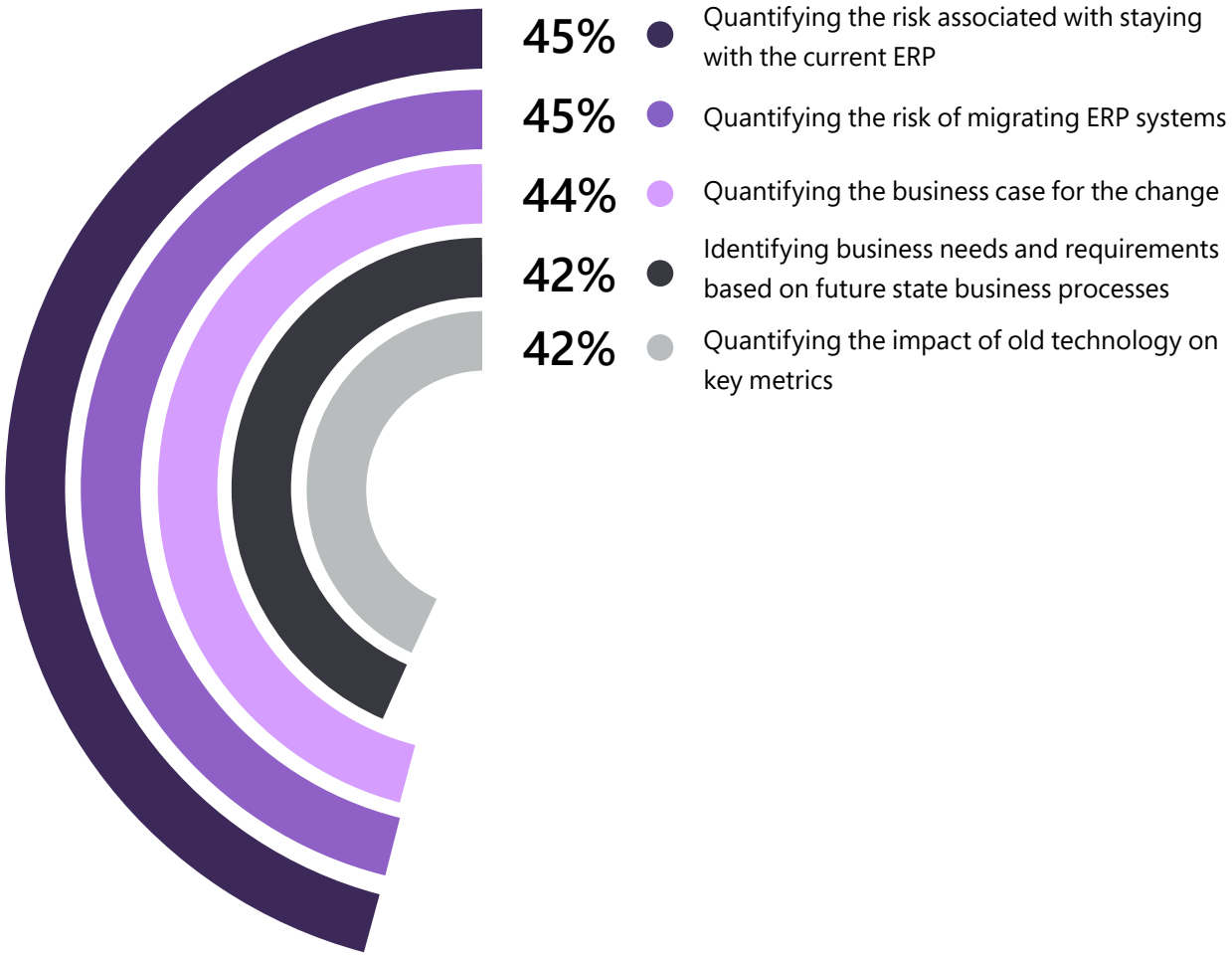
Insights

- Those who use a single ERP system associate change with risk, whereas those who use multiple ERP systems find the status quo to be riskier.
- During the research phase, it can be challenging to compare features, particularly for those who run cloud-based systems. Additionally, all decision-makers surveyed struggle with predicting future needs.
- When it comes time to prioritize providers and evaluate RFPs, respondents across all sectors said that verifying actual capabilities versus demoware is a barrier.
- Finally, designing and adapting a new system to new processes is a common ERP implementation challenge.

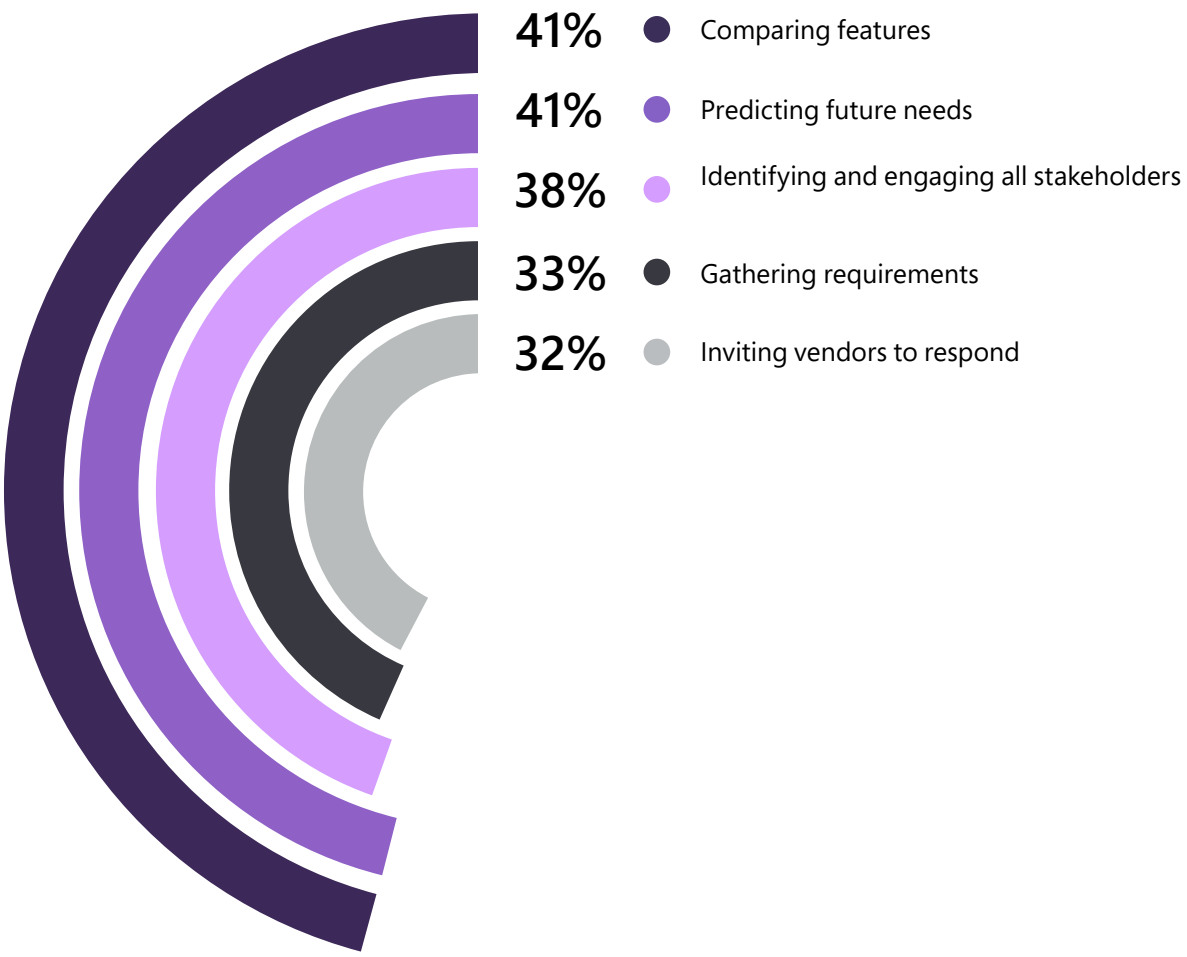
Key findings

IT leaders face a range of challenges during all phases of evaluating and choosing a new ERP system. Those challenges are summarized as follows:

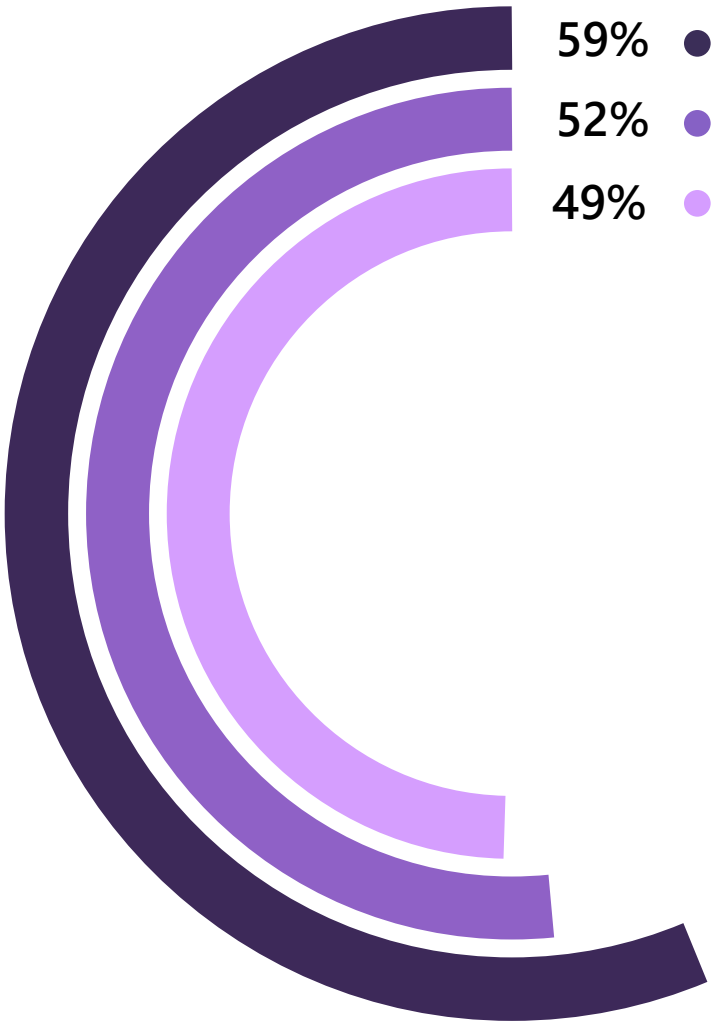
Top 5 challenges, "Initiating" stage:



Top 5 challenges, "Researching" stage:



Top 3 challenges, "Consideration" stage:

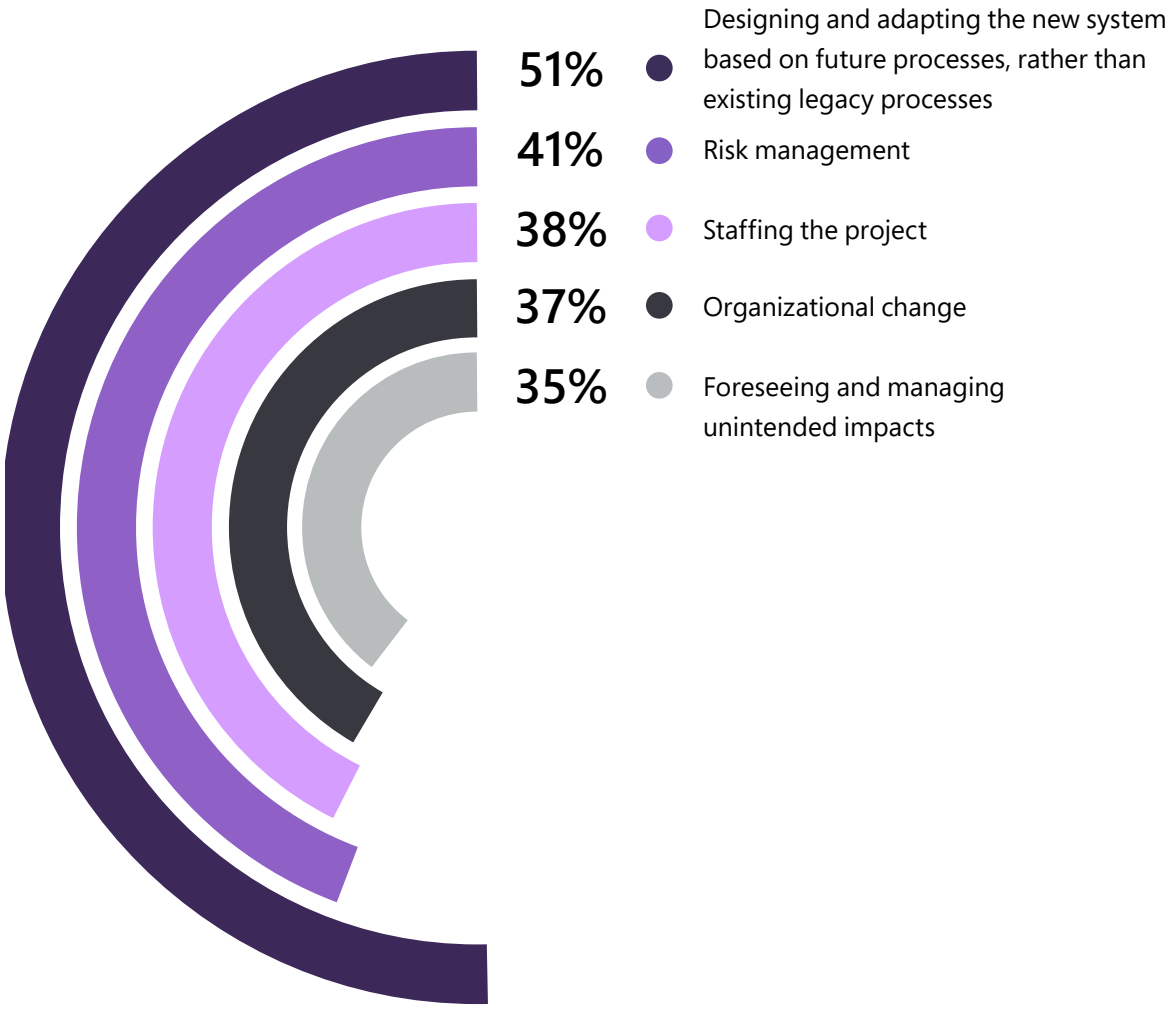


59% Verifying actual capabilities versus demoware

52% Understanding a vendor's ability to execute

49% Assigning appropriate weight to required capabilities

Top 5 challenges, "Deploy and Use" stage:



Questions to ask before choosing an ERP solution

What am I trying to achieve?

The process starts by identifying desired organizational outcomes—whether that means increased productivity, smarter operations, or something else—and then defining the ERP system criteria based on those objectives.

Is it necessary to upgrade the whole system?

Because upgrade costs and organizational risk can be limiting factors, modular ERP can be an effective way to address your most urgent priorities and maximize business impact, while making use of existing investments.

What are my security and compliance needs?

Supply chains can be large and complex, increasing security risks and compliance challenges. Cloud-based ERP systems that leverage machine learning, AI, and automation can help you monitor and respond to threats, reducing your risk exposure.

Does my workforce have the right skills?

Regardless of the vendor you choose, you and your staff will need continuous learning to keep pace with evolving technology. Look for a partner that offers ongoing, professional-grade training and support.

Build resilience with an agile supply chain

Dynamics 365 Supply Chain Management is an agile and composable modern business application. It enables manufacturers, retailers, and distributors to create a connected and resilient supply chain by enhancing visibility, improving planning agility, and maximizing asset uptime to operate profitably during disruptions. It can unify data from multiple sources in real time to generate intelligence using AI and machine learning—proactively detecting opportunities and risk to accelerate innovation, product delivery, and competitive advantage. It can streamline planning, production, inventory, warehouse, and transportation to maximize operational efficiency and enhance product quality using predictive insights and the Internet of Things.

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