

ERP-as-a-service: Reducing complexity, powering momentum

The rate of change in business is accelerating, and once-familiar market landscapes are shifting. Leaders, especially those at privately owned enterprises, are looking for tools to help their companies evolve and navigate change at the speed of business.

Deloitte has found that certain organizations thrive amid this disruption, and they tend to share common traits. At the highest level, they all understand the power of technology as a differentiator, and they harness the momentum that comes from change. We refer to these businesses as Kinetic Enterprises™.

Kinetic Enterprises maintain market-paced momentum by shifting their mindset away from yesterday's "built to last" perspective toward today's "built to evolve" imperative. In addition, Kinetic Enterprises demonstrate four key qualities: They are clean, responsive, inclusive, and intelligent.

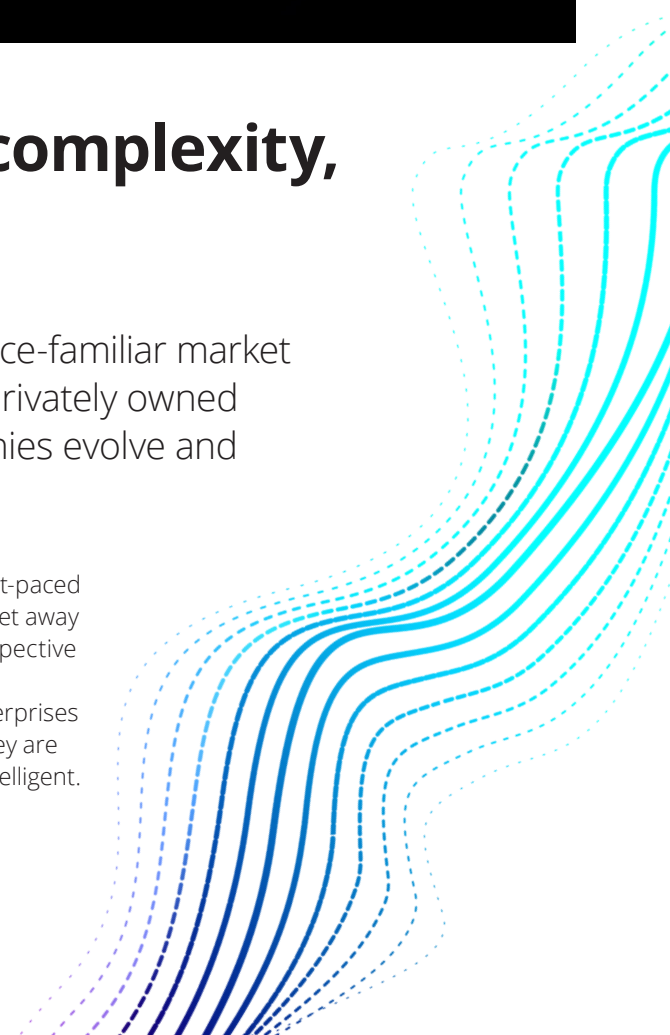
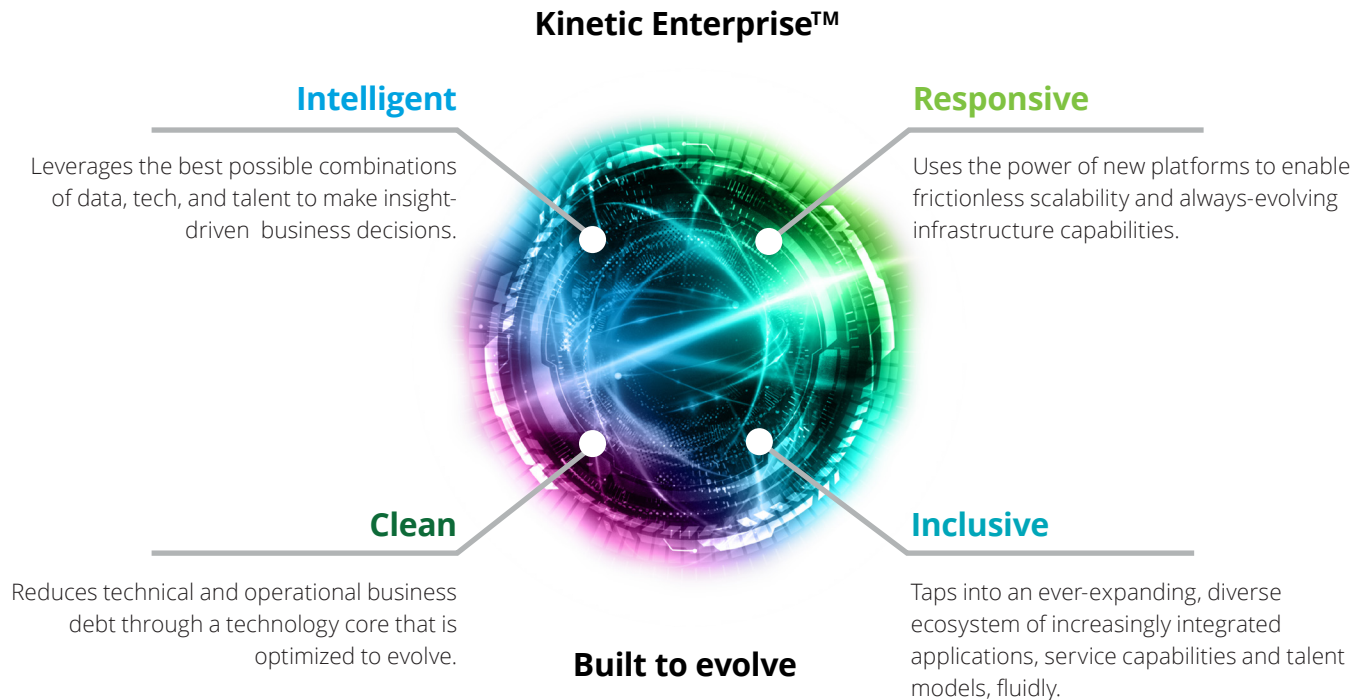


Figure 1. Qualities of the Kinetic Enterprise



The technology that these companies rely on is infinitely scalable and connected by a diverse ecosystem of applications, data types, and operational models. Kinetic Enterprises see effective [enterprise resource planning \(ERP\)](#) as an essential foundation for achieving the kinetic state.

For Kinetic Enterprises, ERP isn't just another tool to be plugged into the corporate network or simple management software for routine business activities. Rather, it is the enabling digital foundation and core that, if leveraged correctly, enables companies to capture the benefits of momentum and change around other initiatives tied to AI, Industry 4.0, automation, and cyber. For companies that are still determining how to manage technology disruption, ERP that is properly planned and cloud-enabled for flexibility can give them the power to re-imagine themselves as Kinetic Enterprises.

Reimagining digital investments

Successful Kinetic Enterprises operate in an environment in which capital and rewards flow to those who create innovative operating models and business processes that are more flexible, adaptive, agile, and resilient to internal and external disruptions. These enterprises use change to create operational stability. They shun convention and leave naysaying and hesitation in the dust. They embrace digital technologies, infrastructure, and platforms that enable them to generate efficiencies and propel reinvention. As a result, there may not be a more opportune time to embrace ERP's possibilities. In a recent [Deloitte global survey](#), 69% of private companies said digital transformation had accelerated significantly

during the COVID-19 pandemic, and 43% said it will be part of their main growth strategy during the next 12 months.¹ In our experience, private company leaders are increasingly seeking flexible platforms and financing models to keep pace with the complexities of technological change as they invest in connected platforms and cloud-based services.

Much of private companies' tech spending in recent years has focused on embracing cloud, adopting cognitive technology, and managing the intersection of technology and talent. While that's a good start, many private companies are still looking for solutions that can help them quickly respond to change, accelerate momentum, and improve the frequency of innovation. Leaders may know that ERP can be a growth driver, but they are still figuring out how to fully harness the power of connected platforms.

From a finance perspective, ERP can dramatically improve the management of cost and risk, and it can open the door to cleaner data management that gives more confidence in decision-making while catalyzing innovation in other parts of the business. From a technical standpoint, ERP can leverage the latest advances and help meet compliance goals while enhancing system security.

Deloitte predicts that, by 2025, financial operations will increasingly be driven by automation and blockchain, making transactions touchless for many businesses.² How will your company develop the integrated digital capabilities to meet the demand for functions such as automated transaction processing, accounting, and closing?

Advances such as the proliferation of application programming interfaces (API) will drive the need for robust data management, integration, and standardization. Will your company be able to keep pace with an ever-increasing volume of data that must be aggregated, analyzed, and understood for the C-suite to address its needs of the business, its customers, and its shareholders?



Breaking down the complexity of ERP

As organizations navigate today's rapidly changing environment, the principles of the Kinetic Enterprise become more important. Managing ERP solutions can be daunting, especially at growth-oriented, midmarket companies that may not have large IT staffs or the ability to hire talent with in-demand skills in cloud services, analytics, ERP, or security. The number of applications, solutions, and offerings constantly proliferates. After surveying hundreds of its clients, one cloud security services provider found that they used an average of almost 1,300 cloud services. Each service ran across multiple devices and operating systems, many of which operated outside the network.³ In addition, the growing use of "apps within apps" and concerns about artificial intelligence and data privacy underscore the need for expertise.

That's just the products. Implementing an ERP strategy can mean working with a cloud provider and different vendors for cloud managed services, application licensing, application managed services, implementation, and innovation.

Identifying the best system and maintaining relationships with an array of different providers can be overwhelming for many leaders. [Another Deloitte survey](#) recently found that many leaders say it's increasingly difficult to differentiate ERP platforms solely based on how well they match finance capabilities.⁴

Finance leaders need a more holistic approach that includes factors such as a flexible technology architecture to enable the business to scale or pivot as needed. Different ERP systems come with distinct technical implications, including integration needs, data processing, and cloud models. Choosing between multitenant and single-tenant cloud models can affect price, as well as available enhancements. In addition, product strategy also must be considered, as some products are natively integrated, while others are stand-alone and must be woven into a company's architecture.

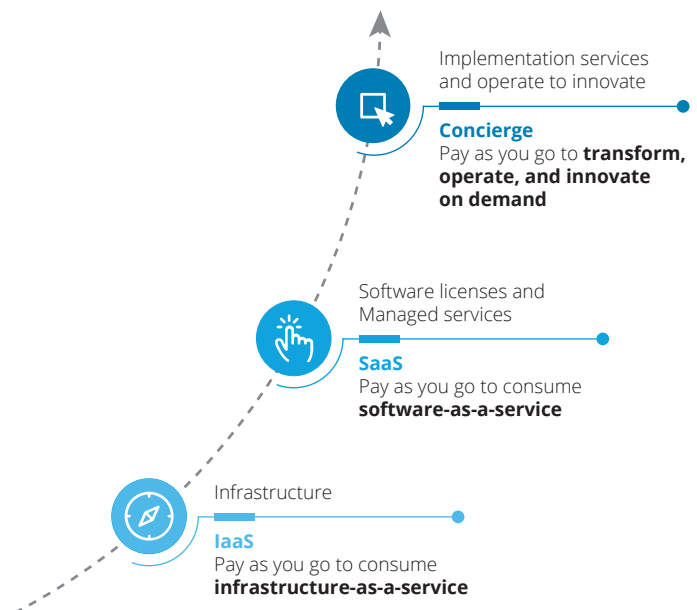
Then there's vendor relationships. Companies seeking ERP solutions aren't just buying software; they're entering a long-term partnership. At the same time, platform vendors are increasingly responsible for cloud infrastructure maintenance and functionality enhancements, which means companies are relying on them to deliver innovation as well. What is a vendor's commitment to collaboration? Will they work with your company's future needs in mind? Does a vendor share your company's common values, and will they strive toward shared goals and fuel innovation?



Cutting through the noise with ERP-as-a-service

Effective ERP strategies don't focus on technology alone, as technology itself won't bring about the transformation many executives seek. There should be a focus on opportunities to improve end-to-end processes, data management, and other strategic areas of the business that can actually drive differentiation and value in the market. Companies can turn to cloud ERP-as-a-service as a way to more easily and quickly cut through non-value add processes tied to implementation, migration, operations, and infrastructure, while at the same time benefiting from a scalable and flexible platform.

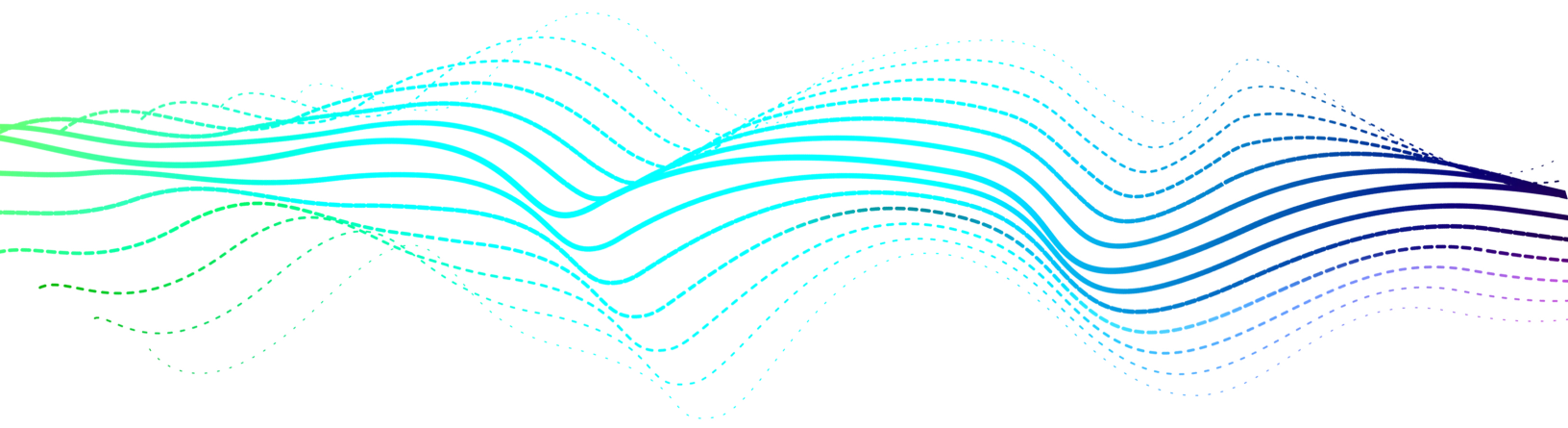
Business value simplified by Deloitte's ERP-as-a-service solution



ERP-as-a-service can offer specific benefits for private companies that need to respond quickly to rapid growth or changing market conditions, especially disruptions that can impede momentum if they are not handled properly.

ERP-as-a-service delivery models can bring predictability and consistency to an ERP transformation. With an ERP-as-a-service model, companies can consolidate the complexity of all the offerings and vendors in the ERP space into a single, predictable managed services contract with a single service provider. This kind of model allows leaders to focus on what matters most (their products, services, and innovation) rather than managing ever-changing technology. The flexibility of ERP-as-a-service makes it readily customizable to each company's individual needs while costing far less than building systems internally.

Other specific benefits can include seamless migration; on-demand, continuous innovation; and shorter time to value.



Seamless migration

A robust ERP-as-a-service model eases the burden on companies from the beginning of a transformation. Often, it starts with a company providing its data. Then, the service provider works closely with leading cloud ERP software vendors and applies personalized data analytics, cloud architecture, and native development capabilities to develop solutions that are affordable and tailored to each business's unique requirements.

With ERP-as-a-service, the migration of a company's systems and data can then be accelerated, potentially reducing overall implementation complexity.

Innovation on demand

ERP-as-a-service enables organizations to customize cloud infrastructure and managed services based on their specific needs. It can help them reduce risk, yet retain the flexibility to adapt and scale the system up or down as market conditions or the business's needs change.

ERP-as-a-service models also can help companies establish clean core data that connects with other workflows, such as finance, human resources, marketing, and engineering. This, in turn, enhances the value of other technologies, such as automation and artificial intelligence, that can be layered on top of the ERP.

Time to value

Traditional ERP investments can take years before a company realizes any return on its investment. But with ERP-as-a-service, organizations can recognize the value in a matter of months.

Rather than requiring the high up-front capital commitments of an in-house ERP investment, ERP-as-a-service can be purchased on a subscription basis, spreading the cost over several years. As a result, the returns are greater and are recognized faster, while still reaping the same benefits of a traditional ERP solution.



The path forward: Maintaining momentum and scalability

ERP-as-a-service can enable organizations to develop a standardized approach, using preconfigured solutions that are specific for each industry and include all the core processes needed to transact in those sectors. In addition, integrations, data conversions, and other accelerators give businesses a head start on the migration process.

This combination provides for more rapid recognition of value while also boosting standardization, incorporating best practices, and complying with all regulatory and industry requirements. The potential result is a more scalable, adaptive, and secure solution that can meet organizations' needs today, as well as into the future, as the business grows.

Businesses today face relentless, continuous change that is sometimes disruptive and always brings a blend of both challenges and opportunities. Responding to those challenges and opportunities in this environment, let alone predicting them, is hard enough for any organization. The larger the enterprise, the more complex decision-making becomes—a continuous balancing act of priorities around investment, cost control, growth, operating model transformation, and big bets that cut to the heart of the organization's purpose and mission.

ERP-as-a-service can help companies maintain the pace and momentum they need to thrive in this rapidly changing marketplace without losing their stability, helping them drive innovation and sustainable value.

Endnotes

1. Deloitte, "*Crisis as catalyst: Accelerating transformation - Global perspectives for private companies*," May 2021.
2. Deloitte, "*Finance 2025: Digital Transformation in Finance*."
3. Netskope, *Netskope Cloud Report – August 2019*.
4. Raj Chhabra, Fahad Salah-Ud-Din, Brian Moon, and Smriti Sachdeva, "*A better way to select your ERP platform: ERP selection considerations for finance leaders*," Deloitte Insights, May 14, 2021.

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