THIRD STAGE
CONSULTING GROUP

2024 DIGITAL ENTERPRISE OPERATION REPORT

Future of Digital Transformation

INTRODUCTION

In 2024, the world of technology is at an inflection point where developing a nuanced digital strategy roadmap is more imperative than ever. Emerging tech challenges and opportunities demand a strategic lens, particularly regarding digital transformation trends and Enterprise Resource Planning (ERP) solutions. Every business leader today needs a keen understanding of the undercurrents shaping the tech landscape.

This section showcases the top five technological shifts set to define 2024. From the growing sophistication of artificial intelligence to the nuances of ERP system implementations, we delve deep, providing a clear roadmap for those aiming to stay at the forefront of their respective industries.

TOP TECH TRENDS AND PREDICTIONS FOR DIGITAL TRANSFORMATIONS AND
ERP IMPLEMENTATIONS IN 2024

When defining a digital strategy roadmap for 2024 and beyond, it is crucial to understand the emerging technology trends. What are these trends?

In guiding clients to formulate their digital strategies and roadmaps, a primary consideration is the current technology trends in the market. As the world undergoes rapid changes, it becomes imperative to understand these shifts.

The aim is to delineate a digital strategy and roadmap tailored to an organization's specific needs. This discussion will explore the five most significant trends observed by our team that are relevant to organizations undergoing digital transformations in 2024 and the subsequent years.

REALIZATION OF AI AND ANALYTICS

In 2022-2024, there was a noticeable breakthrough, or a tipping point, in adopting ChatGPT, OpenAI, and other artificial intelligence solutions at the consumer level. This evolution has elevated the standards and anticipations regarding enterprises' artificial intelligence and analytics capabilities.

With the broader consumer base now familiar with tools like ChatGPT and how OpenAI solutions such as DALL·E can benefit their daily lives, there is a growing realization of the potential benefits of enterprise solutions. This insight has illuminated the possibilities of harnessing AI, analytics, business intelligence, and other long-standing technologies often misunderstood or underutilized within organizations.

As we anticipate the developments of 2024 and beyond, we foresee significant advancements in integrating and utilizing AI within enterprise structures. This pertains not only to how enterprises themselves harness technology but also to how ERP vendors and other enterprise technology providers integrate AI into their offerings.

With a more profound understanding of AI's potential, influenced by models like OpenAI and ChatGPT, expectations regarding enterprise technology capabilities have heightened. Therefore, 2024 is projected to be the pivotal year when artificial intelligence and analytics attain widespread adoption at the enterprise level.

Network Insights

What will be the biggest positive or negative impact of ChatGPT and OpenAI?

You can see how people vote. Learn more

Making business more efficient	46%
Loss of jobs	13%
Data privacy and legal issues ✔	37%
Other - please comment below	4%

DIGITAL TRANSFORMATION FAILURES

Another trend anticipated to persist in 2024 is the escalation of digital transformation failures. While there are advancements and introductions of intriguing technologies in the marketplace, implementing these technologies often faces challenges, leading to an increasing rate of failures. Several factors contribute to this increase.

Firstly, many enterprise vendors push their clients away from legacy on-premise systems towards cloud solutions, particularly within the ERP software sector. Established providers like SAP, Oracle, and Microsoft, which have extensive user bases for their on-premise ERP systems, are now compelling those users to transition to cloud solutions.

This shift generates an artificial demand and a concurrent surge in the number of implementations. Many organizations, whether prepared or not, find themselves thrust into the process of digital transformation due to this vendor-driven change.

Consequently, organizations that are unprepared or don't genuinely require a transformation end up facing greater challenges and potential failures.

Secondly, some of the newer cloud solutions must gain the maturity of their on-premise predecessors. Although these cloud solutions can offer unique capabilities not present in on-premise solutions, they sometimes miss out on essential processes developed over the years for on-premise systems. These legacy vendors must fully transition their functionalities and capabilities to the cloud before disparities between previous and upcoming technologies will persist.

Lastly, labor shortages, driven by the sudden and artificial demand for digital transformations, exacerbate the problem. There's a deficit of consultants familiar with specific technologies, primarily because numerous transformations coincide. This rush resembles the surge witnessed during the transition to Y2K, where the demand outpaced the available resources and consultants to handle the projects.

Based on these factors, the proportion of digital transformation failures will continue upward. This trend, which began in earnest in 2024, is expected to intensify further in 2024 and the subsequent years.

DETERIORATION OF ERP SYSTEMS

Another trend anticipated for 2024 and subsequent years is the decline in market share for ERP software vendors. While the ERP software category is not predicted to become obsolete, major ERP software providers will likely witness diminishing market shares as they face competition from emergent software categories. Several factors and alternative software types contribute to this potential decline:

1. **Software Platforms:** Some providers are now offering software platforms rather than traditional all-encompassing ERP systems. These platforms grant users greater flexibility, allowing them to develop their products or utilize third-party offerings tailored to specific platforms. Salesforce, for example, has its Force platform on which it built its primary system. This platform has been made available to third-party developers and even Salesforce's customers, enabling the development of diverse products and capabilities that might extend beyond Salesforce CRM's intrinsic functions. Such platforms offer organizations more versatility and choices compared to the conventional ERP systems.

2. **Best-of-Breed Model:** An increasing number of organizations are demonstrating reduced tolerance for expansive ERP implementations. Instead, they concentrate on individual, organizational components or specific functions that deliver quicker value within their digital transformations.

For instance, an organization primarily focused on augmenting its top-line revenue might opt for a specialized CRM (Customer Relationship Management) system rather than overhauling its ERP systems. Such targeted solutions often provide immediate value with reduced costs and risks, making this "best-of-breed" technology approach a growing alternative to traditional ERP systems.

3. **Interoperable Solutions:** Vendors offering interoperable solutions also contribute to eroding traditional ERP market shares. Software products like Paller and Snowflake are designed not to replace an entire back-end ERP system but to offer workflow automation, business intelligence, and reporting capabilities that complement pre-existing systems within an organization.

In summary, these represent three primary ways in which the conventional ERP software market could face challenges, losing market share to competing entities in the sector.

SOFTWARE PLATFORMS

Another trend to monitor is the rising significance of software platforms. While I previously discussed this in the context of a software category eroding the market share of ERP software, it's crucial to emphasize that software platforms represent a forward-looking trend.

This is not merely due to their impact on ERP vendors but because numerous organizations gravitate towards this approach. Instead of heavily investing in a singular technology provider, organizations opt for software platforms that progressively offer the flexibility to expand and incorporate new technical capabilities. This strategy can present a lower-risk method of technology deployment, eliminating the need to overhaul all systems simultaneously.

Within the realm of software platforms, the "low-code, no-code" movement is gaining prominence. An increasing number of software vendors offer low-code or no-code solutions, enabling the deployment of new technologies with greater flexibility.

This movement eliminates the need for extensive customizations or in-depth technical expertise to modify or support the software. Even though some consider the low-code, no-code movement to be its distinct category, it's increasingly integrated within ERP and other enterprise technologies.

In conclusion, we anticipate a surge in the adoption and momentum of software platforms in 2024 and the subsequent years.

IT LABOR SHORTAGE

The fifth and concluding trend for 2024 pertains to IT labor shortages. Observations from 2024 indicate a burgeoning shortage of IT professionals, and this trend is anticipated to persist and intensify in 2024. While there is a broader challenge in securing skilled talent across various functions, IT stands out given its specialized and high-skill nature.

This shortage is exacerbated by the simultaneous occurrence of numerous digital transformations and the rapid pace of technological change. Such a landscape makes it increasingly challenging for the workforce to stay abreast of evolving technological requirements.

Consequently, organizations will face difficulties in sourcing talent to maintain their current technological frameworks and support their digital transformation journeys. This impending challenge in acquiring the necessary IT skills and navigating labor scarcity is predicted to be one of the most pronounced trends in 2024 and the subsequent years.

Understanding these overarching trends in the IT and digital transformation sectors for 2024 is crucial. One can refer to specialized resources and studies for further insights into emerging technological trends, best practices, and lessons drawn from global digital transformations.

TOP TECH TRENDS AND PREDICTIONS FOR DIGITAL TRANSFORMATIONS
ERP IMPLEMENTATIONS IN 2024:

In the whirlwind of technological evolution, 2024 is a watershed year, with specific digital transformation trends poised to reshape industries. Organizations need not just to adapt but preemptively pivot to harness the power of these transformations. Recognizing the imperatives of AI, addressing digital transformation pitfalls, understanding ERP market dynamics, acknowledging the rising significance of software platforms, and navigating the IT labor landscape will be non-negotiable for success.

As the curtain falls on this section, it's evident that the journey ahead, though challenging, is rife with opportunities. By equipping ourselves with knowledge and strategic foresight, we can navigate the future confidently, turning potential challenges into unparalleled growth catalysts.

TOP 10 ERP SYSTEMS FOR 2024:

In today's digitally-driven business landscape, searching for the perfect Enterprise Resource Planning (ERP) system has never been more critical. As organizations embark on the digital transformation journey, choosing ERP software emerges as a cornerstone to shaping future growth trajectories and operational efficiencies.

With many options flooding the market, the challenge is identifying a system that aligns seamlessly with an organization's unique requirements. By spotlighting the top 10 ERP systems of 2024 and beyond, this section arms decision-makers with an unbiased perspective, ensuring a selection that fuels sustainable growth.

TOP 10 ERP SYSTEMS FOR 2024

When selecting the optimal ERP software for your organization, it is beneficial to consider the top 10 systems available in the marketplace. In this discussion, I will address the top 10 systems for 2024 and beyond.

During these transformations, we assess various aspects, including feature evaluation, functionality, implementation costs, risks, and alignment of ERP technologies with digital transformation goals.

However, organizations often feel overwhelmed by the multitude of options available, making it challenging to determine the best fit for their needs.

In this discussion, I would like to present an agnostic perspective on the top 10 systems to consider for 2024 and beyond.

Third Stage Consulting has no affiliations with any software vendors or systems in the market. This list is solely based on our experience aiding clients in selecting and implementing various solutions.

METHODOLOGY

Before we get into this year's top 10 list, we must discuss the methodology we used this year compared to previous years and highlight the high-level changes that occurred.

To begin, let's address the alterations. We need to consider the systems that are no longer part of the top 10, although they were featured in the previous ranking. Two vendors, in particular, have dropped out of the top 10. These vendors are Sage X3 and Acumatica. It's important to note that this change doesn't indicate any shortcomings in these products. The ERP software landscape has grown increasingly competitive, witnessing numerous advancements. As a result, other vendors made significant strides and secured spots in the top 10, causing these two to be displaced. Therefore, these two vendors are no longer among our top 10 selections.

Shifting the focus to our ranking methodology, how do we determine which systems make the top 10, and how do we compare them to each other? Our assessment is comprehensive. We evaluate the software's overall functionality, consider the costs and risks associated with technology deployment, and analyze the outcomes our clients achieve through their adoption and implementation of these diverse technologies. Our technology-agnostic and unaffiliated stance with software vendors provides us with a comprehensive understanding of the marketplace, encompassing both positive and negative aspects of each vendor's software and the outcomes our clients experience.

This year's noteworthy difference, carrying more weight than in the past, is the implementation failure rate. We conducted an in-depth examination of the failure rates associated with different vendors' implementations. This factor had a significant impact on the rankings of some vendors. Several vendors found themselves positioned in the top 10 primarily due to their implementation outcomes rather than their software's technical features and capabilities.

Network Insights

What do you think is the darkest side of the digital transformation and tech consulting industry?

You can see how people vote. **Learn more**

Overly optimistic sales reps	42%
Biased consultants ✓	32%
Pay-to-play industry analysts	20%
Other - please comment below	6%

#10 FORCE PLATFORM BY SALESFORCE

At the 10th position, we have the Force Platform. This platform is under the ownership of Salesforce and is developed by the same company. Force Platform serves as an extension to Salesforce's well-known CRM solution. Its purpose is to enable Salesforce to offer more than just CRM capabilities.

Force Platform empowers organizations and third-party developers to expand Salesforce's functionalities or modify them. This is achieved through the creation of third-party applications that add supplementary layers of features and functionalities. These applications cater to specific functions or industries, enabling organizations to create semi-tailored solutions akin to broad ERP offerings.

In the previous year, Force Platform occupied the 9th spot on our list. It has now shifted to the 10th position. Despite this, it remains a robust solution, offering an alternative approach for organizations. It suits those that seek a versatile platform rather than a singular application. This platform offers ample flexibility for integrating various systems and even constructing custom applications that can be seamlessly integrated with the Force Platform.

#9 ODOO

Securing the 9th position is Odoo. This open-source system has garnered significant attention and momentum within the marketplace. While it occupied the 8th spot on our list last year, it has slightly shifted to the 9th position this year. This change is due to the emergence of two new entrants that surpassed Odoo in our ranking. Nevertheless, Odoo's strengths still warrant its place within the top 10.

Odoo is a particularly appealing option for small and mid-sized organizations seeking flexibility and simplicity amidst a landscape filled with intricate ERP systems. Moreover, it boasts cost-effectiveness, making it a viable choice for organizations with limited budgets. However, it's important to note that Odoo might lack the scalability and complexity required by larger organizations. Furthermore, there's a concern that Odoo, as an organization, might be overreaching by targeting larger enterprises while its software may not fully address the complex needs of such entities.

Despite these drawbacks, the strengths of Odoo have earned it the 9th spot on our top 10 list.

#8 ORACLE NETSUITE

Securing the 8th position is Oracle NetSuite. In the previous year, Oracle NetSuite held the 2nd spot; however, it has dropped several places to the 8th. This shift is primarily attributed to implementation challenges witnessed among their customer base. Let's begin by highlighting the strengths contributing to Oracle NetSuite's inclusion in our top 10 list.

Oracle NetSuite is a Software As A Service (SaaS) or cloud space pioneer. Their highly mature product has a substantial track record, unlike several legacy on-premise vendors that are now transitioning to the cloud. Another noteworthy strength of NetSuite is its strong alignment with small and mid-sized companies. If our assessment solely focused on smaller clients, Oracle NetSuite could potentially secure a higher ranking, perhaps even reaching the number one position. Yet, since we assess companies across various sizes and industries, NetSuite's capabilities fall short of supporting larger and even mid-sized organizations.

The predominant factor hindering Oracle NetSuite's ranking this year stems from the implementation outcomes reported by some of our clients. Certain clients have encountered challenges due to the product's relative inflexibility and inherent complexity. This complexity is linked to its Software as a Service (SaaS) model, which, being multi-tenant, imposes limits on customization compared to other cloud solutions. Despite these considerations, Oracle NetSuite remains a robust product widely adopted by numerous organizations.

It might appeal to those operating within the smaller to mid-market range. Another noteworthy aspect concerning Oracle NetSuite is its standing as the 2nd most frequently selected system among our client base. This statistic is worth acknowledging.

#7 IFS

Securing the 7th position this year is IFS. IFS offers a distinctive solution that significantly emphasizes construction, field services, and some manufacturing and distribution sectors. Unlike many other software vendors, IFS does not attempt to cater to every conceivable need. Instead, they focus on their strengths and maintain a niche approach. Last year, IFS held the 5th spot on our list, and their ranking remains significant this year due to their prominence as the 7th most selected system within the Third Stage Global client base.

The strengths of the IFS product encompass its dedicated focus, as mentioned earlier. Additionally, they exhibit robust global growth and substantial dedication to expanding their partner ecosystem, which facilitates the sales and implementation of their solution. However, there are also a few drawbacks. As this ranking encompasses systems across all industries, IFS's limited fit across industries can hinder its position. Despite this, their intense industry focus often correlates with a higher implementation success rate.

#6 SAP S/4HANA

Ranking at number 6 is SAP S/4HANA. In comparison to last year's placement at number 4, SAP S/4HANA has experienced a decline to the 6th position. However, within our global client base, it maintains its position as the 4th most frequently chosen ERP system.

SAP S/4HANA is indeed a robust product capable of diverse functionalities, tailored for Fortune 500 companies and other major global organizations. This positive aspect is coupled with certain challenges. Notably, as SAP continues the transition from on-premises solutions like ECC and R3 to their cloud-based S/4HANA, certain notable deficiencies persist in the product.

Another contributing factor to SAP S/4HANA's drop in our top 10 ranking pertains to the implementation outcomes. These outcomes haven't been as favorable as those of other software vendors. There has been a notable number of implementation failures within the SAP realm in recent years. Even within our own client base, instances have arisen where clients have opted to cancel their S/4HANA implementations due to significant concerns related to the product and its implementation process.

Despite these considerations, SAP S/4HANA remains a potent and widespread product within the marketplace. Thus, it retains its 6th position in our ranking.

Network Insights

Which of the following ERP systems do you think is the most often selected by organizations?

You can see how people vote. Learn more

Oracle NetSuite ✓	24%
SAP S/4HANA	41%
Infor CloudSuite	5%
Microsoft Dynamics 365	30%

#5 EPICOR

Securing the 5th spot in our top 10 is a new contender, Epicor. Epicor is a vendor with ownership over various systems, including Kinetic, Prophet 21, and other distinct ERP systems, each tailored to specific industries. These industries encompass manufacturing, distribution, and retail—three sectors commonly associated with Epicor's offerings. In fact, Epicor ranks as the 5th most frequently chosen ERP software across our client base, contributing to its newfound presence in the top 10.

Epicor's presence in the top 10 is not solely due to its common selection but also because of its journey. In the preceding years, the organization encountered struggles, particularly concerning troubled implementations. Their Professional Services Group experienced reductions, and their ecosystem of implementation partners was scaled back. However, recent times have witnessed a significant turnaround. Epicor has established a fresh leadership team comprising experienced industry executives—an "All-Star" group. The vendor's trajectory, along with their products, appears promising and headed in a positive direction.

Combining these factors with the outcomes observed among our client base, Epicor has secured the 5th position on our list.

#4 WORKDAY

Ranking 4th on our list is Workday. Although Workday has appeared on our list in the past, it was outside our top 10 last year. This exclusion was primarily attributed to certain gaps in core ERP functionality. Historically recognized as more focused on financials and human capital management (HCM) or HR technology, Workday has recently undergone substantial investments in supply chain management, substantially broadening the product's ERP capabilities.

A significant reason for Workday's resurgence to the top 10, at a notably high position, is the growing adoption of their solution. The organization is gaining substantial traction in the sales and marketplace cycles. Moreover, despite facing implementation challenges like any software vendor, Workday is amassing a favorable track record for implementation success.

It's crucial to reframe how one perceives Workday. While it may have been previously associated solely with HR or financial systems, it's imperative to recognize it as a comprehensive ERP system.

#3 INFOR

Claiming the 3rd position is Infor CloudSuite, a rise from last year's 6th place. Notably, it is the 3rd most frequently selected system within the Third Stage client base. The advancement of Infor CloudSuite in our ranking is chiefly due to its accelerated selection rate among our clients. Moreover, this progression is further attributed to the increasing stability and traction witnessed in the CloudSuite solution. For an extended period, Infor encountered challenges concerning M3, Syteline, and other legacy products. However, recent times have brought about clarity in the roadmap for CloudSuite, both in terms of individual product paths and a unified direction.

The fruits of their investments in CloudSuite's development are becoming increasingly apparent. The product has advanced significantly. Nonetheless, it's important to acknowledge that imperfections still exist. Some confusion persists, as a mix of solutions is sometimes required to address diverse client needs. Despite this, the progress Infor has made sets them apart. Their product is notably more comprehensive than several alternatives in the marketplace.

For these reasons, Infor secured the 3rd position on our list this year.

#2 ORACLE FUSION CLOUD ERP

Securing the 2nd position is Oracle Fusion Cloud ERP, a rise from its 3rd-place ranking last year. This upward shift in our ranking underscores Oracle's proficiency and appeal. Additionally, it stands as the 6th most selected software within Third Stage's global client base.

Oracle's elevation in our ranking and its notable placement are rooted in its offering of a flexible solution tailored for large organizations. Oracle primarily targets multinational corporations. The product itself is robust, capable of diverse functionalities that cater to a range of needs. Crucially, Oracle Fusion Cloud ERP boasts a higher degree of flexibility compared to, for instance, SAP S/4HANA. This added flexibility contributes to its higher ranking in comparison.

Furthermore, Oracle fares better in terms of implementation outcomes compared to its competitors. Although challenges and occasional failures are observed, Oracle Fusion Cloud ERP has a comparatively lower failure rate than SAP. Noteworthy is Oracle Fusion Cloud ERP's open architecture, enhancing its compatibility with various systems and solutions.

#1 MICROSOFT DYNAMICS 365

Retaking the top spot this year, as it did last year, is Microsoft Dynamics 365 Finance and Operations (F&O). The primary reason for its continued number-one ranking is the extensive appeal that Microsoft Dynamics 365 holds across a broad customer base. Microsoft targets mid-market and larger organizations, encompassing a scope between SAP/Oracle's focus on more giant corporations and Netsuite/Odoo's focus on smaller companies. This positioning allows Dynamics 365 to scale effectively while remaining suitable for small to mid-sized companies seeking technology deployment.

Microsoft's top ranking is further cemented by being our client base's most frequently selected software. Its flexibility, familiar user interface, reminiscent of Microsoft's signature look and feel, and its open architecture for seamless integration with third-party solutions contribute to its popularity.

However, considering potential drawbacks, one significant concern is its value-added reseller ecosystem. Microsoft lacks control over this diverse ecosystem, resulting in varying quality among vendors. So, selecting the right implementation partner is essential.

SOFTWARE SELECTION PLAYLIST

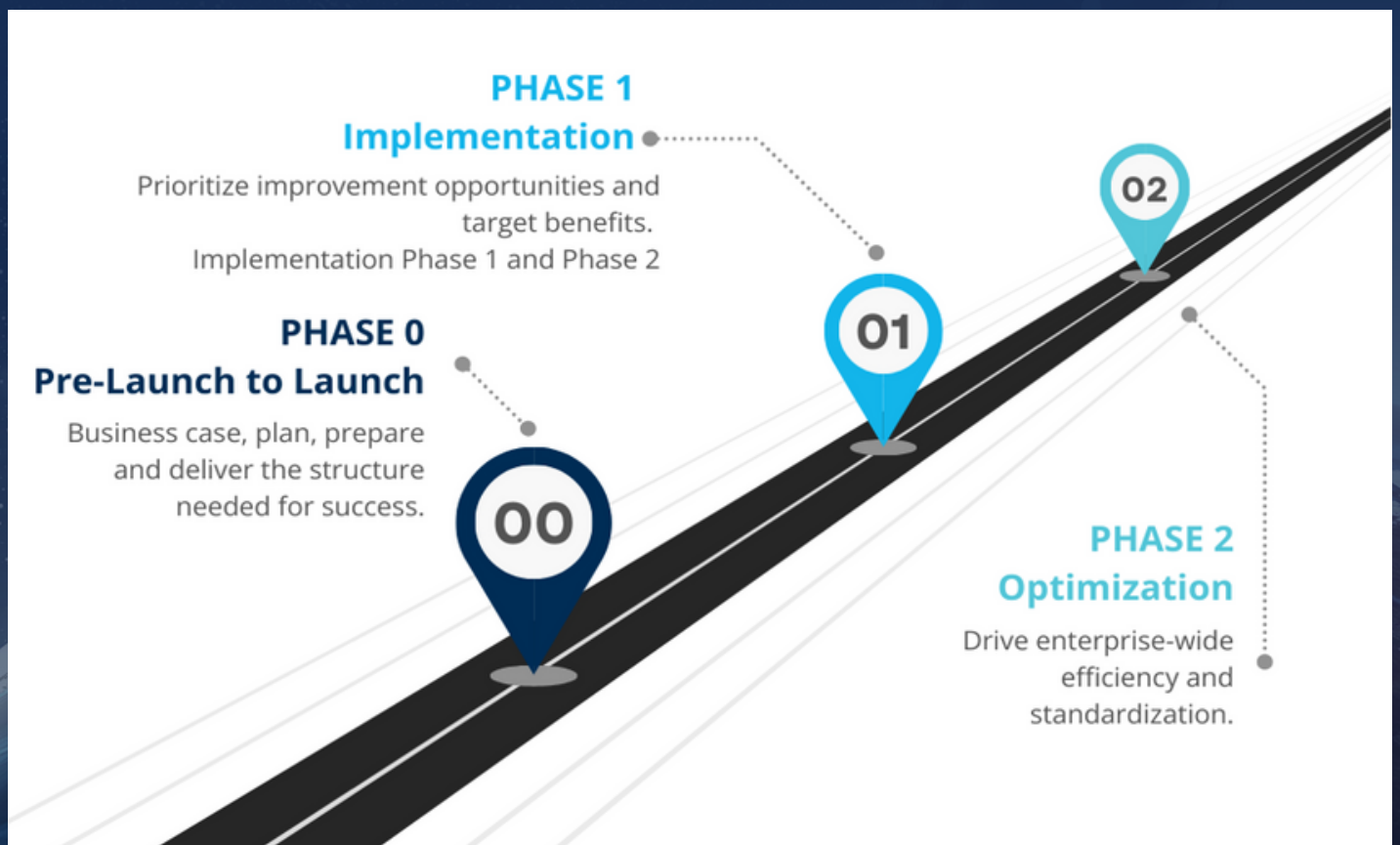# MOST IMPORTANT DIGITAL TRANSFORMATION ACTIVITIES
IMPLEMENTATION FRAMEWORK:

Digital transformation has fast become a cornerstone for business growth, propelling companies into a new era of innovation and competitiveness. But while many organizations embrace this shift, the path to successful transformation remains intricate and often needs to be understood.

This section focuses on demystifying the core tenets of effective digital transformation, from establishing alignment in strategy to ensuring robust program management. We aim to provide a clear roadmap, helping businesses identify critical areas that can make or break their transformation journey.

There are several crucial components essential for a successful digital transformation. However, many individuals are unaware of these distinct work streams. In this discussion, I aim to address these significant work streams that are fundamental to a successful digital transformation.

Many individuals are keen on digital transformation, with many eager to expand their knowledge on the topic and manage a successful change. However, the significant components of an effective transformation often need to be better understood. In this discussion, I aim to elucidate these critical work streams that are essential for a successful transformation.

PHASE 1
Implementation
Prioritize improvement opportunities and target benefits.
Implementation Phase 1 and Phase 2

PHASE 0
Pre-Launch to Launch
Business case, plan, prepare and deliver the structure needed for success.

PHASE 2
Optimization
Drive enterprise-wide efficiency and standardization.

STRATEGY AND ALIGNMENT

The foremost essential aspect of any digital transformation is assessing the overall strategy and alignment. This involves two distinct dimensions of strategic alignment:

Alignment with Organizational Goals: This dimension assesses how congruent the digital transformation framework, which includes its goals, objectives, parameters, and project governance, is with the broader organizational goals and objectives.

Alignment Among Stakeholders: This dimension evaluates alignment among individuals, particularly critical organizational stakeholders. It's vital to ascertain whether these stakeholders agree with the proposed direction.

Even if a strategy is impeccable and ideal for an organization, it will only succeed if the team is unified. A less-than-perfect strategy with strong alignment can often be more effective. Therefore, the emphasis should be on achieving synchronicity between the transformation strategy, the organization, and the key stakeholders and executives.

A pivotal initial step towards strategic alignment is the articulation of the strategy. The primary output from this step is typically a strategic articulation map. This map distills the broader organizational goals and objectives into specific digital transformation goals and objectives. Such a translation often sets a vision and direction for the transformation. It also helps identify areas of alignment, potential misalignment, and the necessary adjustments to ensure congruence.

BUSINESS PROCESS MANAGEMENT

The subsequent vital component of an effective digital transformation is business process management. Within the realm of business process management, there are numerous facets.

To encapsulate, it's essential to delineate our business processes. Crafting a business blueprint that outlines how technology might facilitate business process enhancements is imperative. Achieving this begins with an assessment of our present business processes and workflows. This evaluation aims to identify what's functioning optimally, discern pain points, and pinpoint opportunities for enhancement. The objective is to define an envisioned future state, detailing improved business processes and ascertaining how technology might aid in streamlining these processes.

Notably, software vendors and system integrators occasionally advise organizations to bypass this crucial phase. They might suggest postponing business process management until the implementation phase.

This is a detrimental oversight that many organizations succumb to. The rationale behind emphasizing this stage is that it acts as a visionary blueprint and provides direction on technological deployment.

Without a clear understanding of the present and desired future state, organizations risk ineffective technology deployment and fail to extract optimal business value from their technology investments.

While it's unnecessary to delve into intricate details early on, more granular, transactional workflow details will be essential during the design and build phase. In the initial stages, when defining the digital strategy, evaluating potential software solutions, and prepping for the implementation, the focus should be on delineating macro end-to-end processes.

These processes should provide sufficient detail without being tied to a specific technology, offering an unbiased view of the organization's prospective state. Hence, business process management should commence early in the digital strategy and software evaluation phase, continuing iteratively throughout the implementation.

ORGANIZATIONAL CHANGE MANAGEMENT

The next work stream vital to digital transformation is organizational change management, which focuses on the human aspect of the transformation. Organizational change management encompasses various components that gain prominence at different project stages.

A primary output of organizational change management is assessing organizational readiness. This evaluation gauges the organization's preparedness for change and identifies areas of resistance. Resistance to change is inevitable in any organization, but the challenge lies in identifying its sources, including those deeply rooted factors that might not be immediately evident. Organizational assessments are instrumental in pinpointing these areas of resistance.

With this knowledge, it becomes possible to formulate a change strategy and plan that addresses these concerns.

Following the development of this strategy, attention shifts to numerous facets of organizational change. These include organizational design, pinpointing change impacts on the organization, crafting effective communication strategies, and devising training modules.

Numerous elements of change management must seamlessly integrate for a successful outcome. Despite its pivotal role in digital transformation, organizational change management often needs to be more valued.

It is imperative to prioritize this aspect, potentially allocating more resources than initially anticipated to ensure its efficacy and, by extension, the success of the digital transformation.

Network Insights

What is the most important part of defining an effective digital strategy?
You can see how people vote. **Learn more**

Business process management	34%
Organizational change / people ✓	61%
Enterprise Apps	2%
Other - Please Comment Below!	2%

ARCHITECTURE, DATA, AND INTEGRATION

The following work stream, distinct from the previously discussed technological aspect, revolves around architecture, data, and integration. Rather than focusing on specific software solutions or applications, this stream concentrates on the cohesion of multiple technologies. Given that most digital transformations involve various technologies and technical touch points throughout an organization, it's imperative to delineate an overarching solution architecture. This involves understanding how to integrate multiple systems cohesively, determining data storage locations, managing master data, migrating data to new systems, and maintaining a consistent source of truth.

These considerations remain relevant even when implementing a single, enterprise-wide system or an ERP system. ERP systems comprise modules and workflows that necessitate integration, underscoring the significance of architecture, integration, and data management.

A common pitfall for project teams and broader transformations are relegating this workstream to the project's latter stages, leading to overwhelming workloads that delay the project. Initiating this workstream early is essential, as decisions in the architecture, integration, and data strategies can influence the overall implementation timeline.

This stream is often a critical component in ensuring timely project completion. Addressing the software and non-software aspects of the technology work streams is crucial for a successful transformation.

PROGRAM MANAGEMENT AND QUALITY ASSURANCE

The final work stream under discussion is program management and quality assurance. This process commences in the digital strategy phase and extends through to post-implementation. It is crucial to differentiate between project management and program management.

The latter integrates all the work streams discussed previously and manages resources from various origins. This includes internal project participants, system integrators, change management teams, architects, data specialists, and more. Given the multitude of tasks and resources, program management, provides a cohesive plan for efficient execution.

Beyond simply adhering to a plan, program management emphasizes identifying and anticipating potential risks, a facet where quality assurance becomes paramount. The goal is proactively recognizing risks and formulating strategies to mitigate them throughout the implementation.

Effective risk mitigation and quality assurance are integral to program management. It is worth noting that many system integrators, software vendors, and even internal project teams may not excel in these areas. Therefore, it is adKineticous to engage external expertise for assistance.

In summary, understanding these critical work streams can significantly enhance the success of a digital transformation.

WHY DO ERP SOFTWARE IMPLEMENTATIONS FAIL?
[TOP 5 ROOT CAUSES OF ERP FAILURES]

80%
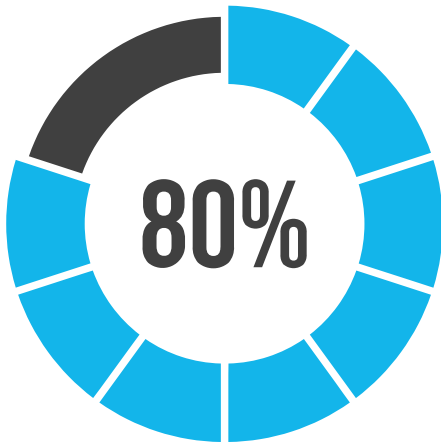
OF DIGITAL TRANSFORMATIONS FAIL - FORBES

Hershey's missed out on an estimated $100 million in orders due to inventory issues, causing their stock to plummet 8% and making headlines in the Wall Street Journal.

Nike invested $400 million to modernize its supply chain, but faced over $100 million in losses, numerous lawsuits, and a 20% stock decline.

The U.S. Navy wasted over $1 billion on four failed ERP pilot projects, deemed redundant, incompatible, and limited in scope by the GAO.

MillerCoors sued HCL Technologies for $100 million over a contract breach in an SAP implementation project.

Numerous studies indicate that a significant percentage of ERP implementations fail, ranging from 70% to 80% or more. Remarkably, this statistic has remained relatively unchanged throughout the 25 years I have been helping clients with their ERP implementations.

While technology and the world have undergone significant changes, companies continue to struggle with their ERP implementations. Today, I aim to delve deeper into this issue, exploring the common root causes behind ERP implementation failures.

Moreover, I will provide insights into what you can do differently to ensure the success of your project. Fortunately, this is not rocket science, and there are no major surprises. By understanding these root causes and actively avoiding them, you can significantly increase your chances of success while minimizing the risk of failure.

UNREALISTIC EXPECTATIONS

One common reason for ERP implementation failures is organizations' unrealistic expectations. This is particularly powerful because technology advances rapidly, giving rise to a false hope that organizations can swiftly adapt to new software and realize immediate business value. Don't get me wrong, ERP software today can significantly benefit most organizations. However, the problem lies in the fact that most organizations underestimate the difficulty of transitioning from their current state to the potential benefits offered by new technology.

As a result, when organizations realize that a project will take longer, cost more, and require more resources than initially expected, they often scale back on critical success factors necessary for project success. For example, let's consider an organization that believes it can complete its ERP implementation in 18 months. They might take 24 or even 30 months to complete the implementation. When the organization reaches the halfway or two-thirds mark of the project, it starts to recognize that they have compressed the timeline unrealistically.

At this point, they face two options: either delay the project and allocate more time and money than anticipated (which may not be feasible given accountability to boards of directors and executives) or force the ERP implementation into a shorter timeframe by scaling back on project activities. Unfortunately, the latter approach often results in cutting critical success factors. Organizational change management efforts may be reduced, iterations of user acceptance testing might be skipped, and less time may be allocated to requirements gathering up front.

These are just a few examples of how organizations make poor decisions later in the project due to their initial unrealistic expectations. To avoid this pitfall, it is crucial to have realistic expectations. Take proposals from software vendors, system integrators, and implementation partners regarding timeframes and budgets with caution. Incorporate your objective perspective to ensure the project is allocated the appropriate time, budget, and resources.

POOR IMPLEMENTATION PLANNING

Another standard mistake organizations make, leading to failure, is inadequate time and effort dedicated to the implementation planning process. Throughout my career, I have observed this fascinating organizational dynamic repeatedly. Here's how it typically unfolds: An organization commits to a digital transformation and ERP implementation. They **evaluate** and select the software they believe will be the right solution for their future. And indeed, it is likely to be a good or even the best choice moving forward.

At this project stage, momentum and excitement for the implementation are at their peak, never to be that high again. Consequently, the team rushed into the implementation phase due to their enthusiasm. They want to start building and experiencing the technology firsthand. This eagerness is positive and necessary, but it comes with a drawback.

The problem arises when organizations jump into the implementation phase too quickly without a robust plan and a clear vision of their desired future state. As a result, they waste significant time and resources later, struggling to define what they aspire to become during the implementation process. To mitigate this, it is crucial to allocate dedicated time in the project timeline for "Phase Zero." or implementation planning phase.

This phase comes after the software selection phase but before implementation begins. During this phase, you should **establish** a project blueprint, define your business processes, envision the **organization's future state**, determine which modules to deploy and when, and mobilize the necessary resources. It is also essential to develop a change strategy.

The more time and effort you devote to this implementation planning phase, the more time and resources you will save in the long run. Therefore, it is essential to prioritize defining this phase.

LACK OF EXECUTIVE VISION AND ALIGNMENT

Another common reason for ERP implementation failures is the need for a clear executive vision **or the failure to articulate that vision** to the organization. Additionally, executive teams often need more alignment on the vision, exacerbating the problem.

When executives don't have a shared understanding of the ERP implementation's purpose and fail to communicate it clearly to the organization, it leads to confusion, chaos, and misdirection throughout the implementation.

While it is common for executives to state that they are undergoing an ERP implementation due to vendor requirements or the need for updated technology, these reasons alone cannot justify the entire project. Establishing and articulating a more comprehensive vision for the ERP implementation is crucial.

- How will it improve the customer experience?
- How will it enhance employee experience?
- What improvements and operational efficiencies will it bring?
- Will it contribute to increased sales and revenue generation?

Defining the benefits and providing detailed insight into the future operating and organizational models is essential.

The mere mention of deploying software like SAP, Oracle, or Microsoft **needs to be revised**. The vision must go beyond that and clearly describe the desired project outcomes. Spending time and effort defining this vision and communicating effectively will provide valuable support and momentum for the project team during the ERP implementation.

To avoid ERP implementation failure, one of the most critical steps is to ensure that before commencing the implementation, there is precise alignment and a shared vision among the executive team.

Network Insights

What is the biggest difference between digital transformation success vs. failure?

You can see how people vote. **Learn more**

Alignment w/ business strategy ✓	38%
Org change management	50%
Process improvements	6%
Other - comment below	5%

POOR ORGANIZATIONAL CHANGE MANAGEMENT

One of the most common root causes of ERP implementation failure is a need for more focus on organizational change management or ineffective implementation of change management strategies. This particular root cause can give rise to various issues within the ERP implementation, leading to symptoms that hinder its success. Suppose the people side of change needs to be adequately addressed, including ensuring **the** full adoption of new processes and tools. In that case, the result will be a collection of unused technology investments that fail to deliver business value.

This raises the fundamental question of why t**he project was initiated in the first place if the expected value still needed to be** realized.

To address this issue, it is crucial to stay focused on the technological aspects of the ERP implementation. Instead, could you allocate more time and effort to focus on organizational change management? The better the organization manages change at the people level, the higher the likelihood of success.

When examining ERP implementation failures, particularly those involving lawsuits where our expertise has been sought for testimony, we consistently find a common theme: a need for more organizational change management. These organizations should have prioritized or adequately addressed the human aspect of change instead of excessively emphasizing the technological elements.

To increase the chances of success, it is essential to develop a robust and effective change management strategy and plan before commencing the ERP implementation.

NO CLEAR DEFINITION OF SUCCESS

Determining how we will define success in our ERP implementation is essential. Most organizations need to achieve the project on time and within budget, which can be a challenging goal. However, beyond that, most organizations lack a clear vision of what they aim to achieve from the ERP implementation. In other words, what is the business case?

What is the expected return on investment (ROI)? Where will the business value come from in terms of tangible benefits? These aspects must be clearly defined to maximize the post-implementation business value and **provide a clear direction throughout the implementation process.**

A clear vision of success serves as a guide and guardrail for the project. It acts as a North Star, leading the way during the implementation. ERP implementations involve numerous decisions, often numbering in the hundreds or thousands, that impact how the business will operate, its appearance, and the technologies to be deployed.

Decisions regarding software configuration, customization, and integration with third-party systems significantly affect project scope, cost, and risk. Without a clear vision of what success looks like for the project and the desired future state of the organization, the implementation process becomes an aimless journey into the uncertain realm of digital transformation and ERP implementation.

TOP 10 QUESTIONS ABOUT DIGITAL TRANSFORMATION

[MOST IMPORTANT Q&AS FOR DIGITAL STRATEGY]:

A successful digital transformation is far from a mere technological upgrade – it's a holistic reimagining of how an organization functions, delivers, and thrives in a digital age. But where does one begin? One of the pitfalls many businesses face is diving into transformational endeavors without adequately addressing fundamental questions.

This section sheds light on the ten most pressing questions organizations must confront and answer before embarking on their digital journey. By tackling these essential questions head-on, organizations can set the stage for a digital transformation journey that's both strategic and fruitful.

WHY ARE WE CHANGING?

This is a fundamental question that needs a more comprehensive answer than just upgrading technology or being forced to move to a new system.

Organizations must have a clear and comprehensive reason for going through a digital transformation encompassing their longer-term goals and vision.

WHAT BUSINESS VALUE DO WE EXPECT?

One of the best ways to unpack the "why" of doing this project is to define the business and the value that is expected from the transformation.

These should be measurable metrics that affect the organization's performance, metrics, and results. It is essential to define the business benefits, impact on the customer and employee experience, effect on inventory levels, and how it will improve the supply chain. These are just a few examples of the questions that can be asked to define the expected business value.

WHO IS LEADING THE TRANSFORMATION?

This question refers to the leadership team responsible for leading the project, setting the vision, and guiding the organization through the change. Having the right people in charge of the transformation, with the necessary skills, experience, and commitment to see the project through to completion.

This includes identifying a project sponsor, a project manager, and a core team of stakeholders who will oversee and execute the transformation. These leaders should be empowered to make decisions and have the authority to allocate resources and effectively manage the project's timeline and budget.

By having the right leadership in place, you can ensure that the project stays on track and delivers the expected business value.

WHAT IS OUR TARGET OPERATING MODEL?

The future state target operating model defines the organization's business processes, structure, and integration of data and workflows.

Defining this model is crucial because it enables the organization to envision what it wants to become and how technology and process improvements will support that future state.

It's a mistake to defer this question until technology deployment begins, as it can lead to aimless and misaligned efforts. The future state target operating model should drive the technology, not vice versa. Defining this blueprint is critical for success in the digital transformation process.
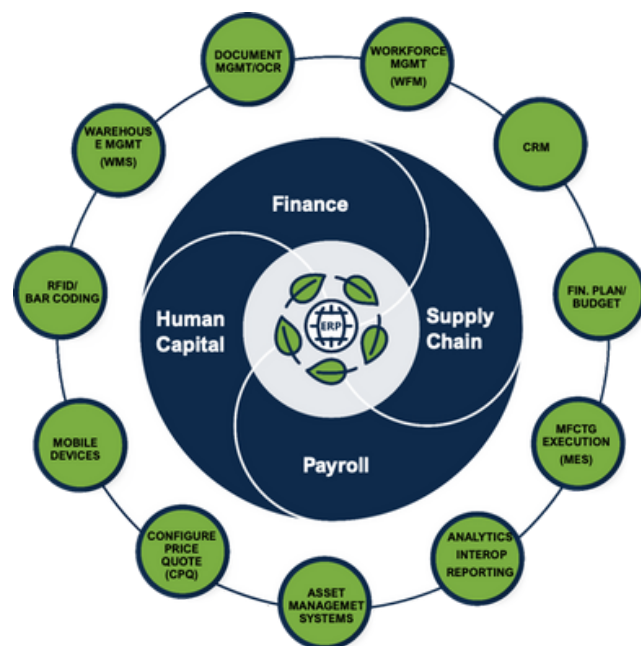
WHAT IS OUR FUTURE ORG STRUCTURE?

The next question to ask is about organizational design. It involves identifying how people's roles and responsibilities will change, how reporting relationships will be impacted, and whether or not the organization will be restructured.

Defining the organizational design should be done in parallel with the future state target operating model. It is crucial to consider how the changes will impact the people within the organization. **Defining the business processes requires considering how they affect the people.** Identifying what the future state organization will look like before deploying technologies is essential.

The process of defining the future organizational state is iterative. It should start early in the transformation, and as you get into the details of the technologies, you'll understand the changes and impacts at a more granular level. However, it's important not to wait until that level of detail is reached; starting as early as possible in the transformation is ideal.

TECHNOLOGY

One of the crucial questions that needs to be answered early in your digital strategy is selecting the right technology. You should not make the mistake of selecting technology first and then trying to fit the future state within that technology.

Instead, you should define the future state operating model and choose the technology that best helps you achieve that vision. Selecting the right technology is crucial and should be noticed, as it can determine the success or failure of your transformation.

WHAT ARE THE PROJECT ROLES?

To ensure the success of a transformation it's essential to define the project roles early on, both internally and externally. This includes roles such as program manager, change management team, business process owner, and executive steering committee.

Without clear answers to these questions, project governance may need to be in place to manage the project effectively, resulting in cost overruns and potentially derailing the project. It's crucial to involve the right people internally to ensure the project's success.

The question is about the importance of defining project roles and responsibilities early in the planning process. It is crucial to clearly understand who will fill the project roles, both internally and externally. This includes the program manager, change management team, business process owners, and executive steering committee.

Without proper project governance and key stakeholders' involvement, the project will likely face issues and may not achieve the desired outcomes. Therefore, it is essential to approach the internal team as a general contractor and ensure that all roles are adequately filled to support the project's success.

ALIGNMENT

The importance of alignment in a transformation project cannot be overstated.

Before starting the transformation, it is essential to ask whether the team is aligned internally, around what they expect to get out of the project, the transformation plan and strategy, project governance and decision-making, and what they want to be when they grow up.

If alignment is lacking, it's crucial to slow down and take a step back to answer those questions and try to get aligned before proceeding with the transformation.

To ensure a successful transformation, it is essential to have internal alignment within the team and organization before starting the project. This alignment clarifies project goals, strategy, governance, decision-making processes, and desired outcomes. Misalignment can lead to significant delays and increased project costs.

Organizations need to take the time to get aligned, articulate a clear vision, and ensure stakeholders are moving in the same direction. Overcoming misalignment is critical, and facilitators can help organizations achieve internal alignment. While getting off track during the transformation is possible, starting with alignment is crucial to success.

Network Insights

**What do you think is the biggest organizational and human stressor in a digital transformation?**

You can see how people vote. **Learn more**

Fear, Uncertainty, and Doubt ✓	52%
General Chaos of Project	24%
Culture Shock	20%
Other - Leave Comment Below!	5%

WHAT IS THE DIGITAL STRATEGY?

It's important to note that the software vendor, system integrator, or implementation partner isn't responsible for defining the strategy and plan. It's up to the organization to define them and then bring in the external resources to help execute the plan.

Yes, involving outside resources like software vendors and system integrators can be helpful, but it's important to remember that they have a limited perspective focusing primarily on technology. Therefore, organizations must take ownership of their digital strategy and plan, considering all aspects of the business, including non-technological elements such as change management, process improvements, architecture, data migration, and more.
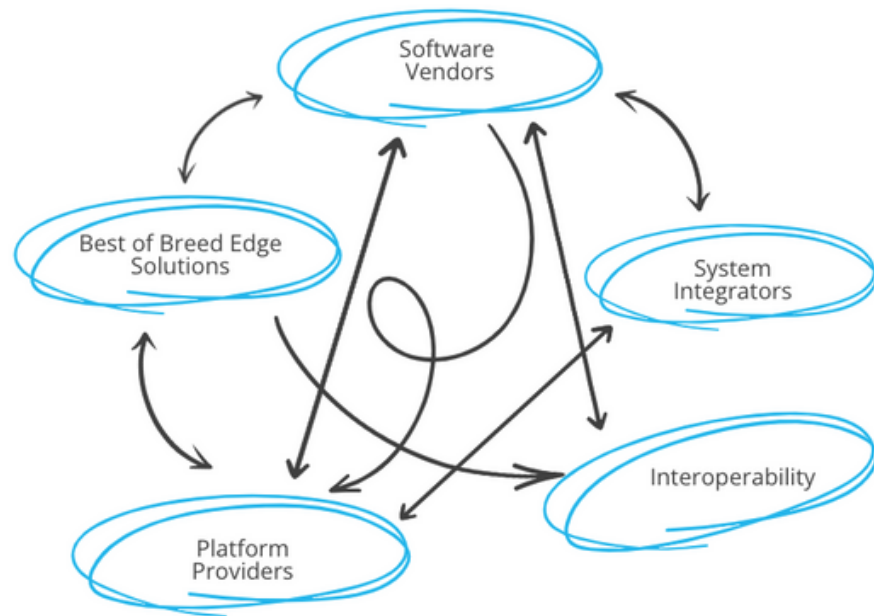
The importance of having a clear project strategy and plan is highlighted, and it is recommended not to rely solely on a software vendor's plan as it may not fit your culture and goals. Adjusting and supplementing that plan to suit your specific needs and requirements is necessary. It is emphasized that the overall program plan should be defined early in the project.

You may also need to bring in external expertise in areas such as data governance, data architecture, cybersecurity, and other related fields. These experts can help ensure that your digital transformation is successful from a technology perspective and a holistic business perspective that includes non-technological factors. It's important to remember that a successful digital transformation is not just about implementing new technology but about transforming your entire organization to be able to leverage that technology to achieve your strategic goals.

One way to approach this is to have a dedicated integration architect or integration team responsible for properly integrating those systems. Then, regarding data migration, the software vendor or system integrator will often provide some level of data migration. Ultimately, it's up to you to define what that data migration looks like and ensure that the data being migrated from your existing systems to your new systems is clean and accurate.

And then, of course, there are other areas like testing, training, and ongoing support that you need to ensure you have dedicated resources. So, the key takeaway is that while your system integrator or software vendor is a critical part of the project team, you need to ensure you have other resources in place to support the areas they don't cover or don't cover well.

ACCOUNTABILITY

Before starting a transformation project, we must ask how we will hold ourselves accountable for its success. You need an executive sponsor who is the ultimate decision-maker on the project, but no one person can be the single point of accountability.

You need to define who will be responsible for certain business benefits, keeping the project on track and budget, ensuring the right resources are allocated and prioritized, and post-transformation accountability for delivering expected business value and avoiding disruptions to business operations. It's crucial to ensure accountability throughout the transformation to achieve successful outcomes.

In conclusion, asking yourself a series of essential questions is crucial before embarking on a digital transformation journey. These questions revolve around the business strategy, the internal resources, the system integrator, the alignment, and accountability. By addressing these questions, you can better define the scope of your transformation, understand your internal capabilities, bring in outside support where needed, ensure alignment among stakeholders, and hold everyone accountable for delivering the expected business benefits. Remember, the success of your digital transformation ultimately depends on your ability to make informed decisions and execute effectively.

Network Insights

What is the biggest change management mistake in digital transformations?

You can see how people vote. **Learn more**

No change strategy at all ✓	59%
One-size-fits-all approach	31%
Training too early in project	4%
Other (please comment)	6%

THE THIRD STAGE MISSION

At Third Stage Consulting Group, our mission is to empower organizations worldwide to achieve their digital transformation goals through unbiased, transparent, and technology-agnostic guidance. We believe that every organization should have access to honest and independent advice that enables them to make informed decisions about their technology investments.

Our team of experts is driven by a mission of honesty and dedication to achieving our client's goals, free from the influence of vendor partners seeking to make money at the expense of our client's best interests.

Digital transformation is more than just technology – it is about people, processes, and organizational change. Our holistic approach to digital transformation ensures our clients have the tools and knowledge they need to succeed in today's rapidly evolving business landscape.

JOIN OUR MOVEMENT

Questions on this content? Reach out to us: info@thirdstage-consulting.com

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Eric Kimberling is a renowned global technology thought leader and the founder and CEO of Third Stage Consulting Group, a leading technology advisory firm that helps organizations worldwide achieve digital transformation success. With over 20 years of experience in the field, he is a recognized expert in enterprise software selection, implementation, and organizational change management. Eric is also a sought-after speaker and author, regularly sharing his insights and perspectives on digital transformation trends, challenges, and best practices through his blog, podcast, and other media channels.

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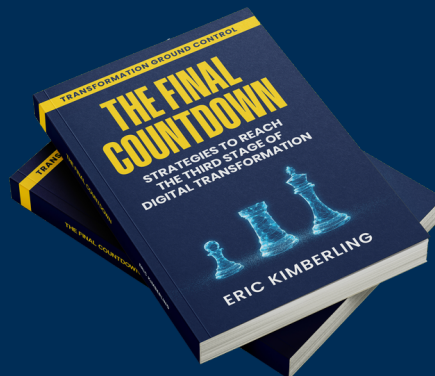
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