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TOP TEN PREDICTIONS FOR THE GLOBAL ERP INDUSTRY IN 2013

ERIC KIMBERLING   NOVEMBER 20, 2012

It's hard to believe that 2012 is already drawing to a close as we all prepare for holidays, vacations and New Year's celebrations. This last year was another interesting one for the ERP industry and its stakeholders, including Panorama and our clients as well as ERP vendors and other ERP consultants. Here are just a few highlights from the past year:

- Just last week, the U.S. Air Force pulled the plug on its $1 billion ERP implementation

- Several other high-profile failures and lawsuits came to light, including the recent suit filed against IBM by Avantor Performance Materials with regards to a failed SAP implementation

- ERP vendors continued their acquisition spree, such as SAP's purchase of Ariba, Oracle's acquisition of SelectMinds HCM software, and Epicor's acquisition of Solarsoft

- Panorama Consulting continued its aggressive growth, expanding its portfolio of large organizations, taking on some of the world's most complex ERP implementations and project recoveries, and establishing its international presence

With 2012 just about behind us, it's worth looking at the top ten things we think will transpire in the global ERP industry in 2013:

1. Continued shakeup and consolidation of the top ERP vendors. We predicted increased vendor consolidation in our 2011 and 2012 lists, and we believe it will continue. With the global economy and business capital spending volatile at best — and some economic forecasts suggesting that the U.S. and Europe could face recessions in 2013 — it isn't clear if total worldwide ERP software revenue growth will continue at the same pace it has in recent years. These macroeconomic challenges will pose opportunities for high-growth SaaS and cloud ERP vendors to continue eroding the market share of Tier I ERP vendors such as SAP and Oracle, especially among small and mid-size customers.

2. Best-of-breed solutions will continue to chip away at single-system ERP software. With more companies moving away from big, single-system ERP deployments, there will be a continuing opportunity for niche and best-of-breed ERP systems to capture market share in 2013. Larger ERP vendors will continue to provide more niche solutions to counter the advent of these smaller cloud providers. Vendors like Oracle and Infor, with their best-of-breed solution focus, will be better positioned to respond to customer demand of this type. In addition, look for

this trend to continue driving merger and acquisition activity as more ERP vendors look for industry solutions to augment their core ERP systems.

3. Integration and solution architecture will become a hot commodity. The increase of best-of-breed, niche and SaaS ERP systems will put more pressure on both CIOs and ERP consultants to provide better integration between systems and address potential silos of processes and data that often come with the territory. As a result, solution architecture and integration will become increasingly important competencies required to support effective ERP implementations.

4. Continued adoption of mobile and business intelligence solutions. As companies look to increase ERP benefits realization, more will invest in mobile solutions and business intelligence software to get increased return from their existing ERP systems. An increasing amount of companies will recognize that newer ERP systems will not necessarily help them make better use or sense of business information without the tools to better support decision-making among both employees and leadership. In addition, executive teams will be under increasing pressure in a shaky economy, which will put more pressure on their employees to provide decision-making tools and dashboards designed to support executives' need for information.

5. SaaS and cloud hype will subside. While many industry pundits are still pronouncing the death of traditional ERP and the hands of SaaS and the cloud, we find that our large, multi-national clients still aren't comfortable with the relative lack of flexibility, control and security offered by SaaS ERP solutions. However, smaller and mid-size companies will be more likely to adopt SaaS and companies of all sizes will be more likely to adopt niche solutions such as CRM or HCM (see prediction #2 above), which generally bodes well for SaaS. Perhaps most importantly, SaaS and cloud options will become so baked into the delivery model of most ERP vendors that the hype will naturally subside as they become integrated into everyday ERP options.

6. Uncertainty and risk aversion. Given the uncertain global economic environment, CFOs and CIOs are more likely to be risk-averse in the coming year. Much like we saw in 2009 and 2010, IT budgets will be tighter and ERP project teams will be asked to focus more on low-hanging fruit and high-value activities rather than massive, full-blown and global ERP implementations. The exception to this trend will be among mid-size and high-growth companies, which will continue to grow despite economic conditions and will need the enterprise systems infrastructure to support this continued growth.

7. There will be both winners and losers in ERP implementations. We will likely see a growing dichotomy between smart, sophisticated organizations that understand the need to implement ERP systems the right way versus the less knowledgeable organizations that try to leverage more of a "do-it-yourself" approach. Continuing job insecurity will lead some CIOs and project managers to bite off more than they can chew without expert help while smarter leaders will recognize that ERP implementations are more successful with the help of independent ERP consultants. In addition, the successful companies will be those that recognize that traditional ERP vendors, systems integrators and value-added resellers (VARs) continue to struggle to be effective in their implementations and will seek out more innovative alternatives to support their implementations.

8. Increase in ERP failures and lawsuits. Unfortunately, those that lose in their ERP implementations are more likely to find themselves with ERP failures and lawsuits on their hands. Our ERP expert witness practice has grown quickly for the last two years and we expect

that growth to accelerate as more companies try ill-advised implementation strategies, such as the do-it-yourself approach mentioned above. In addition, these less sophisticated organizations and project teams will continue to focus too myopically on the technical services provided by their ERP vendors and system integrators, which will contribute to higher failure rates in the coming year.

9. More organizations saying "no" to ERP. The coupling of economic uncertainty with high ERP failure rates will translate into more organizations declining to embark on large-scale ERP implementations. Instead, these organizations will focus on improvement measures including business process reengineering, organizational change management and benefits realization. These activities can often help organizations get much more immediate benefit at a lower cost than a "traditional" investment in an ERP system, all while better leveraging the ERP systems and other enterprise software the companies already have in place.

10. More focus on competitive advantages and less focus on ERP "best practices." Over the last few years of global economic uncertainty, cost cutting and standardization has been the name of the game for many CFOs and CIOs. In this quest to minimize expenditures, many organizations tried to leverage industry best practices and, in doing so, neglected their sources of competitive advantage along the way. Over the next year, look for companies to work harder to more clearly define their unique sources of competitive advantage via business process reengineering and organizational change management activities designed to help deliver tangible business benefits and improve their ERP ROI.

These are just a few predictions that we anticipate for the coming year. We will start to get a sense of the accuracy of these predictions when we publish our *2013 ERP Report* in February, which will quantify the trends and outcomes of the past year in more detail.