THE 2021 Digital Transformation REPORT

THIRD STAGE
CONSULTING GROUP

Disclaimer: Third Stage Consulting is an independent digital transformation consulting firm. Third Stage has no financial ties to ERP, HCM, CRM, supply chain management, or digital transformation technology vendors. Accordingly, the below analysis is completely technology-agnostic and 100% free of vendor bias.

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INTRODUCTION

Over that last decade, our team has conducted annual research of the ERP, HCM, CRM, supply chain, and digital transformation markets. This research and corresponding reports are intended to provide benchmarks and an understanding of industry trends related to enterprise implementations and digital transformations.

This report reflects our findings from our most recent study of organizations implementing enterprise technologies as part of their overarching business transformations.

QUANTITATIVE
METRICS AND FINDINGS

Below are some of the key quantitative metrics that we found to be of most interest to CXOs and project teams engaging in digital transformations. Rather than providing single average numbers for each of the areas below, the study provides ranges that most organizations fall into.

IMPLEMENTATION TIME AND COST

For better or for worse, implementation time and cost are two of the most important metrics that CXOs and project managers use to measure success. Our study finds that although there are a number of variables that impact actual time and cost, these metrics are fairly consistent among companies of similar size and complexity.

Implementation duration

For mid-size companies ranging from $50M to $1B in annual revenue, most implementations require 14 to 16 months. For companies larger than $1B, this number increases to 31 to 34 months. It is important to note that these figures are trending higher in the last two years, largely because the major vendors are concurrently releasing newer, less proven, and less mature flagship ERP products in the market. This is creating additional complexities and difficulties during their customer's implementations.

Implementation cost

Actual implementation budgets are largely irrelevant since this number varies wildly based on company size. For this reason, we normalize implementation costs to be expressed as a percentage of company revenue. Mid-size companies with revenue under $1B realize a total cost of ownership of 3% to 5% of their annual revenue. Companies with revenue over $1B fall in the range of 2% to 3% of annual revenue.

The numbers are smaller for larger organizations largely because they have more economies of scale on their transformations. In other words, there is a minimum cost that must be spent on any transformation regardless of size, so larger organizations experience lower costs when expressed as a percentage of revenue.

Variables with strongest impact on implementation time and cost

Of the dozens of behavioral and qualitative factors we examined, our research shows that the following variables had the highest correlation with implementation time and cost:

- ***SCOPE*** *– those with broader scopes of functional areas experienced higher durations and costs.*
- ***MAGNITUDE OF CHANGE*** *– those that made the biggest changes to their organizations experienced the highest durations and costs. Those that migrated from a mainframe-based system to a modern solution, for example, were much more likely to experience higher implementation durations and costs than those with more incremental changes.*
- ***COMPLEXITY OF OPERATIONS*** *– those with more business units, operations in more countries, and other complexities in their business models experienced the highest durations and costs.*
- ***LEVEL OF ORGANIZATIONAL CHANGE SUPPORT*** *– those that invested the most in organizational change experienced lower duration and costs.*
- ***LEVEL OF SOFTWARE CUSTOMIZATION*** *– those with more customization experienced higher durations and costs.*

The above areas are the variables that had the strongest correlation and linkage to implementation duration and cost.

OPERATIONAL DISRUPTION

One of the greatest costs and risks for any digital transformation is operational disruption after go-live. However, these costs and risks can be difficult to predict and mitigate without the proper expertise. Of all the metrics we quantified in this study, this one had the highest degree of consistency over the 1,000+ digital transformations studied.

Definition of operational disruption

51% - 54%

OF COMPANIES EXPERIENCED OPERATIONAL DISRUPTION

50% - 300%

INCREASE OF INITIAL COST OF IMPLEMENTATION DUE TO OPERATIONAL DISRUPTION

Operational disruption is defined as a "material" disruption to operations as a result of the transformation. For example, being unable to ship product or close the books are the two most common operational disruptions. This metric does not include smaller and more common disruptions, such as employee frustration, short-term inefficiencies, and other relatively minor disruptions.

Of all companies in the study, 51% to 54% experienced a material operational disruption at the time of go live. The duration of disruptions varied greatly, ranging from a few weeks to several months. In addition, the costs of these disruptions increased the initial cost of the implementation from anywhere between 50% and 300% of the cost to implement the transformation.

Variables with the strongest impact on operational disruption

The below variables had the strongest and most direct impact on the level of operational disruption that organizations experienced:

- ***CLARITY OF DEFINED BUSINESS PROCESSES*** *– those that spent more time defining clear business processes prior to or early in their transformations were less likely to experience disruption.*
- ***INVESTMENT IN ORGANIZATIONAL CHANGE AND TRAINING*** *– those that implemented more complete and effective change strategies were less likely to experience disruption.*
- ***LEVEL OF EXECUTIVE ALIGNMENT AMONG KEY STAKEHOLDERS AND THE TRANSFORMATION PROJECT TEAM*** *– those that rated higher in executive, stakeholder alignment, and project team were less likely to experience disruption.*
- ***TIME AND EFFORT SPENT DURING USER ACCEPTANCE TESTING AND CONFERENCE ROOM PILOTS*** *– the more thoroughly a company tested its processes and systems, the less likely they were to experience disruption.*

Companies that excelled in these four areas were the most likely to experience successful digital transformations with the least amount of operational disruption.

Areas with low correlations with implementation duration, cost, and operational disruption

The following variables had the lowest impact – positive or negative – on the metrics outlined above:

- ***TYPE OF SOFTWARE IMPLEMENTED*** *– though SAP and Oracle implementations tend to have higher implementation durations and costs, this statistically appears to be more of a function of the size and complexities of the organizations that implement them rather than the technology itself.*
- ***SPECIFIC SYSTEM INTEGRATOR USED TO IMPLEMENT THE SOFTWARE*** *– in other words, the specific system integrator.*

In other words, these variables statistically have very little impact on the outcome of client's digital transformations. They are relatively neutral to transformation success or failure.

TOP CHALLENGES
EXPERIENCED BY TRANSFORMATION EXECUTIVES AND PROJECT TEAMS

In our study, we also ranked the top difficulties that executive sponsors and their project teams experienced. In the study, we focused on the root causes rather than the symptoms of transformation challenges. These were the top 5 difficulties faced by executives and project teams, ranked in order of the frequency that the challenge occurred:

#1 ORGANIZATIONAL CHANGE AND THE "PEOPLE" PART OF THE TRANSFORMATION.

Whether it was intentional resistance or more subtle misunderstandings regarding the transformations, organizational change was the number one concern and challenge among executives and project teams that had recently gone through a digital transformation.

#5 DIFFICULTIES WITH DATA MIGRATION.

Cleansing, mapping, and moving legacy data to the new ERP system was a common challenge among organizations that recently completed a transformation.

#2 TRANSFORMATION MISALIGNMENT WITH STRATEGIC OBJECTIVES.

Many CXOs and project teams struggled with transformations that did not support or align with their broader strategic objectives.

#4 CLARITY OF BUSINESS PROCESSES.

Organizations that did not take the time to clearly define their future state business processes struggled much more than those that did. Those that relied more on "best practices" and "off the shelf" software functionality to drive their transformations actually experience the most difficulties.

#3 DIFFICULTY MANAGING OR ADDRESSING DEFICIENCIES WITH THE SYSTEM INTEGRATOR.

Companies that completely outsourced their deployments to an ERP system integrator, VAR, or reseller were more likely to experience challenges than those that took more active ownership of their transformations.

Interestingly, despite common belief that they are the biggest challenges facing digital transformations, the following did *not* make the list of the most common difficulties experienced by transformation teams:

Implementation duration and cost, which was determined to be a symptom of those challenges in the top 5 rather than a root cause in and of itself.

Technology vendor selected, which showed no statistical correlation between software chosen and success or failure rates.

System integrator selected, which showed no material statistical correlation between specific system integrators and their success or failure rates.

Technology configuration and integration, which was a common challenge, but not nearly as common as other factors revealed in the study.

Too much software customization, which was determined to be a symptom of poor organizational change management rather than a root cause in and of itself.

FORECAST OF INDUSTRY TRENDS
IN 2021 AND BEYOND

The past year has been full of change. Health concerns, economic turmoil, political unrest in certain parts of the world, and revamping of global supply chains are just a few of the changes that we have had to adjust to in 2020.

Looking forward to 2021, there are a number of predictions and trends that should inform your digital transformation initiatives. Whether you are embarking on an ERP implementation, CRM or HCM software initiative, supply chain transformation, or some other digital or business transformation, these are the top 10 trends that you should be aware of in 2021 and beyond.

10 REMOTE WORKFORCES WILL BECOME NORMAL

What was seen as a potential interim solution for a post-Covid world appears to be evolving into a longer-term trend. In addition to helping protect employee health, this trend of working remotely is being fueled by the efficiency and productivity gains enabled by remote technologies. Though the pendulum will eventually swing back to a balance between higher efficiency versus the value of face-to-face collaboration, it is likely to permanently change how we view work in the future.

9 ACCELERATION OF CLOUD ADOPTION

ERP systems and other enterprise technologies were already rapidly moving from on-premise to the cloud, but this trend will accelerate in the coming years. With more remote workers, globally dispersed supply chains, and data distributed among multiple systems, cloud ERP systems are becoming a necessity. Word of warning: many enterprise technology solutions are still making the transition to the cloud, so be sure to thoroughly evaluate and understand the gaps before committing to a long-term contract.

8 CYBERSECURITY WILL BECOME MORE IMPORTANT

Disparate workforces and cloud systems leads to more risk of potential cybersecurity breaches, making cybersecurity more important than ever. Not only do potential outside hackers have more access points to target, but the risk of internal security breaches is higher as well. Organizations will need to tighten the security of their systems and data in order to effectively manage remote workforces and teams of the future.

7 FLEXIBILITY WILL BECOME KEY

The year 2020 taught us that the future can be impossible to accurately predict. Supply chains required massive overhauls, entire workforces migrated to a remote model, and many employees were furloughed or terminated – and all of this happened in an extremely short period of time. Rigid and inflexible systems of the past won't cut it in 2021 and beyond, so be sure to implement digital transformation solutions and organizational competencies that provide the flexibility to change your business model as it evolves.

6 PROGRAM MANAGEMENT WILL BE A HIGH-DEMAND SKILL

The magnitude of change triggered in 2020 has forced more transformation initiatives on organizations throughout the globe, putting more of a premium on effective program management. Simply project managing a technology implementation as in the past won't be enough. The most effective organizations will be the ones that can manage entire transformations well, whether those initiatives involve massive organizational changes, operating model enhancements, and/or new technologies.

5 SYSTEM INTEGRATOR CHALLENGES WILL CONTINUE

At the time I'm writing this, several of the big ERP systems integrators and consulting firms are experiencing mass layoffs as their model of bloated implementations, armies of full-time onsite consultants, and pushing technology for technology sake becomes obsolete. While these larger firms figure out their roles in this new landscape, their customers need to mitigate against the risk of project team attrition and knowledge drain. Be sure to hedge your bets by building internal competencies and considering alternatives to the traditional systems integrators.

4 ORGANIZATIONS WILL BECOME MORE DECISIVE AND WILL TAKE MORE OWNERSHIP OF THEIR TRANSFORMATIONS

Our clients demonstrated unprecedented decisiveness following the economic and health fallout of COVID-19. This trend will continue in 2021 and beyond. In order to navigate a rapidly changing world, organizations need decisive leadership and control over their transformation initiatives. Unlike the days of years past, organizations are a lot less likely to simply outsource digital transformations to third parties without accountability, direction, and oversight. Firms that deploy independent transformation quality assurance programs will excel over counterparts that operate with outdated and ineffective governance models.

3 RISK MITIGATION WILL BECOME A HOT COMMODITY

Speaking of governance – and as a result of this increasing focus on taking control of their transformations – organizations will have better visibility into their technology implementation risks. Rather than asking the fox to guard the henhouse by having your technical implementers self-assess their own risk, more forward-thinking organizations are finding new ways to identify and mitigate risk. This is another area where an independent third-party like Third Stage can help.

2 DIGITAL TRANSFORMATION STRATEGY WILL BE A DIFFERENTIATOR

With the unprecedented magnitude of change and plethora of technology options available, organizations need to define custom digital transformation strategies that best align with their overarching strategy and objective. A good digital strategy should clearly define the people, process, and technology aspects of change. Rather than myopically focusing on selecting and implementing a single enterprise technology (such as one of the top ERP systems or CRM systems), more effective digital strategies provide a clear roadmap for broader transformation.

1 CHANGE MANAGEMENT WILL BE MORE IMPORTANT THAN EVER

As we speak, employees are experiencing change fatigue. The past year has been full of tectonic changes, so while it may be tempting to assume that your employees are used to change – and therefore willing and able to change – it is important to recognize that change management is more important now than it ever has been. Transformations of today are more likely to result in more material operational and organizational changes, which underscores the importance of organizational change management.

WHAT THESE TRENDS MEAN TO YOU

If there are two words to describe the state of transformation in 2021, they are: change and flexibility. Achieving these two goals will require relentless focus and unwavering control of your transformation initiatives. Independent and technology-agnostic companies like Third Stage Consulting can help guide you through the process.

TOP 10 RECOMMENDATIONS
FOR DIGITAL TRANSFORMATIONS IN 2021

Instead of envisioning how they might leverage blockchain, artificial intelligence, internet of things, and other strategic technologies, many organizations are instead dealing with a new reality. For some, resources are constrained due to illness or displaced employees. For others, revenues and budgets are lower – meaning less spending on ERP, human capital management (HCM), and supply chain management (SCM) systems.

Whatever the impact to your organization, chances are that you, your team, and your digital transformation initiatives are facing a different reality than in the 2010s. We are experiencing unprecedented disruption in the world around us. Our reality has changed. Our tolerance for risk has changed. Our operations have changed. And the list goes on.

With this new landscape in mind, here are the top 10 competencies we recommend for ERP, HCM, CRM, and SCM transformation initiatives in the 2020s:

#10 FAST DECISION-MAKING

It may seem that the world around us is changing very quickly – and indeed it is – which underscores our need to keep up with a fast-changing world. Many organizations were forced to make fast decisions during the crisis of 2020, so this competency will become more valuable in the future. Whether it is dealing with employee displacement, changing customer buying patterns, and/or supply chain disruptions, your organization will need to make fast and well-informed decisions in the future.

#9 REASSESS YOUR IT INFRASTRUCTURE

The shifting world around us raises a number of questions and potential vulnerabilities regarding our internal IT infrastructure. Do we have the right balance of cloud vs. on-premise applications and data? Do we have the right IT skill sets? Are we equipped to handle a remote workforce or displaced employees? We need to ask these and other questions as we assess our overall IT infrastructure. We also need to ask these questions through the lens of the economic and resource realities we face now.

#8 LEVERAGE TECHNOLOGY SELECTIVELY

Economic growth tends to bring a certain lack of discipline as it relates to digital transformation projects. We tend to have more blind faith in half-baked ERP systems and are more comfortable with an open checkbook for big systems integrators during good times. Those days are over.

Those most likely to survive the health and economic turbulence of the 2020s are the ones that are smarter with their technology investments. This may mean rightsizing your pre-2020 digital roadmaps, but it is also an opportunity to be more strategic in your initiatives. Rather than trying to consume a big SAP S/4HANA implementation, for example, you may be better served evaluating options such as best of breed ERP and other effective digital strategies.

#7 INTERNAL OWNERSHIP AND LEARNING

Rather than outsourcing entire initiatives to systems integrators and other third parties, the strongest organizations of the future will place a higher emphasis on ownership and learning. They will take control of their digital transformations – partly out of necessity and partly because of lessons from past ERP failures – and they will become more self-sufficient overall. Those that are continuously learning will thrive in the future, so it is important to look for ways to build these competencies within your organization.

#6 BUSINESS PROCESS MANAGEMENT

The business processes and competencies you thought you might need in the future have probably changed in light of today's current events. For example, the coronavirus pandemic has altered the way manufacturers use ERP systems, while supply chain management transformations of the future will look much different than the past.

Effective business processes will be a key to your success going forward, so be sure to revisit your current state and redefine as needed. It is also important to note that your future state business processes may or may not align with the capabilities of the top ERP systems, so be sure to have this clear definition before investing in technology.

#5 FLEXIBILITY

In addition to clearly defining your business processes, you will also want to build flexibility into your target operating model. For example, many of our clients are seeing the value of having the ability to quickly switch raw material vendors when health, economic, or geopolitical events threaten to disrupt their supply chains.

Another example: many clients are finding the need to quickly furlough, hire, and/or address employee health issues, which underscores the need for effective HCM systems. Although this has less to do with technology and more to do with the way you have built your business processes and organizational design, you will also want to make sure that your technology can support this required flexibility.

#4 RISK MITIGATION

We learned from the post-Y2K bubble-burst and the 2008 financial meltdown that companies generally emerge from recession much more risk adverse. They simply don't have the tolerance or resources to take on big risks, so they tend to become smarter and more conservative with how they manage big projects like digital transformations.

Going forward, risk mitigation will be the name of the game, so be sure to build this competency into your digital transformation initiatives. This should include a transformation quality assurance workstream to objectively identify and mitigate risks going forward. A good first step is to conduct a complementary online project audit of your transformation via our website (or email us at ***info@thirdstage-consulting.com***) to look for opportunities to optimize for and align with the realities of today.

#3 EFFECTIVE TRANSFORMATION STRATEGIES

As reactive as we may feel in light of today's current events, it is important to not forget about the big picture. This is where it becomes very important to achieve small-scale wins and do what makes sense for today – but to do so in the context of a longer-term strategy and plan.

This is where it is critical to define a long-term digital strategy and roadmap. You may not be able to do everything you would like to today – and things may have changed significantly since your last attempt to create a roadmap – but that's ok. Independent and technology-agnostic ERP consultants such as our team at Third Stage can help define a strategy that makes sense to your organization today and where you are headed in the future.

#2 HUMAN CAPITAL MANAGEMENT

The COVID-19 pandemic is a good reminder of how important human capital is to our organizations. It is also a good reminder of how important it is to build the competencies to take care of team members and address their needs – in good times and bad. Those that have invested in HCM systems such as Workday or SAP SuccessFactors (or other leaders in this space) find themselves better equipped to navigate these realities.

Some organizations are facing a displaced workforce. Others are making painful decisions about which employees to keep versus which ones to lay off. Still others are hiring aggressively as their businesses rebound from the economic fallout. Regardless of which phase you are in, building effective human capital management strategies, processes, and technologies will be a mission-critical competency that you will need to invest in for the future.

#1 ORGANIZATIONAL CHANGE MANAGEMENT

The world was already changing quickly leading up to 2020, but the pace of change has accelerated dramatically. In addition, organizations are taking on a bigger share of not only helping employees to navigate business changes, but they are also helping them face today's health and economic realities. This fact is what makes change management #1 on our list.

In addition to learning new technologies, organizations need to learn how to navigate all the changes listed elsewhere in this top 10 list. Employees' worlds have been upended by health and economic concerns, their safety, the well-being of their families, etc. In other words, they have moved down to more basic survival requirements on Maslow's hierarchy of needs.

This has big implications on organizational change management. Change strategies and tactics of the past are no longer 100% relevant for the future, so we need to rethink how we approach this often-misunderstood competency.

TOP ERP SYSTEMS FOR 2021

This is an interesting year to consider new ERP systems. At the same time ERP vendors are incorporating revolutionary capabilities into their solutions, many are also in a state of transition. These products are on one hand introducing artificial intelligence and blockchain to customers, but on the other hand struggling to stabilize basic functionality such as manufacturing and warehouse management.

METHODOLOGY FOR RANKING THE TOP ERP SYSTEMS FOR 2021

We evaluated nearly 100 systems in narrowing our list of top ERP systems for 2021. In doing so, we used a more comprehensive quantitative and qualitative methodology for this year's rankings. We also increased our data points to include our team's more recent implementation experience with each of the leading solutions, and we expanded our top ERP systems from the top 5 to the top 10.

We used the following quantitative and qualitative criteria to determine the best-performing systems:

- **Customer adoption rate**
- **Ease of implementation, including average time and total cost of ownership**
- **Breadth and depth of functionality**
- **Maturity of cloud solutions**
- **Flexibility of solutions**
- **Scalability of solutions**
- **Ease of integration to third-party systems**
- **Vendor's product roadmap and overall viability**
- **Ease of organizational change management and training**
- **Strength of vendor ecosystem, such as system integrators and partners**
- **Return on investment**

The major ERP vendors are in the process of overhauling their flagship solutions as part of their migration to the cloud. This mass overhaul of the leading solutions – along with the fact that the ERP vendor space has become incredibly competitive – has created a shakeup among the leading ERP systems. Understanding the pros and cons of leading ERP systems is a critical component of defining your digital strategy for 2021 and beyond.

Below are some of the top ERP systems that your organization should be considering in 2021 and beyond.

10 SERVICE NOW

Although it is not a traditional ERP system, Service Now is a great product for service-based organizations that are open to a more best-of-breed option rather than a one-stop ERP system. The product's focus on service capabilities and streamlined workflows has increased its adoption in recent years, as has its native cloud-based architecture. This is an emerging and up-and-coming solution that many organizations are considering.

9 WORKDAY

Workday is another cloud-based, best-of-breed HCM software option, although the product is expanding its reach into financials and other traditional ERP functionality. The product is not a great fit for companies with complex supply chains, manufacturing operations, or other more complicated ERP functions, but it can be a good fit for companies with relatively simple operations and more of a focus on the employee experience. This is also a good option for companies evaluating Workday vs. SuccessFactors as their HCM software solution.

8 INFOR M3 AND CLOUDSUITE

Infor M3 and CloudSuite are especially attractive to mid-size manufacturing and distribution organizations, particularly those looking for a lower-cost, less complex, and lower-risk options to SAP S/4HANA or Oracle ERP Cloud. It has invested heavily in this space over the years, so it has a robust set of capabilities that work well for many of our manufacturing and distribution clients.

Although we recently commented on our opinion that Infor has lost its way in recent years, we still see a variety of companies leveraging Infor M3 and CloudSuite. Once Infor more clearly defines its roadmap for M3, CloudSuite, and other systems in its portfolio, it is likely to move further up the top 10.

7 SALESFORCE

Many think of Salesforce as simply a CRM system, but it has become a more viable cloud-based ERP solution for small- and mid-size companies. Through its Force.com platform, Salesforce has enabled a variety of third-party applications to transform a core CRM system into more complete ERP system. For example, FinancialForce and Rootstock provide add-ons that make the Salesforce vs. Oracle NetSuite comparison a more viable comparison for the mid-market.

On the downside, the flexible best of breed model can create a certain degree of technical complexity that can overwhelm many organizations. A mature and relatively sophisticated internal IT team is needed to effectively implement and support the products required to patch together a complete ERP system.

6 SAP S/4HANA

SAP appears to be investing heavily to remediate gaps in its core S/4HANA system, and it is still among the best two to three options for many larger enterprises. It also has a large R&D and product innovation budget in its war chest, which bodes very well for the long-term viability and appeal of the product. Its acquisitions of SuccessFactors, Ariba, and Qualtrics offer customers a scalable best of breed model to provide broader and more flexible enterprise capabilities.

Although SAP has historically been the gold standard of ERP systems – especially for large companies – we are seeing red flags with the S/4HANA product itself and customer reactions to the product. For example, legacy customer adoption is abnormally low (especially in the upper mid-market, despite SAP's 2025 deadline), there are fairly significant gaps in S/4HANA's functionality, and we are already seeing a shortage of qualified S/4HANA resources. Assuming SAP can mitigate these and other limitations, S/4HANA is likely to move back up the list in coming years.

5 SAGE X3

Sage X3 is a new entrant to the top 5, mainly because of its strength in the mid-market manufacturing and distribution space. We have seen many in the middle market effectively implement the system as a low-cost and low-risk alternative to SAP S/4HANA and Oracle ERP Cloud. We are also seeing the company transition from a "small" ERP system to one that can handle more complex manufacturing and supply chain needs. Sage is a leader in the "don't try to be everything to everyone" movement in the ERP software industry.

On the downside, the product tends to struggle with larger and more complex and diversified manufacturing and distribution clients. For example, companies with global supply chains, operations, and a variety of business needs may find the functionality of Sage X3 to be a bit limiting.

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4 IFS

IFS is another product that has focused strengths, which is enough for the product to crack our top 5 this year. Although the product is not well-known outside of its European headquarters, it is a very mature and well-established product that focuses on field service-based organizations and some industrial manufacturers with heavy asset management, project management, and MRO needs. Even though we don't recommend this product for a high-volume of clients each year, we have seen a very high win rate when it is short-listed among our clients, and the product's mature functionality and flexible deployment options differentiate it from other vendors.

On the downside, the company is still too dependent on its direct resources to sell and implement the software. This will need to change if it wants to truly penetrate and increase customer adoption in regions such as North America, Latin America, and Asia. It is also not a great fit for manufacturing clients outside of its core functional areas of focus.

3 ORACLE ERP CLOUD

ORACLE

Oracle ERP Cloud

Oracle ERP Cloud has moved up the rankings this year, largely due to its increasing momentum in customer adoption and maturing cloud product line. With its maturing product functionality, we also see the product performing well in our clients' SAP S/4HANA vs. Oracle ERP Cloud evaluations. The product's relative flexibility also supports emerging ERP best of breed models, which can result in an attractive cost, risk profile, and business benefits.

Having said that, the product still has a way to go to achieve the functional maturity of its legacy on-premise products, such as JD Edwards and eBusiness Suite. Its technical complexity relative to products such as D365 or NetSuite can be overwhelming to some organizations, so these are criteria that should be considered in your ERP evaluation process.

2 MICROSOFT DYNAMICS 365

Microsoft D365 continues its strong showing in our top 10 list this year, largely because of its ability to scale between the mid-market and larger enterprises. We are also seeing increasing customer adoption, and our team is helping manage a number of successful D365 implementations. Perhaps most importantly, the product provides a good deal of flexibility to customize workflows and integrate to other systems, which can mitigate implementation risk and optimize ROI.

On the flip side, the partner reseller model is still a hot mess, with too many unqualified resellers crowding the market and making implementations of the product more difficult than they need to be. This is probably the biggest liability keeping it out of the #1 spot this year. We also see the product's flexibility being more of a liability for some organizations: just because you can change the software doesn't mean you should.

1 ORACLE NETSUITE

The industry's pioneer cloud ERP system is in a great spot now that other vendors are struggling to prematurely rush their cloud offerings to market. Add the fact that NetSuite seems to be finally capitalizing on the strength of Oracle's financial and organizational resources, and the product moves to the top of our list for the first time. Low adoption among the upper mid-market and larger enterprises had kept the product out of the top spot in years past, but we are seeing enough larger organizations prove the product's scalability with successful deployments – especially in two-tier best of breed models. The product holds up well in comparisons of NetSuite vs. D365 and other systems.

The product still lacks robust implementation and reseller options, but this is slowly changing over time. We also find that the product has limitations with more complex manufacturing, distribution, EDI, and retail situations, so it is important to vet some of these limitations against your business needs.

TOP 10 CRM SYSTEMS
FOR DIGITAL TRANSFORMATIONS

Customer relationship management (CRM) software is a powerful set of tools used by sales organizations throughout the world. These systems have the ability to automate sales processes, better manage sales teams, and grow top-line revenue growth. They can be an integral part of an organization's long-term digital transformation strategy and roadmap.

Unlike the top ERP systems, which generally impose changes to an entire organization, CRM software can be implemented in a targeted way to focus on sales and customer service needs. There is also a plethora of options to choose from, ranging from big vendors such as Salesforce to niche providers like Sugar CRM and ERP vendors such as Oracle and Microsoft.

Below are the top 10 CRM systems according to our independent criteria:

10 › HUBSPOT CRM

HubSpot

HubSpot CRM is a simple and inexpensive option – especially for small and mid-size organizations. The product handles basic salesforce automation, lead management, and sales pipeline functions and is simple to use. It also integrates with HubSpot's marketing automation software, which allows you to create web landing pages, capture leads, create email marketing campaigns, and seamlessly integrated leads with the CRM tool.

The downside of the product is that it is fairly limited in its capabilities. It works fine for smaller sales teams, but larger and more complex organizations with larger sales teams may find the product too simplistic for more advanced needs such as tracking commissions, tracking to quotas, managing sales teams, and other common CRM features.

9 ODOO CRM

Odoo CRM is another popular option for small and mid-size organizations. This open source software also provides broader ERP functions such as inventory management, financials, procurement, and other enterprise-wide capabilities. Or, if you already have an existing ERP system, it integrates well with other ERP systems. It is also relatively flexible and modular when compared to other CRM systems in our ranking.

Like Hubspot, Odoo CRM is free to try out. The biggest weakness is that it can be too simplistic for more advanced needs. In addition, it requires a bit more internal technical proficiency due to its open source format, which may require more internal technical skills than many small businesses can afford.

8 SAGE CRM

Sage CRM is another common option for smaller and mid-size organizations, but its breadth of capabilities is greater than Hubspot, Odoo, and some of the other CRM software in our top 10. For example, it also provides more robust capabilities in customer service, forecasting, and marketing. It is also strong in automating the quote, proposal and order process, which can be especially beneficial for companies that offer custom tailored products or services.

The system also integrates relatively well with third-party systems and allows for either on-premise or cloud implementations, which provides customers more options and flexibility. Its biggest downside is that it isn't an extremely common CRM system in the market when compared to other options. It can also be a good option for those that aren't yet sure if they want CRM vs. ERP software longer term.

7 SUGAR CRM

Sugar CRM is another good option for mid-size companies. In addition to strong functionality in core sales areas such as pipeline and lead management, it also provides workflows to automate customer service management processes. This makes it a particularly good fit for services companies such as financial services, professional services, and staffing / recruiting firms.

Since the product is not extremely well-known and does not have as large of an install base as some of the other options in our top 10, it does not have as robust of an ecosystem of consultants and systems integrators. It also doesn't scale as well for larger organizations when compared to some of the other CRM systems in our ranking.

6 SAP CRM

SAP CRM is a common option for larger organizations and sales teams. In addition to base sales automation, SAP CRM can do a variety of other things, such as customer service, contracts, and billing. It also provides a robust toolset to manage large global sales teams, such as managing territories, tracking commissions, and sales forecasting.

SAP CRM is part of the broader SAP S/4HANA ERP toolset, which is built for larger companies. Other options include C/4 for customer management, which allows customers to expand its SAP footprint into other processes within their organizations. The biggest downsides of the software are its complexity and relative inflexibility when compared to other CRM systems in our ranking.

5 ORACLE CRM CLOUD

Like SAP, Oracle CRM is a common option among Fortune 1,000 companies and other larger sales organizations. In addition to usual CRM functions such as pipeline and lead management, Oracle CRM Cloud also enables more sophisticated processes such as managing territories, tracking commissions, and sales planning and performance.

Perhaps the product's biggest strength is its focus on the overall customer experience – not just sales automation. It also uses machine learning to look for "signals" in the pipeline to indicate what actions should be taken to optimize results. It is also a very good option for teams selling more complex and custom products, which is enabled by its configure/price/quote (CPQ) capabilities. This is something that not many CRM systems can handle well.

The product's biggest weakness is that it is still making the transition to the cloud, so it is still playing catchup when compared to some of the more established cloud providers in our top 10 list.

4 NETSUITE CRM

NetSuite is one of the most commonly used CRM systems by smaller and mid-sized organizations. It is relatively easy to use and one of the first cloud-based CRM products, which gives it a head start relative to some of its competitors that are still transitioning from their legacy on-premise products.

The product's strengths include linkages to marketing automation, strong mobile capabilities, and sales functionality for companies with strong partner sales teams. It also integrates well with its ERP, quoting and eCommerce tools. The product's biggest downsides are that it isn't as robust as some of the "bigger" CRM systems and can be more difficult to customize to fit your needs, especially if you are part of a larger sales team.

3 SALESFORCE CRM

Salesforce is arguably the most recognized CRM provider. It burst on to the scene in the late 1990s by providing broader and deeper technologies designed specifically for sales teams, which the leading ERP providers did not provide at the time. It is also among the first pure cloud CRM providers, making its product more advanced in many ways.

Salesforce is a very flexible product with many configuration and integration options. In addition, it has created an open platform called Force.com, which allows third-party providers to create niche extensions and add-ons on the Salesforce platform. This provides customers with a great deal of flexibility and options.

This flexibility and range of options can also be a disadvantage. Many of our clients get bogged down in all of the options and often don't have the internal technical sophistication to manage the complexities of the technology, architecture, and integration. The core product can also be too complex for smaller organizations whose needs are not that sophisticated.

This video provides an independent review of and deeper dive into the strengths and weaknesses of Salesforce CRM:

2 ZOHO CRM

Even though it may not be as well-recognized as other options in our top 10, Zoho has a strong product with a fairly large install base. Because of its ease of use and broad capabilities, its product has a high NPS score and high ratings from a variety of analyst firms.

Some of Zoho's unique features include strong omichannel communications through social media and web meetings, as well as strong collaboration tools. Like Oracle CRM, Zoho CRM also has relatively strong artificial intelligence and predictive sales capabilities, which can have a material effect on the productivity and effectiveness of sales teams.

Its biggest downside is also its strength. It is very focused on doing CRM well, but unlike options such as Oracle, SAP, and Salesforce, its ability to expand its footprint into other parts of an organization is fairly limited. For this, Zoho users need to look to ERP software or other technologies to meet their needs outside of sales and CRM.

1 MICROSOFT DYNAMICS CRM

In addition to ranking well in our top 10 ERP systems, Microsoft Dynamics also has very strong CRM capabilities – enough to land it at the top of our list. In addition to the traditional Microsoft look and feel that many are accustomed to, it also integrates very well with other Microsoft tools, such as Office 365, Dynamics 365 ERP, and LinkedIn.

Microsoft Dynamics CRM also has a fairly robust lead scoring tool, as well as artificial intelligence to flag next steps or prospective accounts requiring more attention. Like Salesforce, Microsoft has also created an open platform called AppSource to allow third-party developers to create niche extensions and add-ons.

The downside of the project includes a high degree of flexibility. Even though this is generally viewed as a strength, many organizations lack the discipline and focus to implement these tools well. In addition, Microsoft has a notoriously weak partner channel, making it more difficult to find good implementation partners.

TOP HCM SYSTEMS FOR 2021

HCM systems will be increasingly important because of the health pandemic of 2020. If anything, the health and economic crisis has placed unusual strains on HR departments across the world – while at the same time exposing opportunities to better manage talent.

As companies navigate a post-Covid-19 world, they will inevitably be paying even more attention to how they manage their human capital. Health and safety concerns, attrition, change management and remote workforces, and a variety of other factors have raised HR departments and HCM systems to front and center stage.

OVERVIEW OF THE TOP HCM SYSTEMS

HCM systems can help navigate this new reality, but not all HR technology is created equally. With this in mind, we created an independent and objective comparison of the leading options for HR automation.

We based our comparison on a number of quantitative and qualitative factors. For example, we assessed the functionality in a number of areas such as:

- **Payroll**
- **Benefits**
- **Time and attendance**
- **Onboarding**
- **Talent management**
- **The entire hire to retire process**

We also considered non-functional factors such as average implementation time, cost, and risk, as well as technical maturity, market adoption, ease of use, and flexibility. Below are the highlights from our top HCM systems rankings:

5 KRONOS WORKFORCE READY

Kronos Workforce Ready is a widely used HCM system, particularly in regulated environments such as government and compliance. This is a mature solution from a software vendor that has been around for 40 years, and that company recently merged with Ultimate Software (see our review of Ultimate's UltiPro below).

The merger with Ultimate raises questions about the product's vendor viability and it isn't always a great fit for larger and more complex organizations, but it seems to be a good fit for many small and mid-size organizations due to its relative cost and ease of use.

4 SAP SUCCESSFACTORS HXM SUITE

Since SAP acquired it several years ago, SuccessFactors has become a common go-to for larger organizations – especially those embarking on SAP S/4HANA implementations. This product can be cumbersome and overly complex for some, but our larger clients find value in its ability to scale with complex hire-to-retire needs.

Some of the product's strengths include workforce planning, workforce analytics, learning management, and predictive analytics. SAP's acquisition of Qualtrics also provides additional employee engagement capabilities, while the product is supported by SAP's broad ecosystem of partners.

3 ULTIMATE ULTIPRO

Larger companies that feel limited by the HCM modules of one of the top ERP systems may find Ultimate Software's UltiPro solution to be a viable option. The company and product have been around for quite some time and, as mentioned above, Ultimate recently merged with Kronos.

UltiPro is particularly strong with employee engagement surveys and employee document management, which can be helpful in today's human capital and HR landscape. Although it may not have the big-name appeal and large ecosystem of implementation partners as some of the other options in our ranking, it can still be a viable alternative.

2 WORKDAY

As the youngest product in our ranking, Workday has burst onto the HCM and HR tech scene with a bang. In some ways, Workday is to HCM as Salesforce is to CRM – a native cloud solution that focuses on one functional area. And also like Salesforce, Workday is building an ecosystem of third-party apps to extend the platform's footprint into financials and other non-HCM capabilities.

Workday is commonly used by government, education, and healthcare organizations, along with other big companies. The biggest issue keeping Workday from the #1 spot? Its track record of implementation failures. The company has grown quickly in recent years, but its pool of qualified resources and successful rollouts have not kept up equally as well. Having said all of that, it is still a relatively good option in the market.

1 ORACLE HCM CLOUD

In addition to fielding one of the top ERP systems, Oracle also offers one of the strongest HCM platforms – either as a standalone HCM implementation or as part of a broader Oracle ERP Cloud implementation. The product does all the expected HCM and HR stuff, but with more flexibility, analytics, and reporting than other HCM options.

The product also benefits from the innovation and R&D of Oracle, along with the option to leverage other ERP capabilities from Oracle's suite of cloud products. The downside of the product is that its flexibility can create implementation issues for its customers, while others clash with Oracle's unique culture and pricing models. Even with those weaknesses, Oracle HCM still excels compared to others in the ranking.

TOP 10
SUPPLY CHAIN MANAGEMENT SYSTEMS

Supply chain management has proven to be invaluable in today's environment. Covid-19 exposed the vulnerabilities and rigidity of many supply chains that supported them. And now it has become clear that supply chain transformations of the future need to look a lot different than they did in the past. Supply Chain Management (SCM) systems are now top of mind for many organizations.

Below are the top 10 supply chain management solutions that you should consider in 2021 and beyond:

10 › ORACLE NETSUITE

ORACLE NETSUITE

Oracle NetSuite is a common go-to supply chain and ERP system for small to mid-sized organizations – especially those with relatively vanilla and less complex business requirements. Unlike other SCM and ERP systems that have just recently migrated to the cloud, it is a mature SaaS ERP system that was built in the cloud. The product also provides a full-blown ERP solution even outside of supply chain management, as well as a large customer install base and the resources of software giant Oracle.

9 › MICROSOFT DYNAMICS 365

Microsoft Dynamics 365

Microsoft is another mid-market favorite among those with relatively simple supply chain processes and needs. It is one of the top ERP systems with the familiar Microsoft look and feel. It is a flexible product that integrates relatively well with third-party systems, but it has its weaknesses as well. It struggles to meet more complex supply chain needs and its network of resellers and implementation partners is a mess, but it can be a good fit for many organizations.

8 › PLEX SYSTEMS

PLEX THE MANUFACTURING CLOUD

Plex Systems was one of the first SaaS ERP systems to focus on supply chain and manufacturing capabilities. It is particularly strong among companies with complex supply chains, such as those in the aerospace and automotive industries. It is also catching on in the retail and distribution space as well. It is a mature cloud SCM solution, but one without a lot of supporting implementation partners.

7 SAP S/4HANA AND ARIBA

In some ways, SAP S/4HANA is the gold standard of ERP and SCM systems for large, multi-national organizations. It is big, complex, and robust, which can be a good thing or a bad thing depending on your needs. It handles full ERP functionality such as financials, inventory management, and CRM, while the addition of Ariba strengthens capabilities within procure-to-pay processes. The HANA platform provides speed and real-time visibility, but the functional maturity of the product is weak relative to its legacy ECC and R/3 products.

6 IFS

IFS is another SCM contender with full ERP capabilities. IFS is particularly adept at handling geographically dispersed supply chains, such as those involving field service crews in the utilities industry. Unlike many SCM providers, IFS offers multiple deployment options including cloud, on premise, and hybrid options. The biggest downsides? The company isn't as well-known as some of the others and its network of implementation partners is relatively weak compared to others in the top 10.

5 HIGHJUMP (KORBER)

HighJump, which was recently acquired by the software giant Korber, is another viable SCM system in the small business to mid-market space. It is particularly strong in warehouse management and retail distribution, while sister solutions within the Korber network can handle more complex shipping, vessel, and port scheduling needs. The biggest downside is that we have found it to be relatively expensive and less robust than some of its competitors.

4 BLUE YONDER / JDA

Unlike many of the bigger ERP systems in the top 10, Blue Yonder (formerly JDA) has a narrow and deep focus on SCM. Its relative functional strengths are in sales and operations planning, retail, and workforce management. In addition, it has extended functionality to address manufacturing and shop floor planning, which is often used by companies in the food, beverage, and pharmaceutical industries. The downside is that it cannot address some of the broader functionality that some of its ERP counterparts can.

3 ORACLE ERP CLOUD / SCM CLOUD

Of the "big" ERP and SCM systems, Oracle ERP / SCM Cloud is the more flexible of the bunch. Its strengths within SCM are stronger than ERP competitors such as SAP S/4HANA and Microsoft D365, while its cloud SCM offering is a bit more mature than S/4HANA, D365, and some of the others in the top 10. Oracle is particularly strong in analytics and business intelligence, which many CFOs tend to gravitate toward.

2 INFOR CLOUDSUITE / NEXUS

Infor CloudSuite – along with its Nexus counterpart – can be a great supply chain and enterprise-wide offering for those looking for a more complete manufacturing, distribution, or back-office solution. The product suite allows for multi-party collaboration, along with innovative functionality such as its control center, predictive analytics, and working capital management. Infor's recent acquisition by Koch is another strength, which gives the company R&D resources to continue innovation in the SCM space.

1 MANHATTAN ASSOCIATES

The top spot belongs to a product from a big company that is hyper focused on providing deep SCM capabilities. Manhattan Associates tends to fit particularly well with grocery, food, beverage, retail, and omnichannel companies. It is also strong in logistics and transportation, making it a good option for retail and distribution companies.

It is built on the .NET platform, making it easier to integrate with SAP S/4HANA, Microsoft D365, and other back-office ERP systems. The product's biggest downside is that virtually all implementations run through Manhattan's professional services arm, which can limit implementation options and resource availability for its customers.

TOP ENTERPRISE SYSTEMS ARE LARGELY DEPENDENT ON COMPANY SIZE, INDUSTRY, AND STRATEGIC GOALS

At the end of the day, the best systems for your organization will largely be dependent on your company size, industry, and strategic goals. Where one particular system may not even make a company's top 10, that same product could be the #1 pick for another. For example, a technology-agnostic comparison of SAP S/4HANA vs. Microsoft Dynamics 365 illustrates two products that couldn't be more different.

This is where independent digital transformation consultants such as Third Stage can help. We help the world's leading organizations define their digital strategy, select the right software, prepare for implementation, provide implementation quality assurance, and manage organizational change.

CONCLUSION

The findings of this breakthrough study provide a clear blueprint for how you can make your digital transformation, ERP, HCM, CRM, or supply chain management transformation more successful than those of years past. Changing times and a history or transformation failures in the past mark a new era of necessity for transformation leadership, strategy, and execution.

THIRD STAGE
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About Third Stage Consulting

Founded by industry thought leader Eric Kimberling and supported by the industry's brightest strategic consultants, Third Stage brings our clients an unparalleled wealth of experience and thought leadership. Comprised of senior business and technology advisors, project managers, process engineers and change innovators, our team has led some of the most complex and well-known technology initiatives over the past 20+ years. With offices in the US, Europe, and Australia, Third Stage's team serves a diverse client base across the globe.

Our consulting approach and methodologies stem from the core objective of improving businesses operational efficiencies and profitability through optimizing the use of technology. Technology, in one way or another, influences every single aspect of business today. With the immense amount of technologies available, it is rarely easy to determine the best technology strategy. Expertise is needed to help determine when, where and how to implement new systems, to make use of emerging technologies and to map technology investment to a positive ROI. This is where Third Stage Consulting thrives.

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