

The logo for WalkMe, featuring the word "walk" in a black, lowercase, sans-serif font, followed by "me" in a white, lowercase, sans-serif font inside a blue speech bubble shape. The background of the entire image is a blurred office scene with a laptop and a person's hands typing.

walkme

WHITEPAPER

THE ESSENTIAL GUIDE TO ASSURING CLOUD ERP ADOPTION

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INTRODUCTION

Cloud ERP Brings Great Benefits But Also Comes With Challenges

The last few years have seen a rapidly increasing penetration of cloud-based solutions into the ERP sector. This trend is predicted to continue. There are several reasons for this increasing adoption as organizations are convinced of the benefits, despite the multiple challenges that adoption presents.

The perceived benefits include mobility (particularly in the sales and service function), faster implementation, lower costs (both implementation and operational) and simpler integration with 3rd party systems. The principal challenges include security, Customization and the regular challenges of change management and training in the face of user resistance.

This white paper will examine these key challenges to the smooth and rapid adoption of cloud ERP. Based on experience across a wide sample of implementation projects, this paper will also provide some guidance on maximising the probability of implementation success.

Cloud ERP Penetration

According to Forbes (2014), the worldwide ERP market grew just 2.2% in 2013 and the top ten vendors held 64% (see Figure 1). Separating out the Cloud ERP share of that market is not straightforward. Several major companies such as SAP (ByDesign) and Oracle (ERP Cloud) are still playing technology catch-up having been outflanked by smaller, more nimble entrants. Others are pure Cloud offerors and include NetSuite and Workday

(founded by David Duffield who created PeopleSoft). Table 1 illustrates the market share growth of SaaS solutions in the overall ERP market.

Note: the terms Cloud ERP and SaaS ERP are used interchangeably in this paper. Although SaaS is just one of several Cloud ERP deployment/usage models we are interested in relativity and trends.

Worldwide ERP Software Market Share, 2012

Market Size: \$24.5B; 2.2% Growth Over 2011

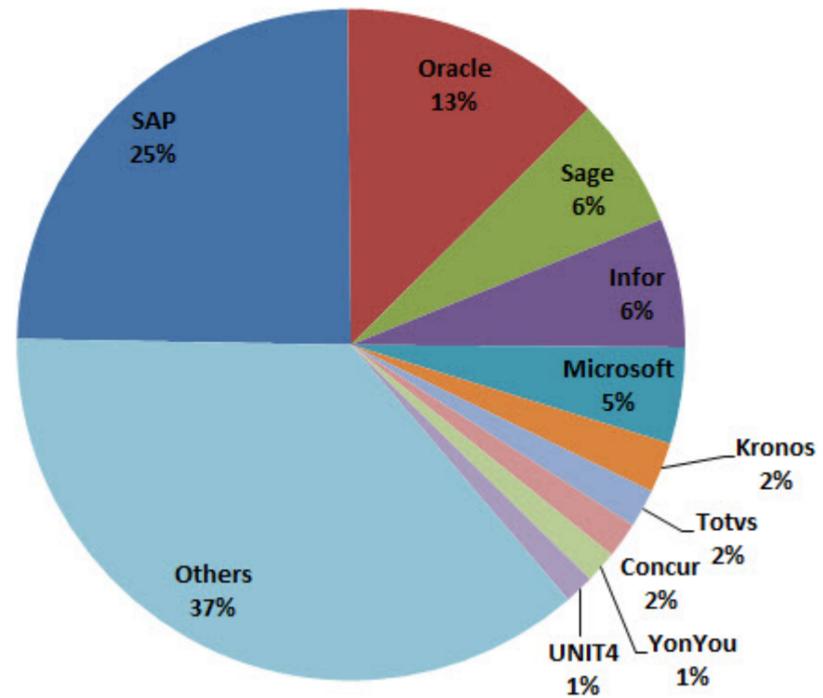


Figure 1: Worldwide ERP Market 2013 (Forbes 2014)

	2011	2012	2013	2014	2015	2016
SaaS ERP share of worldwide ERP solutions market (%)	8	10	12	14	15	17

Table 1: ERP Cloud share of overall market (percent). Source data: Forbes (2014)

- The fastest growing ERP vendors in 2012 included Workday and NetSuite.
- Workday grew 114.7% in 2012, increasing revenue from \$88.6M in 2011 to \$190.3M in 2012.
- NetSuite grew 34% in 2012, increasing revenue from \$139.7M in 2011 to \$187.1M in 2012.
- SaaS-based ERP revenues are projected to grow from 12% worldwide in 2013 to 17% in 2017.



KEY CONCLUSIONS FROM DATA ABOUT CLOUD ERP ADOPTION

In late 2012, Gartner were forecasting continued significant growth in the segment:

'Software as a service shows no signs of decline, with even the poorest SaaS segment seeing a compound annual growth rate of 11% through 2016'. Gartner (2012)

Gartner (2014) reported that:

'There is a lot of interest in cloud ERP, but very few organizations have moved core elements of ERP to the cloud at this time. However, the survey indicates this will change in the midterm. Including the 2% that already have core ERP in the cloud, a total of 47% of organizations surveyed plan to move their core ERP systems to the cloud within five years. This is clear evidence that many organizations are ready to adopt cloud ERP, with 26% planning to move to the cloud within the next three years.'

So, almost half of surveyed companies will have migrated their ERP systems to the Cloud within five years.

The Gartner data also tells us that Financial Services companies (as a sector example) have largely overcome resistance to Cloud deployment, and enterprise system adoption rates are much higher than in Manufacturing. This is because there are some specific challenges for manufacturing companies wanting to deploy ERP in the Cloud. This is a key aspect of ERP Cloud adoption.

So, we can see lots of growth in the market with companies migrating from existing systems to web-enabled systems, but also implementing from scratch. As far as Cloud ERP is concerned, we are still on the runway.

Adoption across the various sizes of business is not, however, uniform:

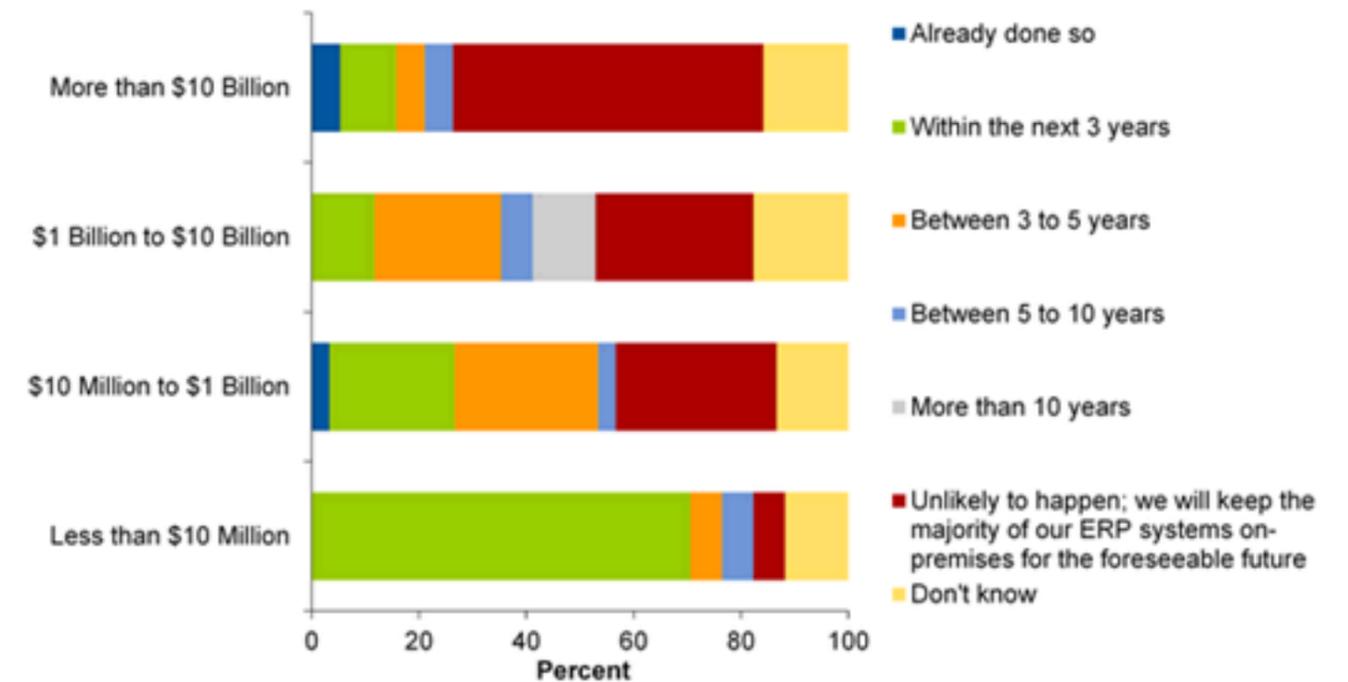


Figure 2: ERP Cloud Adoption (Gartner 2014)

Key Conclusions

- There is a powerful momentum developing for companies to move their ERP to the Cloud;
- Those companies that are contemplating the move need to be sure that they understand the challenges and have developed strategies to deal with each of them;
- Given market segment growth rates, within 5-7 years more than half of companies will have moved their ERP to the Cloud.

DO CLOUD ERP OFFERINGS STACK UP FUNCTIONALLY?

This is where we hit the definition problem, and it is something that requires care when budgeting at the macro level. 'ERP' means different things to different software companies, as seen below when we look at a range of leading suppliers in the Cloud ERP space. Further, how mature are the solutions on offer?

Software Brand	Key Features	Deployment Model/Licensing Pros & Cons
NetSuite	<p><i>The ERP Suite includes:</i></p> <ul style="list-style-type: none"> • Supply Chain and Inventory Management • Procurement • Order and Billing Management • Shipping and Fulfilment • Revenue Recognition Management • Financial Planning • Human Capital Management • Recurring Revenue Management • Accounting • Inventory Management, Order Management • CRM, CRM Analytics, SFA, Marketing, Customer Service • Quoting, Sales Order Management • Ecommerce • Multi-Language, Multi-Currency, Multiple Company & Locations 	<p>SaaS Cost per user/month NetSuite is the world's most deployed cloud Enterprise Resource Planning (ERP) solution, with over 20,000 organizations across 100+ countries</p> <p>Pros: Stable and reliable Good CRM/ERP Integration</p> <p>Cons: Opaque pricing (reportedly) Payroll costs extra</p>
SAP ByDesign	<p><i>The entire ERP software suite includes the following:</i></p> <ul style="list-style-type: none"> • Customer relationship management (CRM) • Accounting and financials • Project management • Supply chain management (SCM) • Supplier relationship management • Human resources (HR)/payroll • Analytics • Compliance management • Support for 4 languages with 6 country specific versions 	<p>On-demand, SaaS deployment Subscription pricing</p> <p>Pros: Claimed 4-8 week implementation timeframe</p> <p>Cons: Since ByDesign is still a relatively new SaaS ERP solution, many of its competitors are well ahead in such areas as depth of lean manufacturing capabilities, rough cut planning, multi-plant capacity planning and many other areas.</p>

Workday	The focus of Workday is on all things to do with Human Capital Management, not on full-width ERP in the conventional sense.	<p>SaaS</p> <p>Pros: Heavyweight solution suited to its target market</p> <p>Cons: Targeted at Fortune 500 companies</p>
Oracle ERP Cloud	<p><i>Not one cloud, but three offerings:</i></p> <ul style="list-style-type: none"> • Oracle Financials Cloud • Oracle Procurement Cloud • Oracle Project Portfolio Management Cloud 	<p>Pros: Heavyweight (but discrete) solutions for the largest organizations</p> <p>Cons: Oracle is striving to converge some of its business applications brands, and a full-width Cloud ERP solution such as NetSuite and SAP ByDesign offer is not available at this time.</p>



THE TOP 5 CHALLENGES IN ADOPTING CLOUD ERP

So far, we have looked at the trends in the market and supplier growth in the ERP Cloud segment. However, the main challenges to implementing a Cloud ERP solution differ slightly depending on whether the implementation is from scratch or a migration from an existing on-premises solution to a cloud version. However, the core set of challenges is common to both approaches.

Key Challenges

Every business is different, but the key challenges are present for all, in differing degrees:

- **Identifying the optimum architectural and licensing models**

For many companies this is a time to pause and consider whether to change ERP horses. Questions to ask include: Is our current on-premise system available in a Cloud version? If yes, is the functionality of the Cloud version equivalent (at least)? What variant of Cloud ERP architecture and licensing model would suit us best? Is this a good opportunity to re-visit our main business processes (this could be mandatory with some Cloud ERP systems)?

- **Hybrid Requirements**

A typical example of this is with manufacturers and deployment of shop floor systems (e.g. production control) to the Cloud. Important questions to ask include:

How will the company integrate shop-floor data gathering and production control systems into the 'new' ERP? Is it feasible even if it is affordable?

As Gartner (2014) phrases it:

'...organizations will need to plan for a hybrid ERP environment where the core on-premises functionality will be augmented by a number of specialist applications targeted at specific, user-centric processes that do not fall within the boundary of the core ERP system, many of which will be deployed in the cloud'.

Compared with other industries, fewer cloud ERP options are available for manufacturing organizations that support deep and wide industry-specific manufacturing capabilities. There are many well-established ERP solutions with good industry functionality for midsize and large organizations. Many of these vendors either already offer, or will soon offer, cloud-based delivery of their solutions.

Recommended Strategy: Carry out a feasibility study and establish a range of acceptable solution options bearing in mind the issue of hybridization; organise a Request for Proposal ('RFP') process so as to obtain solution proposals from suppliers (check the maturity of their offerings) and review these in the context of the feasibility study. Cast your net wide, even if you do expect to say with the same software company and just migrate from an on-premise configuration to the

Cloud. This work must be done in conjunction with the customization strategy.

- **Customization**

How will existing customizations be moved to the new deployment? What happens to them in a change to a SaaS platform – will they have to be dropped or will business processes have to be changed to fit the ‘standard software’ corset? Is such a change really feasible?

Recommended Strategy: This must be carried out in conjunction with the Architecture/Licensing Model feasibility study. The RFP process should include a customizations list with potential suppliers responding to each functional requirement in turn.

- **Change Management**

The implementation of ERP in the Cloud requires real investment in change management. The cultural change impact (not least that of a potential downsizing of the IT department) must not be underestimated.

Recommended Strategy: Prepare well in advance, starting even before the ERP migration/procurement process. Make a senior manager responsible for Change Management and identify Change Champions. Develop clear messages to engage users.

- **User Onboarding and Training**

Delivering effective training is always an issue, but especially so in this case. Underinvestment in this activity is a fatal mistake, but many companies make it. Companies see training as money lost when employees leave. How can employers square this circle?

Recommended Strategy: Make sure that budgets for user onboarding are adequate and protected. Invest in durable on-boarding and training toolsets - this will ensure that training capital is preserved and carried in a system repository and not in heads of the staff.

Note: Even if the key challenges of Architecture/Licensing, Hybridization and Customization are manageable, the issue of User Onboarding (within the overall context of Change Management) remains the final key to success. We look at this in more detail in the next section.

- **Data Security in Cloud ERP – a Concern but not a Challenge**

This is a major concern for all enterprises, and the Cloud conjures up a vision of even higher risk levels. This perception of a higher risk level is, in general, off the mark. In fact, there is credible evidence that putting your data on one of the leading Cloud platforms (such as Amazon Web Services) offers a higher degree of data security than you could enable in-house. After all, governments use commercial Cloud services. Therefore, we do not classify it as a challenge though it is certainly a concern.

Recommended Strategy: Satisfy yourself and your team that the ERP Cloud offering you are considering meets industry standards (including ISO27k) for Cloud Services provision. A credible service provider should also be able to provide standards compliance audit reports. If you prefer your data to reside in-country (and depending on your industry there may be a legal requirement for that), then make sure the proposed service ticks that box.

OVERCOMING THE CHALLENGE OF USER ONBOARDING

Aharonovitz (2010) showed that in countries with dynamic labour markets there is a clear pattern of underinvestment in training. Companies do not invest because they believe that their employees will just move on and the investment will be lost. So they just hire 'trained' replacement staff and the vicious cycle accelerates.

The problem with this approach is that one company's implementation of an ERP system will be very different to another company's implementation of the same package. Processes will be different and the skills carry-over will be small. 'Learning on the job' and the inefficiency that entails is a significant cost in itself.

Clearly, under-investing in training on core enterprise systems would be a mistake, but it still happens all too frequently.

Set up a formal Change Management Programme

This will provide the framework for the 'soft' aspects of the migration/ implementation. The usual rule of engaging a visible high-level champion should not be ignored. Use modern methods such as social media to re-inforce messages and build project momentum and user engagement.

Match the Training Method to the Worker and the Application

The type of application, the sophistication of the end-user audience and

the geographic distribution of the users will create different demands. Consider options such as self-paced learning, just-in-time training and online training (as well as classroom training).

Keep Training Sessions Short

Best-practice organizations limit end-user training to half-day sessions. Longer sessions impair retention, particularly when the system is difficult to use. Seek opportunities to segment the learning process into basic and advanced topics, with some time in between sessions to allow users to absorb and practice what they've learned.

Create an Enterprise Training Server or Intranet

Maintaining all training courses and knowledge bases in a single location makes them easier to catalogue, use and keep up-to-date. Similarly, place all course schedules, frequently asked questions, user tips and fixes, cheat sheets, links to third-party websites, and so on in easy-to-find locations on the corporate website.

Consider Outsourcing Training to a Third Party

Third-party trainers can be an effective option to avoid devoting internal head count to training. However, the cost can be high for on-site delivery and the quality of training can vary widely across topics, geographies and vendor products.

Use Flexible 3rd Party Onboarding Toolsets

The advent of Cloud enterprise systems has enabled the creation of a new family of onboarding tools – the ‘workplace assistant’. These toolsets can provide economic, individual task-based handholding. The advantages are that time assigned (off the job) for individual training is reduced, training is highly context-and data- specific and the investment in individual training is minimised while the loss of knowledge capital is also minimised.



TOOLS YOU MUST KNOW ABOUT THAT WILL MAKE ADOPTING CLOUD ERP EASIER

By now, it should be apparent that while several companies claim relatively short implementation timescales for Cloud ERP, it is not a simple process. There are many challenges and any Director or Senior Manager who has had even a tangential involvement in a previous ERP implementation will have a war story to tell.

The good news is that there are toolsets available now which simplify and streamline the process.

The critical areas of Change Management and User Onboarding/Training are increasingly serviced with new products, channels and techniques.

New Toolsets and Processes. In line with the move to Cloud ERP (and Cloud Enterprise Systems in general), a new set of tools and processes is emerging:

- **WalkMe.** [WalkMe](#) is an Enterprise Class Guidance and Engagement Platform that guides users every step of the way to successfully complete their online tasks and therefore encourages self-service, accelerates training and software adoption.

Because most Cloud ERP systems (such as NetSuite) utilize a multitenant SaaS model, the functional variations are limited and therefore it is much simpler and economic to provide a hand-holding solution for different users. The other key advantage of WalkMe is that it operates in real-time, with real data on the job and not in an artificial classroom environment.

- **RiverMeadow.** ERP workloads often need to be migrated discretely. RiverMeadow claims that their Cloud Migration SaaS automates the migration process of any physical, virtualized or cloud resident server and securely transits and deposits them into any type destination cloud. RiverMeadow executes migrations without installing an agent on the source or target, and without disrupting the source server e.g. for a shutdown or reboot.
- **Secure-24.** The company supports distributed manufacturing enterprises by providing an agile IT infrastructure designed to accommodate changing market demands. Their transition and implementation process is optimized for moving ERP applications to a private Cloud and is capable of coordinating the migration of hundreds of data centers.
- **Simplified Identity Management and SinglePoint.** This toolset provides administrators with a way to deal with Web-based application identity and passwords. This is done through an “identity router” called SinglePoint. The SIM product, in turn, manages identity for users with SaaS applications. With SIM and SinglePoint, all of the construction of authentication is “behind the scenes” to users. SIM develops an identity vault that stores passwords and identities for selected websites.

THE CHECKLIST FOR SUCCESSFUL CLOUD ERP ADOPTION

So, in summary we have a checklist for success in Cloud ERP adoption:

Deployment Model

- Carry out a feasibility study and establish a range of acceptable solution options bearing in mind the issue of hybridization;
- Organise an RFP process so as to obtain solution proposals from suppliers (check the maturity of their offerings) and review these in the context of the feasibility study;
- Cast the net wide, even if the expectation is to stay with the same software company but just migrate from an on-premise configuration to the Cloud. This work must be done in conjunction with the Customization strategy.

Hybridization

- Identify and catalogue all subsystems and tag those which may be impractical to move to the Cloud;
- Review each tagged subsystem (e.g. shop floor data collection) and assess the practicality of moving them to the Cloud.

Customization

- Catalogue those functional areas which are customised and categorise as heavy/moderate/cosmetic;
- Use supplier resources to help with the heavy lifting via a Keep/Drop list.

Change Management

- Prepare well in advance, starting even before the ERP migration/ procurement process;
- Make a senior manager responsible for Change Management and identify Change Champions;
- Invest appropriately in User Onboarding and Training and ensure that the budget is ring-fenced.

User Onboarding

- Provide an adequate budget – remember that training investment increases employee loyalty;
- Use 3rd party toolsets to accelerate adoption and protect training investment and knowledge capital

Data Security

- Check that the Cloud Service is compliant with industry standards including the ISO27k set as applicable to your business.

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About WalkMe

WalkMe helps to ensure that cloud ERP software implementation is carried out efficiently and successfully, with high user adoption and performance leaving clear and lasting ROI.

Our enterprise class guidance and engagement platform enables high deployment speed as you cut the learning curve among both managers and employees in key ERP projects. WalkMe allows ERP managers to deliver users immediate and direct guidance, in the moment of need, helping them to perform the most important tasks, no matter how complex.

Benefits include shorter adoption times, and time saved overall spent on alternative process, ensuring that internal and external delivery deadlines are more easily met. WalkMe reduces employee errors and interruptions and significantly decrease in requests for helpdesk assistance during orientation process.

WalkMe also streamlines ERP software changes and updates in a way that is smooth and easy, without the need for new training, user mistakes or more support requests.