

Moving to cloud ERP brings immediate benefits to organizations, such as reduced costs, streamlined business processes, real-time data, and innovation. However, a fear of change is preventing many companies from taking the leap necessary to evolve and compete.

## Overcoming Barriers to Cloud ERP

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**Written by:** Mickey North Rizza, Program Vice President, Enterprise Applications and Digital Commerce

### Moving to a Cloud-First World

The world has shifted to a cloud-first mentality. We have found through the pandemic that business is resilient when organizations look at the work with a digital-first world lens. Digital resiliency, which is the focus of the digital world, is the ability of an organization to rapidly adapt to business disruptions by leveraging digital capabilities to both restore business operations and capitalize on the changed conditions. Capitalizing on the changed conditions of the digital world requires a renewed focus on cloud ERP to support the business.

Legacy on-premises ERP solutions served companies well for decades, but only cloud ERP systems can truly meet the challenges and demands of today and the future, especially as the world is redefined by the current global pandemic. Cloud ERP solutions are modular — divided into modules that can be integrated into larger applications. In addition, they use microservices applications — collections of integrated services that are independently deployable, fluid, and organized around business capabilities. These solutions have become extremely valuable, especially for organizations that are future proofing their business, because of their ability to quickly consume data, logic, intelligence, and workflows. Cloud ERP solutions are also scalable, secure, adaptable, and quickly accessible — qualities that are in high demand in an ever-changing business environment.

### Benefits of Cloud ERP

Organizations that have migrated to cloud ERP systems have experienced several competitive advantages. During the pandemic, and in our everyday digital world, cloud has enabled an increasingly remote workforce to access information and work from anywhere, at any time, on any device. With the advent of remote work and mobile devices changing the world, cloud ERP systems offer digital optimization and speed, regardless of where a worker resides and what device is used.

Several other benefits of cloud are empowering organizations in this new dynamic, including better analytics, reporting, predictions, and modeling. Specifically for finance teams, advanced analytics bring a stronger understanding of what's happening in the business so problems can be resolved faster. Predictive capabilities coupled with scenario modeling tools enable organizations to assess and plan for the best possible outcomes as they navigate business challenges.

Cloud ERP workflows are automated with industry best practices to help teams complete tasks faster, reduce human error, capture more critical information, and enhance an organization's decision-making capabilities.

### AT A GLANCE

#### KEY TAKEAWAYS

- » More than two in three organizations find the global pandemic has hastened their transition from on-premises ERP solutions to cloud ERP solutions.
- » The top 4 business processes and capabilities migrating to the cloud are customer service, finance, human capital management, and payroll.

Cloud ERP systems have also become much more advanced in terms of security, as most have configurable aspects that enable more data protection, can scale quickly, and yield optimal performance. Organizations have the ability to configure their own security and data protection, which helps provide peace of mind about a cloud solution.

## ***Legacy On-Premises ERP Systems Inhibit Growth and Innovation***

Organizations using legacy ERP systems find a sense of peace in their tried-and-true systems, operating under the "if it isn't broke, don't fix it" mentality. That's a risky approach in the digital-first world, where ERP systems are the critical operating and financial engine of organizations. An antiquated legacy ERP system will work for a while, but with much customization, many adjustments, and continued maintenance. The issue is the survival rate is short because a legacy ERP system won't be able to keep up with the performance required of it as the organization pivots even further into digital finance.

### ***Legacy System Shortfalls***

Legacy systems are typically on-premises systems and further complicate the cost structure as the owner either manages or farms out the management of the equipment that the software runs on. Many organizations are so accustomed to running their own custom-built software that they can't even think about let alone make the transition to cloud systems. However, once IT recognizes that a move to cloud can reduce internal infrastructure costs by transferring management to a third party, the change is explored. With more organizations moving to the cloud and IT subsequently freed up to spend more time on bringing innovation to the organization, the change is becoming the new normal.

IDC research also finds customizations of workflows have led to highly manual, inefficient business processes that are not able to keep up with quarterly innovation. Organizations have been customizing their workflows between their systems for years. The addition of cloud solutions has helped customizations continue as a method to integrate the systems and tie in the necessary business processes. Unfortunately, the customizations seem to go on and on, needing constant updates to keep the technology current. A move to a digital-first investment in cloud ERP can remove the customizations and reliance upon them immediately.

## ***Top 5 Barriers to Cloud ERP: Removing the Myths and Revealing Reality***

A recent survey of 1,600 executives conducted by IDC and sponsored by Oracle revealed the barriers to cloud ERP adoption. The top 5 barriers — and reasons why the barriers aren't as hard to overcome as organizations may think — are discussed in this section.

### ***Barrier #1: IT Resources***

**Myth:** IT resources are required to implement cloud solutions.

**Reality:** IT resources are a part of a team that implements cloud solutions. A rapidly growing ecosystem is bringing in new resources across the spectrum. Entire businesses are evolving rapidly to support cloud projects, some with on-premises history and others being cloud only. The line-of-business owner, such as finance, customer service, human resources, payroll, manufacturing, or supply chain, has a vested interest in the outcome of the new ERP system. The lines of business, IT, the chosen vendor, and systems integrators are the standard resources that help organizations move to new cloud ERP systems. This transition is also career enabling and makes attracting talent easier, especially with increasing retirements and the "great resignation" underway.

### **Barrier #2: Data Access and Security**

**Myth:** Cloud environments have limited data access and cause new security issues.

**Reality:** Cloud solutions have come a long way with regard to security and enabling a better experience with all types of data. Cloud ERP vendors have multiple layers of security with evolving bidirectional encryption now available in the cloud with their ERP systems. The security can be configured by an organization to ensure data protection, disaster recovery, scalability, and performance.

### **Barrier #3: Systems Integration**

**Myth:** Systems integration is a long and painful process that must be repeated every time an upgrade is required or innovation is added.

**Reality:** Prebuilt integration workflows along with a plethora of APIs are an advantage in the cloud. Cloud systems have evolved with native integration capabilities that let companies deploy complete solutions quickly. Best practice integrations, artificial intelligence (AI), machine learning (ML) recommendations, and business accelerators can be part of a cloud ERP offering.

### **Barrier #4: Costs**

**Myth:** Cloud ERP systems are more costly to implement and run than traditional ERP systems.

**Reality:** Organizations find that the costs of implementing and running cloud ERP are lower than the costs of maintaining their legacy on-premises systems, adding innovation to their legacy systems, and updating customizations to meet the business requirements of the digital-first world. Many times, cloud projects can be completed in less than a year, which is much faster than previous efforts with on-premises software installations or upgrades.

### **Barrier #5: Data Residency**

**Myth:** Cloud ERP systems cannot work with multiple data sets that arise when integrating other applications.

**Reality:** Modular cloud ERP systems are focused on bringing data to life, enabling a better business experience. Organizations can use their cloud ERP systems to look at real-time data, regardless of where the data resides (i.e., in different countries to ensure compliance with local laws). Modular cloud ERP immediately improves the latency of the data, ultimately improving performance.

## **Considering Oracle Cloud**

Oracle offers integrated suites of applications plus secure, autonomous infrastructure in the Oracle Cloud. These suites of business applications are in the cloud and comprehensively manage 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 leverage next-generation technologies, such as AI, blockchain, ML, digital assistants, and robotic process automation (RPA).

Today, over 8,000 organizations worldwide 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.

With 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 in research and development on cloud applications and cloud infrastructure activities.

### **Challenges with Cloud ERP**

Organizations have been focused on moving forward into the digital world; however, they have been stuck looking at their front office only, ignoring their internal finance and operations. This digital transformation activity is stalling the move to the cloud. Focusing solely on client-facing applications can help the client for the short term, but when the information isn't tied to the organization for quick consumption, modeling, and understanding of the full business picture, the business sets itself up for failure.

Organizations have also invested heavily in their on-premises ERP systems, slowing down the movement to cloud ERP. But the aspect of non-investment into cloud ERP will only restrict the business in a digital world. Innovation matters, but trying to immediately gain from cumbersome, complex antiquated business processes in legacy systems is a recipe for disaster. As organizations start to understand that the movement to cloud ERP is required in the digital economy, the legacy stances begin to fall away.

### **Cloud ERP Is the Digitally Preferred Pathway**

Organizations that have moved to cloud ERP had many thoughts to share with IDC. One industry market leader but late adopter said, "Our legacy systems were too expensive to maintain. We needed more modern applications to modernize our processes." The change helped set up this organization to be future enabled.

Another company that is an industry market leader and leading early adopter noted, "Our C-suite told us we were lagging behind our competitors. We had to do something to add value, and that was adding in a new modern ERP system."

This same customer then said, "We needed a system that was more robust, reliable and if in the cloud, we could roll it out in Singapore or Japan or even Germany without an issue and without worrying about logistics."

"We didn't do any customizations. We didn't need to as we could keep it simple so we can leverage the technology, including innovation, at all times."

— CIO, industry market leader, early adopter

## **About the Analyst**



### ***Mickey North Rizza, Program Vice President, Enterprise Applications and Digital Commerce***

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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**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)

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