

New Growth from Enterprise Systems:

Achieving High Performance through Distinctive Capabilities

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Definitions

Enterprise system

An enterprise system is an integrated software package (from vendors such as SAP and Oracle) that addresses most of an organization's day-to-day transactional data-processing needs. Supported by a common database, individual applications are chosen and configured to tailor the software to the requirements of the enterprise. Applications typically include: accounting and finance, business intelligence and data warehousing, customer relationship management, human resources management, manufacturing, procurement, product life cycle management, sales and distribution, supplier relationship management and supply chain management. Industry-specific modules, such as claims management for the insurance industry, help companies take greater advantage of system capabilities.

High-performance business

High-performance businesses substantially and consistently outperform their competitors over the long-term, and over economic and industry cycles and generations of leadership.

Top and low performers

For the purposes of this study, top and low performers were defined by asking respondents to assess their standing—on a scale of one to five—in their industry relative to profit, shareholder return and revenue growth. We found that these self-reported performance measures were highly correlated with the organization's compounded average growth in revenues and profits. Top performers scored 14 or higher (out of a possible 15 points); 13 percent of the sample scored at this level. Low performers scored eight or fewer points and represented 16 percent of the sample. We excluded government respondents because government agencies could not be evaluated using these criteria.

Distinctive capabilities

Distinctive capabilities are integrated business processes and capabilities that together serve customers in ways that are differentiated from competitors and that create an organization's formula for business success.

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Overall findings

1. There are clear winners and losers—some companies get considerably more value from their enterprise systems than others.
2. To achieve the full value of an enterprise system, organizations must focus on integrating the organization, optimizing business processes and using and analyzing system data to improve decision making.
3. While organizations have made progress in realizing value from their enterprise systems, most still have significant opportunities to maximize the value of their investments.
4. Organizations that approach an enterprise system initiative as an element of an ongoing program rather than a project with a specific endpoint, believe they are more successful.
5. Better decision making is the most-sought benefit and also the one most likely to have been realized from the use of an enterprise system.

Key findings for top performers

Organizations with superior financial performance:

1. Realize much more value from their enterprise systems and use them in distinctly different ways.
2. Are more likely to seek (and measure progress against) tangible benefits such as reduced costs and increased revenue.
3. Place a stronger emphasis on three critical factors for driving improved business value from enterprise systems: integrating the organization, optimizing business processes, and using and analyzing system data to improve decision making.
4. Extend their enterprise systems throughout their organizations, implementing modules across a broad range of business functions.
5. Integrate their organizations more thoroughly than low performers, and are far more likely to have moderate-to-significant integration with the external systems of customers and suppliers.
6. Aggressively use information and analytics to improve decision making and business performance.
7. Approach an enterprise system more strategically than low performers; they are more likely to view their enterprise system as very distinctive from those of their competitors.
8. Are more likely to extensively tailor strategic components of their systems to create and sustain a competitive advantage; they also aggressively simplify and standardize other areas of their business, permitting few modifications. Top performers have fewer enterprise system instances than the overall sample.
9. Are more likely to have implemented—or to plan to implement—industry-specific modules as a way of differentiating their systems.
10. Top performers are more than twice as likely to plan to take advantage of the speed, flexibility and productivity benefits of service oriented architecture and Web services.

New growth from enterprise systems

Over the past decade, many organizations planted expensive seeds in the expectation of growing an entirely new information technology capability. At great cost, they replaced a scattered array of technology applications with integrated enterprise systems that were designed to bring a wide variety of business benefits. But the hoped-for results did not appear immediately, and critics were quick to label the investments as purely infrastructural or the equivalent of adding a commodity such as electricity—in other words, incapable of providing any degree of competitive advantage.

Today, however, the environment has changed. Accenture's latest research has found that the seeds planted by organizations when they first implemented enterprise systems are bearing fruit. Enterprise systems are now helping organizations achieve high performance. Of course, not everyone achieves benefits equally. As we found in our previous study in 2002, some organizations reap considerably greater benefits than others. While most organizations received benefits, Accenture's new study discovered that top performers (those who scored highest on three measures of financial performance—profit, shareholder return and revenue growth—relative to their industry) harvested considerably greater business value than low performers. We found that top performers took a distinctly different approach to implementing and leveraging their enterprise systems. For example, the research indicates that top performers are more

likely to be using their systems to improve financial management, cut costs and increase revenue.

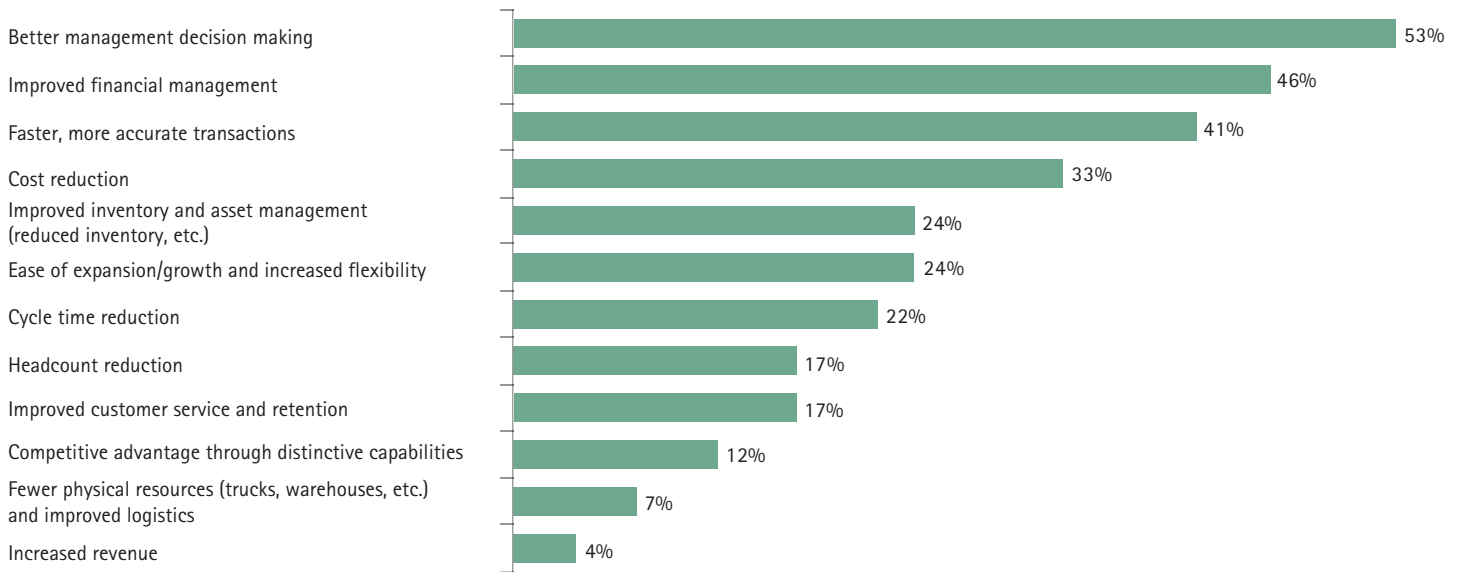
When implemented and managed properly, enterprise systems lead to higher levels of financial performance. They are also making major contributions to organizations' ability to develop and hone distinctive capabilities, a key component of high performance. Enterprise systems may have been late bloomers, but their use for competitive differentiation represents a full flowering of IT value.

These insights arise from a new study of organizations with enterprise systems conducted by the Accenture Institute for High Performance Business over a 12-month period in 2005 and 2006. (See "About the Research.") Building on insights from a related survey conducted in 2002, we have discovered how organizations are using their systems to create new business value, to build the distinctive capabilities that can generate competitive advantage and to develop analytics—important tools that allow executives to make better decisions. When it comes to enterprise systems, organizations reap what they sow. Although some that neglected to properly tend their systems have had some disappointing harvests, those organizations that invested the time and resources to nurture their systems are enjoying abundant benefits.

Percentage figures in the charts and tables do not always equal 100 due to rounding.

Enterprise systems and business value

Figure 1. Key benefits targeted by enterprise systems.¹



¹ Percentage of organizations listing this benefit as one of their top three benefits sought.

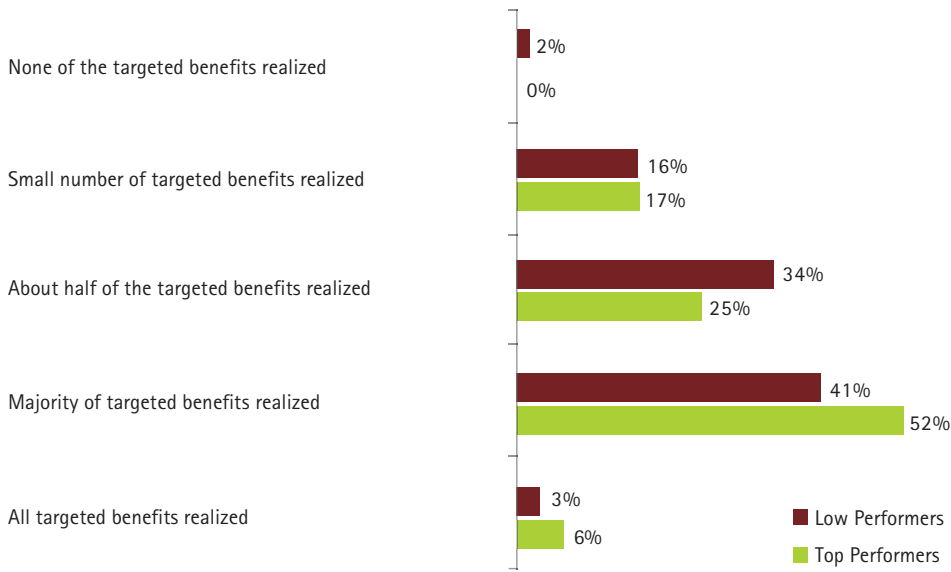
Executives naturally want to see substantive business value generated by their investments in enterprise systems. For many companies, the implementation of a new enterprise system was a business mandate to prepare the organization for the future. As Figure 1 makes clear, executives specifically seek a variety of targeted benefits. While most enterprise systems originally were justified on the basis of IT or operational cost savings, senior management's underlying objective was to improve the quality and transparency of information. As in our previous study, better information for management

decision making remained the most important benefit sought.

But the responses from the 2006 survey indicated that just half of the organizations that participated had achieved most or all of those benefits. When we separated the businesses by financial performance (removing government agencies because they do not generate revenues), however, we discovered that the top performers realized more value from their systems than did their less-successful counterparts. (See Figure 2.)



Figure 2. Realized benefits—top and low performers.



In the 2002 study, we found that all organizations had invested significant resources (such as time, money, skilled people and technology) to implement their systems. David Asiala, shared services IT director at Dow Chemical, compared implementing a global enterprise system to "hacking through a forest with a machete—there is just a lot of sweat

involved." Investment of sweat equity alone however, does not guarantee results; it is merely a first step. In both 2002 and 2006, we learned that organizations must concentrate on three areas to extract the full benefits from their systems: integrating the organization, optimizing business processes and using system data to improve decision making. (See Figure 3.)

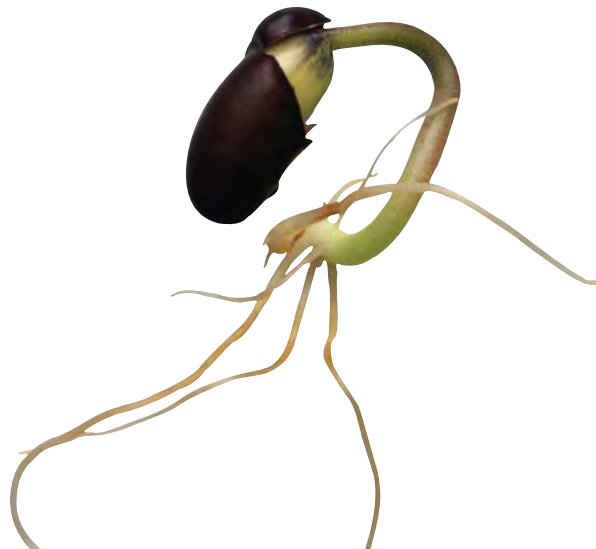
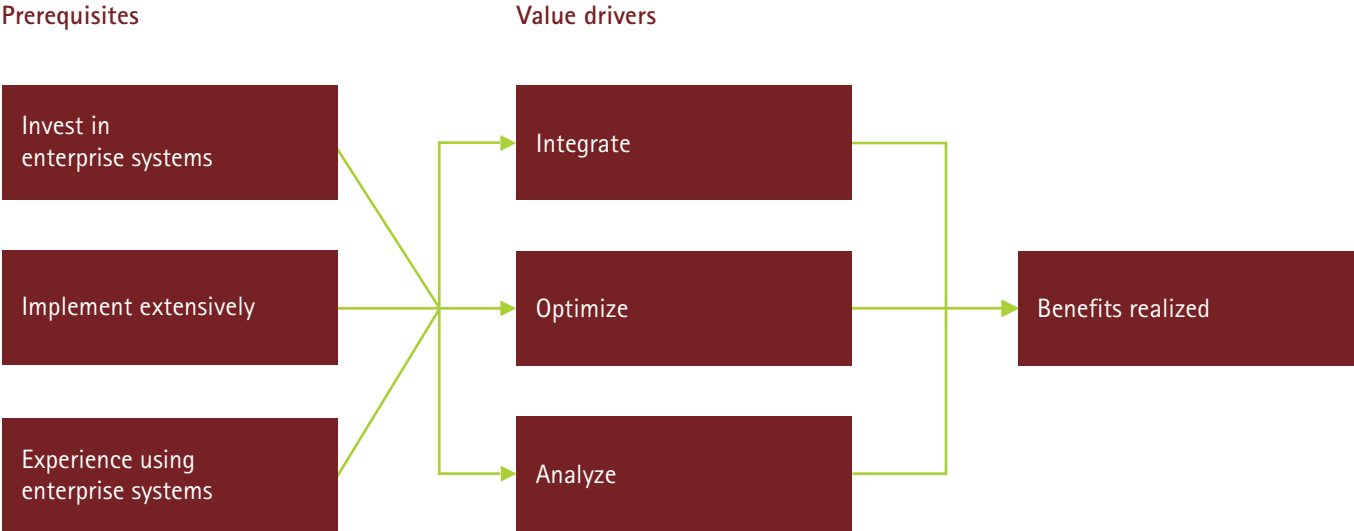


Figure 3. Key factors driving realization of enterprise systems value.



Results from Accenture's new survey revealed that financially successful organizations are more likely than those with poor financial performance to engage in practices that contribute to business value. In contrast to low performers, top performers are also more likely to implement their systems widely throughout the entire organization. They also are more likely to use enterprise systems to integrate the organization, optimize processes, and use data and analytics to help improve decision making. Top performers are also more likely to get the most out of these value drivers by consolidating (having fewer instances of the same type of system throughout the organization), by regularly measuring the benefits, and by establishing clear metrics and accountability.

According to the executives we interviewed, a critical aspect of success is senior management's commitment to a major business change program—not just a technical implementation. "Unless you've got that absolute top-down commitment, don't waste your time," commented Ken Greatbatch, chief financial officer of AZ Electronic Materials.

Focusing on business performance from the outset made it easier to achieve results. As Robin Dargue, chief information officer at Diageo, the global spirits manufacturer observed, "It's critical your solution is focused on delivering business performance and what the organization needs to operate. Many fall into the trap of implementing enterprise systems as an IT project. We work very hard to ensure any new enterprise system initiative is tied to business outcomes such as an acquisition/disposal or strategic business program."

Executives whose companies chose to standardize their systems and processes globally acknowledged that there were

initial challenges. "It [standardizing the system] was the hardest approach because it really went against corporate culture," acknowledged one consumer products executive. At Shell Exploration and Production International DV, executives had a greater appetite for additional change and standardization once they began to derive tangible benefits from a single, global platform. Shell's solution manager David Lee explained, "Once we had a global organization with global processes, our scope changed. We now have a mandate to standardize and create commonality throughout the organization."

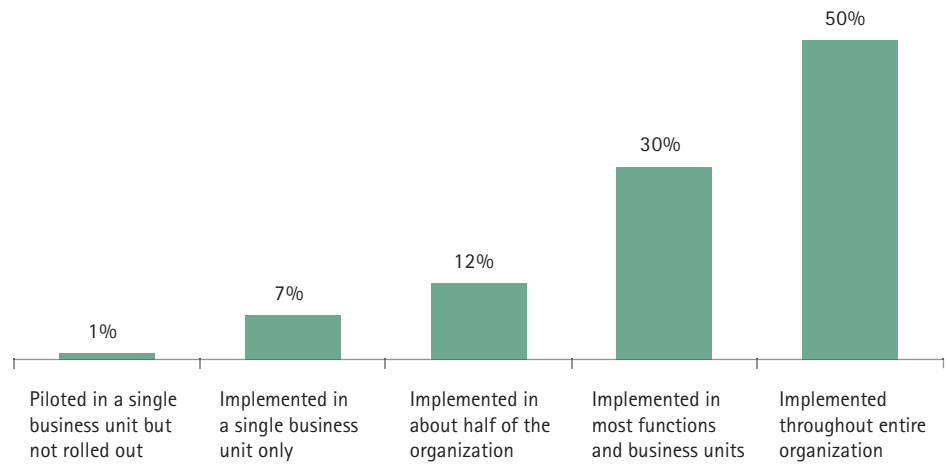
Executives who put the standardization effort front and center reported that their organizations enjoyed major cost savings along with greater transparency and flexibility. They also avoided the maintenance and costs they would have incurred if they had had to consolidate their systems after the fact. Several organizations noted that their enterprise system accelerated the integration of new acquisitions.

Many organizations are making significant advances in the way they manage the key value drivers. (See Figure 4.) On integration, for example, the number of organizations with a broadly integrated enterprise system is up from 18 percent in 2002 to 24 percent in 2006. The percentage of organizations saying that they have implemented their enterprise systems throughout all or most business units and functions has risen from 69 percent to 80 percent—further evidence of integration.

Among top performers, 37 percent had a single global instance of an enterprise system and had fully integrated internal applications; for low performers, the figure was 25 percent.

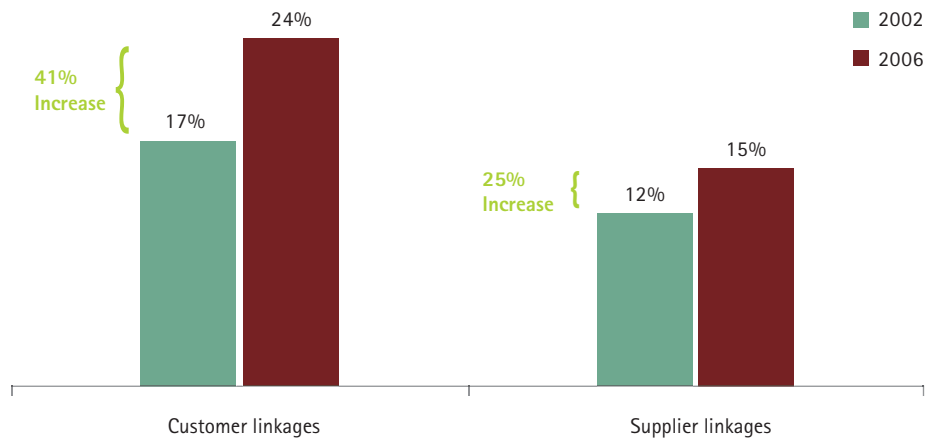
"We work very hard to ensure any new enterprise system initiative is tied to business outcomes such as an acquisition/disposal or strategic business program."

Figure 4. Integration of enterprise systems within the organization.



Organizations also are increasingly linking their systems with customers and suppliers. In the 2006 study, 24 percent of organizations responding indicated they had direct linkages with customers and 15 percent had them with suppliers—up from 17 percent and 12 percent, respectively, in 2002. (See Figure 5.)

Figure 5. Integration with customers and suppliers since 2002.



Top performers were far more likely to have moderate-to-significant integration with external systems than low performers. While executives see supplier integration as a simpler challenge, more organizations are establishing direct links to their customers. The higher percentages for customer integration are instructive, as Lex Sips, director of global purchasing for DSM Elastomers, a global manufacturer based in the Netherlands, explained, "It's easier to connect with suppliers, but the value is really on the sales side."

Optimization of processes is an ongoing challenge but is steadily making progress according to study participants. In 2002, for example, 77 percent of the participating organizations reported at least a moderate degree of process optimization in conjunction with their enterprise systems; by 2006, 86 percent reported at least a moderate level of process improvement. As is true for integration, top performers are more likely to have significant ongoing optimization efforts than low performers. However, top performers are no more likely than low performers to engage in radical restructuring of business processes; they are continuing to focus on continuous process improvement, incremental change and high performance.

The importance of change management programs to complement an enterprise system's implementation was emphasized by the executives we interviewed, although many acknowledged that in hindsight,

they wished they had done even more. As Tom Fowler, chief information officer of Gold Fields, one of the world's largest precious metals producers put it, "We've had to focus extensively on training and change management to draw out the benefits."

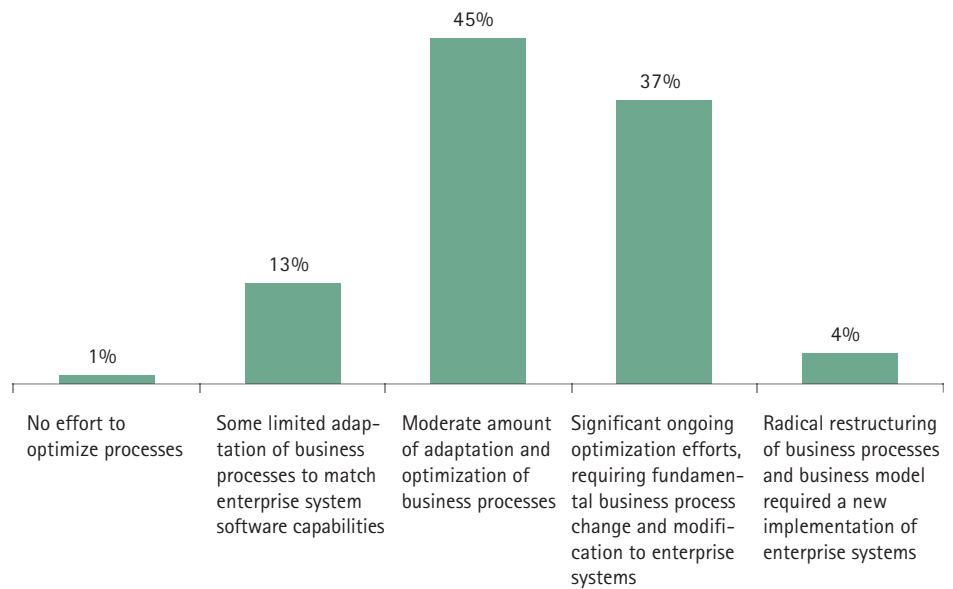
Change management is important because employees often need to develop new skills when business processes are optimized. For example, Michael Kyle, vice president of supply chain management at National Grid, one of the world's largest electric and gas utilities, found that new processes required the company's engineers to be more multidisciplinary and more knowledgeable about finance: "With the conversion to enterprise systems, in one day, we changed out the whole back office with all new work management processes and reporting. It touched everyone; it was like having all new employees overnight."

Increasingly, organizations are selectively modifying aspects of their systems to suit their industries or specific situations: 47 percent in our survey substantially customized their systems in 2002; 54 percent did so in 2006. A small but increasing percentage said that they required an entirely new implementation of an enterprise system because they had radically restructured their processes or business models. (See Figure 6.) Top performers are more likely to have implemented, or to plan to implement, industry-specific modules.

"We've had to focus extensively on training and change management to draw out the benefits."



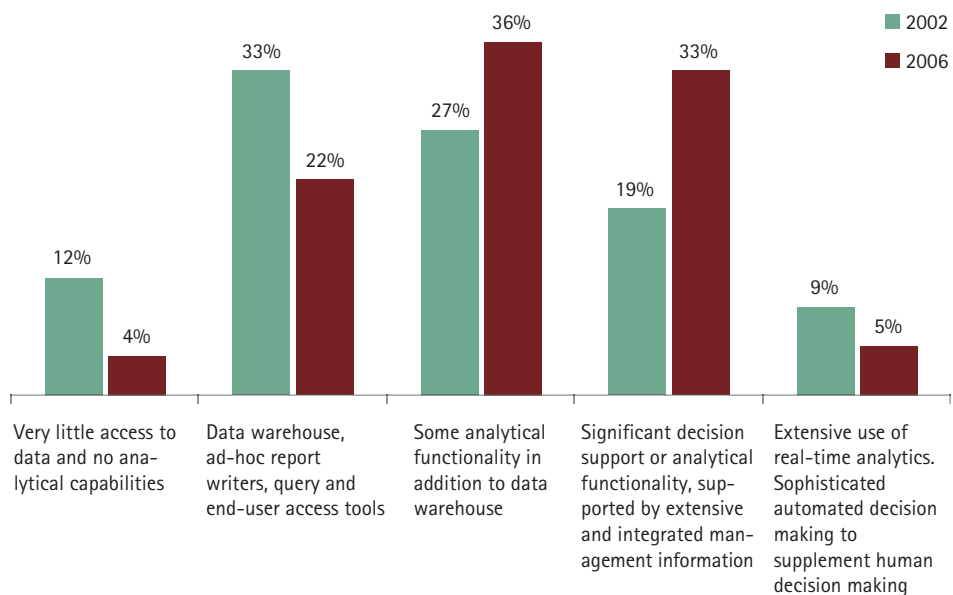
Figure 6. Process optimization.



Organizations also are using their systems much more for help with decision making, the third key to achieving value from an enterprise system. In 2002, 55 percent of the respondents had at least some analytical capabilities in addition to a data warehouse, and 19 percent had significant

decision-support or analytical capabilities derived from integrated enterprise system information. By 2006, the number of organizations with some analytical capabilities had increased to 74 percent and the percentage with significant capabilities to 33 percent. (See Figure 7.)

Figure 7. Ability of employees to access and analyze enterprise systems data to support their work.



In short, each of the factors correlated with the value that organizations indicated they receive from an enterprise system were up in the most recent survey. This suggests that most organizations know what organizational changes they need

to make to reap an enterprise system's business benefits, and are slowly but surely undertaking those activities. There is little doubt that enterprise systems will continue to blossom in those organizations.



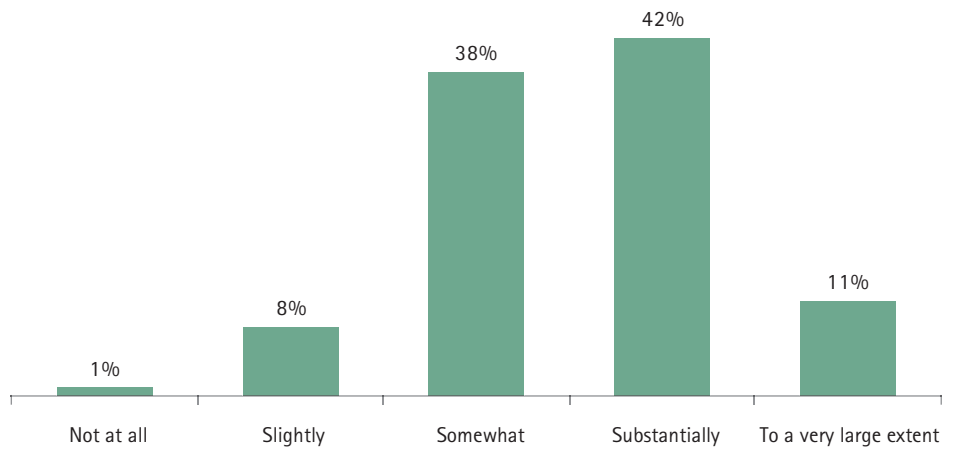
Enterprise systems and distinctive capabilities

Accenture's continuing research on how organizations achieve high performance found that one of the three essential building blocks is an ability to create distinctive capabilities—the ongoing activities and processes that are differentiated from competitors and that create an organization's formula for business success. From interviews with senior executives we learned that some organizations are beginning to use enterprise systems to support not just undifferentiated processes and capabilities, but also distinctive capabilities and business models.

The 2006 survey results revealed, in fact, that the stereotype of commoditized enterprise systems applications is now obsolete. What was once derided as generic IT is today contributing to competitive advantage and high performance. As noted in Figure 1, while only 12 percent of executives set gaining a "competitive advantage through distinctive capabilities" as a major objective initially, 53 percent now credit their enterprise systems with contributing to their organizations' distinctive capabilities either substantially or to a very large extent. (See Figure 8.)



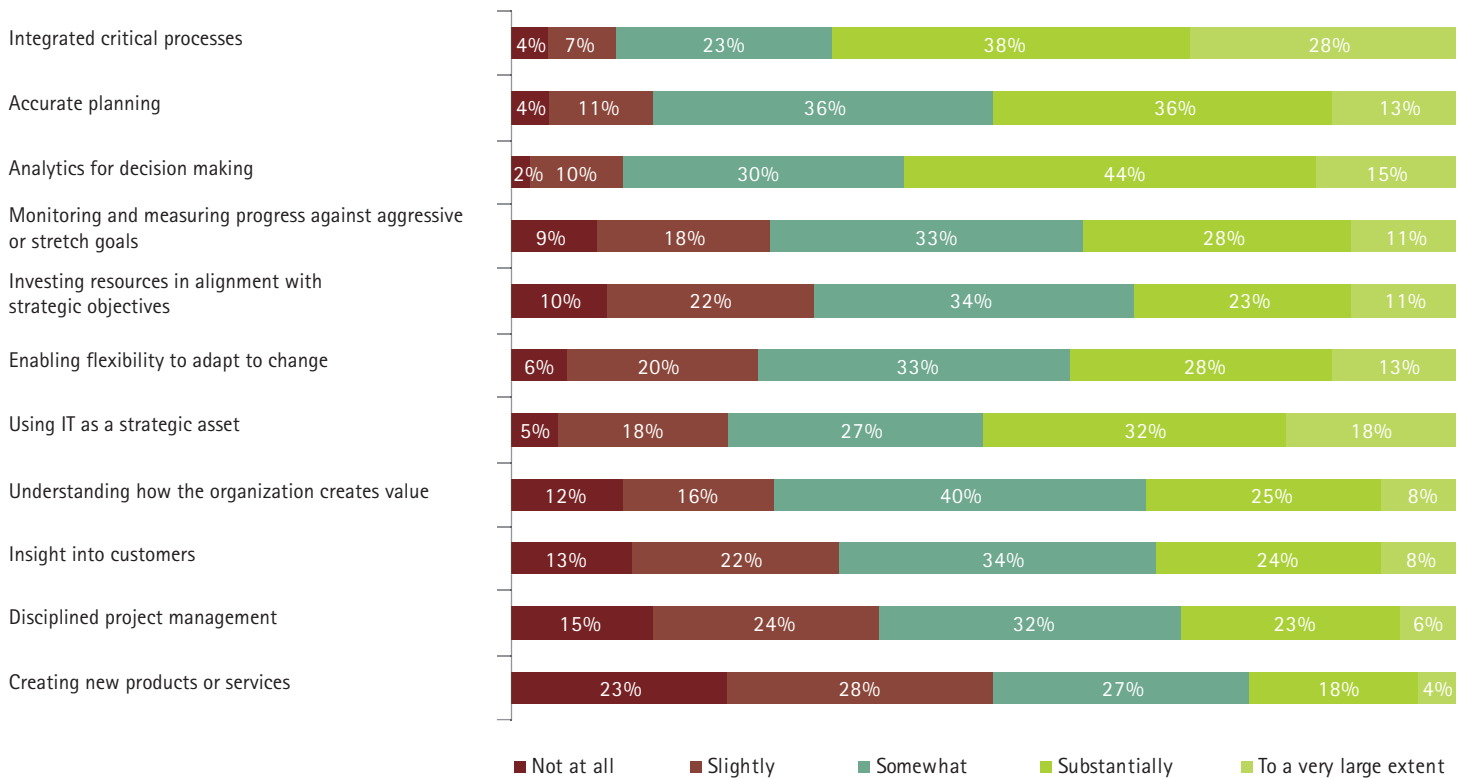
Figure 8. Overall contribution of enterprise systems to distinctive capabilities.



Precisely how enterprise systems contribute to these distinctive capabilities varies according to the organization's unique strategy and market position. However, a majority of survey participants found that

their enterprise system contributed substantially toward integrating critical processes, improving analytics for decision making and using IT as a strategic asset. (See Figure 9.)

Figure 9. Enterprise systems' role in enabling distinctive capabilities.



At Anglo Coal, a subsidiary of Anglo American, a global natural resources company, its enterprise system was integrated to manage maintenance processes and to generate detailed information on costs that helped the company execute its strategy as a low-cost producer. According to the company's chief information officer Richard Weber, the strategy could not have been implemented effectively without an enterprise system. DSM Elastomers' Lex Sips also credited the company's enterprise system for enabling its strategy of growth through acquisition, saying, "The strategy could not have been executed without rapid integration of acquired firms into a common system platform."

As we found in our first study in 2002, many organizations selectively customize their enterprise systems to enhance their distinctive capabilities. Top performers also are twice as likely to view their enterprise system as very distinctive from those of their competitors.

Top performers are careful to selectively tailor their systems only when they will further enhance their distinctive capabilities. For example, CLP Power has one of the most complete and tightly integrated enterprise system implementations in its industry. The company prides itself on being highly disciplined and operationally efficient. Director of IT Joe Locandro was emphatic that "We won't take a shotgun approach." Instead, CLP Power very selectively tailors its systems to achieve specific strategic business objectives and leaves non-strategic processes to generic enterprise system support.

Similarly, the formula for business success for data-storage giant EMC Corporation is outstanding product quality and customer service. One executive noted that anything affecting these distinctive capabilities receives close attention from top management. As Tony Pagliarulo, vice president of global IT at EMC, explained, "We only customize our systems when it will significantly enhance our distinctive capabilities. Where we have customized,

it's been fairly extensive. For example, to give the best possible customer service, we customized our enterprise systems to allow our products to "phone home" if there's a problem. Customer service reps are notified automatically and can take quick action to resolve issues."

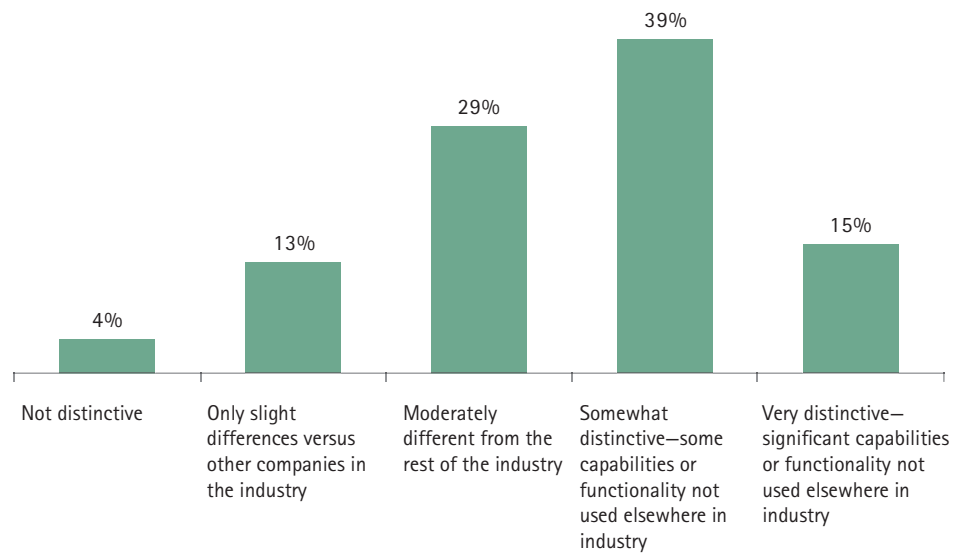
While top performers may selectively customize strategic applications to further their distinctive capabilities, they continually standardize and simplify everything else. Lex Sips of DSM Elastomers applied this principle to successfully move 30 percent of the company's European sales volume to its e-business channel in one year. "We have a standard, corporate wide ERP configuration, with very limited data customization and one standard process. Our enterprise system needs to be standardized, foolproof and simple because only then will customers use it. We simply opt not to pursue certain business opportunities or customers as a deliberate business decision. If non-strategic capabilities require too much complexity, we refer our customers to third parties."

Diageo's CIO, Robin Dargue, shares his passion for standardization and simplification: "By driving simplicity through standardization, eliminating legacy systems and having common business processes, we can deliver consistent data and a single version of the truth."

The contribution of enterprise systems to distinctive capabilities was further emphasized in other responses to the 2006 survey. A vast majority—83 percent—of the respondents indicated that their company's enterprise system was either moderately or very distinctive from those in the rest of their industry. (See Figure 10.) This is particularly true for the top performers in our study, who were twice as likely as low performers to view their system as very distinctive from that of their competitors (21 percent versus 10 percent). Distinctiveness came in many forms, such as an ability to manage costs at the global level, integration throughout all global operations and visibility to the production floor.

"The strategy could not have been executed without rapid integration of acquired firms into a common system platform."

Figure 10. Distinctiveness of enterprise systems.



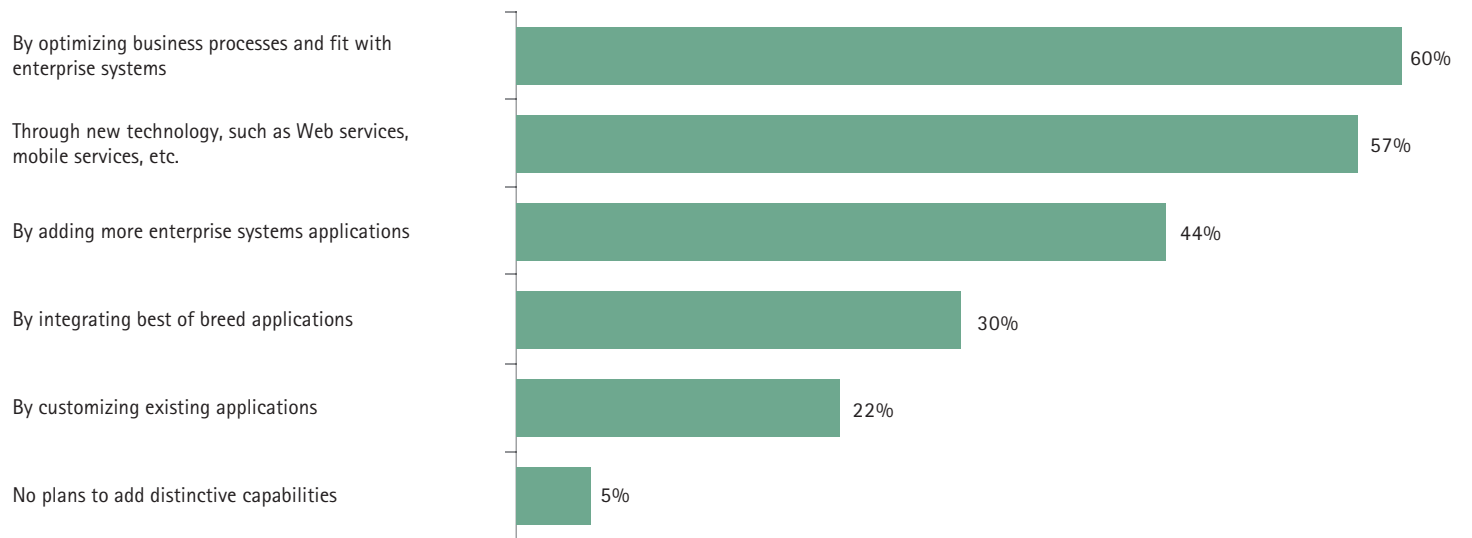
This high level of differentiation may seem unexpected for software that has often been called generic. But organizations have considerable latitude in deciding which system modules to implement. And there are many system parameters that can be configured to fit an organization's processes. Even when the software has not been customized, no two companies have exactly the same implementation. Each organization's technology and organizational environment is unique. Most enterprise systems must be integrated with legacy systems, share data with best of breed systems, and enable standardization of data and process.

Top performers were much more likely to have implemented industry-specific modules than low performers (48 percent versus 25 percent) or to have plans to do so in the future (20 percent versus 13 percent). The goal in adopting such modules is to enhance distinctive capabilities and to facilitate differentiation in the market. The most common strategic business objectives that were substantially supported by an enterprise system, according to respondents, were high-quality service, efficiency and the ability to operate glob-

ally. The systems most frequently supported distinctive capabilities by integrating critical processes, providing analytics for decision making and making more accurate planning possible. A general manager of IT transformation for a large consumer goods manufacturer commented that the organization's enterprise systems provided "improved discipline in the merchandising and supply chain functions, including more standardized processes." For companies pursuing a growth-by-acquisition strategy, the flexibility and adaptability of an enterprise system to quickly incorporate a recent acquisition was cited by several executives as particularly significant.

Almost two-thirds (60 percent) of the organizations surveyed plan to create distinctive capabilities by optimizing business processes and their fit with enterprise systems; more than half (57 percent) also plan to use new technologies to add distinctive capabilities in the future. (See Figure 11.) Clearly, enterprise systems are making substantial contributions to the competitive strategies of those companies that adopt this type of system.

Figure 11. Future plans for adding distinctive capabilities.



Enterprise systems and analytics

Increasingly, organizations are becoming interested in using enterprise system data for detailed analytics on their businesses. (See Figure 12.) Now that many companies have implemented an enterprise system, they naturally are thinking about how to use the data they generate to manage their businesses differently. That transition is not immediate, however, as the vice president of a global technology company explained:

“Once we completed the implementation, people suddenly were exposed to a huge amount of information they never had before. That is when they began to pay attention to the completeness and quality of the information. Once our system had been live for a year, we started getting a lot of people leveraging our data warehouse and asking a lot of questions.”



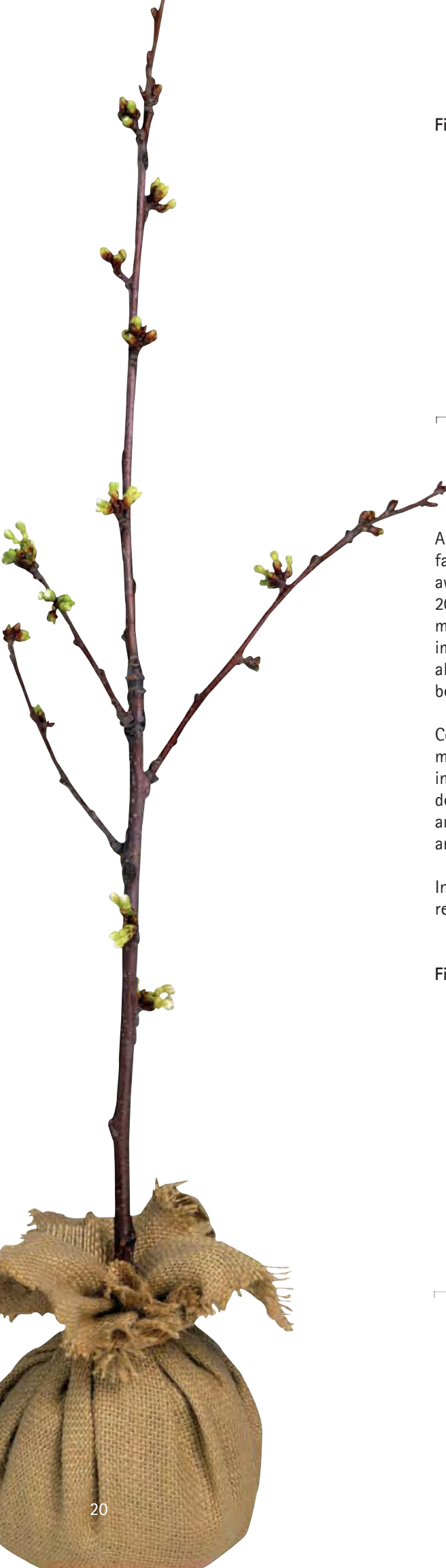
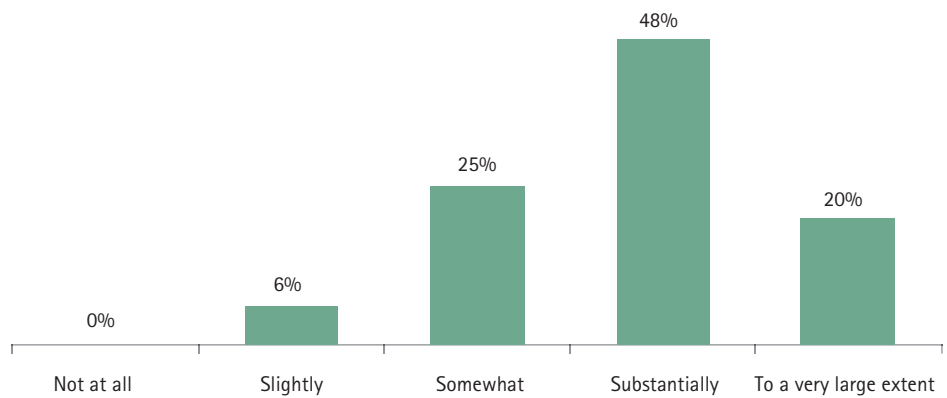


Figure 12. Degree to which organizations value analytically based insights.



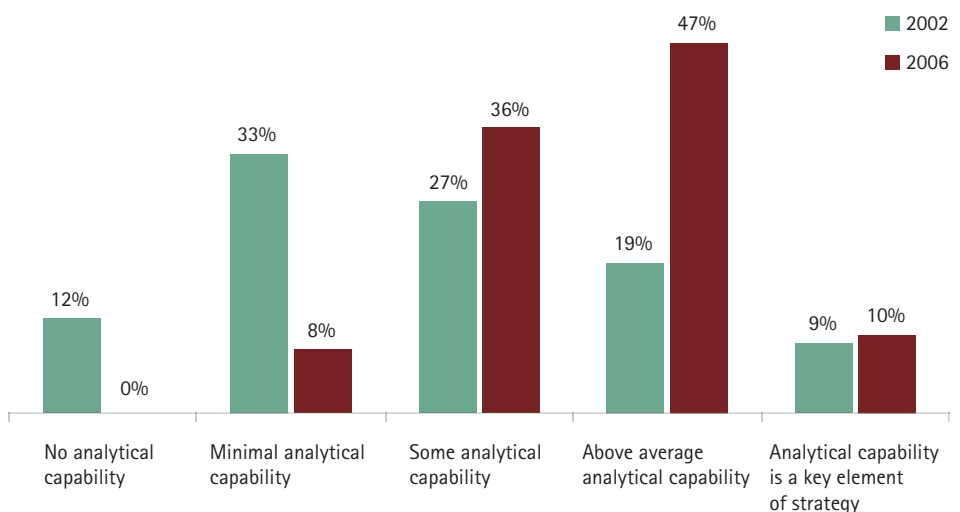
Analytics helps managers make better and faster decisions, and organizations are aware of this benefit. In both the 2006 and 2002 surveys, better management decision making was the most sought objective in implementing an enterprise system, and also was the most likely benefit to have been realized to some degree.

Companies are demonstrating their commitment to building analytical capabilities in a variety of ways. We have already described the substantial increase in analytical capabilities between the 2002 and 2006 surveys. (See Figure 7.)

In addition, nearly two-thirds of the respondents—62 percent—confirmed that

their organizations make decisions based on enterprise system data and analysis, either substantially or to a very large extent. Analytics was being used across the entire organization by 32 percent of the respondents, and another 53 percent employed them across multiple business functions and units. By 2006, compared with the other companies in their industries (see Figure 13), 47 percent believed their analytical capabilities were above average—a 150% increase over 2002. An additional 10 percent state that analytical capabilities were a key element of their strategies. As one IT executive from a bank with extensive credit card offerings put it, “We’re really a data company that happens to use that data to sell credit cards.”

Figure 13. Enterprise systems and analytical capability.



Having the best possible analytics software remains a priority for many—46 percent of the 2006 respondents. However, managers today are less likely than they were in the past to assume that analytics and business intelligence capabilities are primarily a matter of having the right software and hardware technologies. When asked what factors drive success with analytics, they were about equally likely to attribute it to data, technology, and the organization and processes of their companies. One CIO from the natural resources extraction industry noted that analytical skills have been a primary focus in his company: "We've had a strong focus on training and developing people in the use of information and analytics. Most of our managers are analytically oriented, and that helps a lot. Virtually all of our managers use our enterprise systems data and analytics to help them make decisions."

In terms of future plans, 29 percent plan to implement business intelligence and data warehouse capabilities over the next two years (65 percent already have those capabilities). That is among the highest percentages for any planned technology implementation in the survey.

In a variety of ways, high performance is associated with more extensive and sophisticated use of analytical capabilities. One of the strongest and most consistent differences between low and top performers is in their analytical orientations. For example, 23 percent of low performers indicated they had significant decision-support or real-time analytical capabilities versus 65 percent of top performers. Only 8 percent of low performers valued analytical insights to a very large extent

versus 36 percent of top performers. One-third of the low performers had above average analytical capability within their industries, but 77 percent of top performers did—and within these groups, 15 percent of the top performers indicated that having analytical capability was a key element of strategy, versus 3 percent for the low performers. Low performers also were less likely to have business intelligence or data warehousing modules installed as part of their enterprise systems, were less likely to make decisions substantially based on enterprise system data and analysis, and were less likely to use analytics across their entire organizations.

While it is impossible to say definitively that extensive use of analytics and strong analytical capabilities are causal factors in creating high performance, the breadth and consistency of the associations described above would certainly suggest the wisdom of an investment in analytics for any organization seeking to improve performance.

Overall, there is little ambiguity in the findings on the role of analytics within enterprise systems. Better management decision making continues to be the most highly valued objective. The use of analytics with enterprise systems and data is growing, both across and within organizations. Companies realize the importance of analytical technologies, but they are also focused on improving data quality and on building organizational and process capabilities. Most strikingly, top performers are much more likely to use and to value analytics in a wide variety of ways than low performers.

"Virtually all of our managers use our enterprise systems data and analytics to help them make decisions."

Future directions

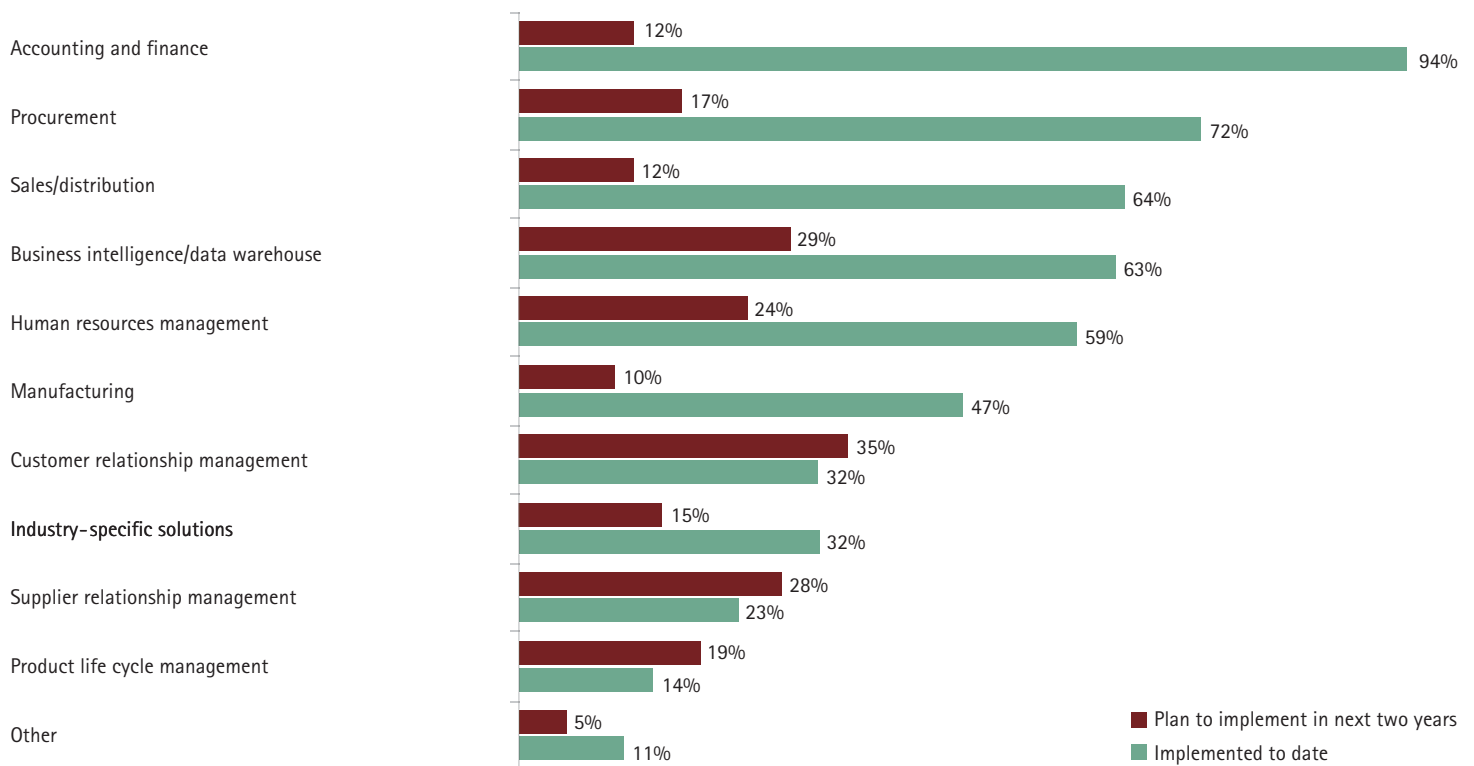
The organizations in our survey are continuing to expand their use of enterprise systems. Top performers are more likely than other organizations to have implemented modules in every category. By implementing enterprise systems broadly and deeply, top performers realize benefits in more parts of their businesses. More importantly, extending enterprise system capabilities gives top performers more complete and consistent information, thereby helping managers across the enterprise make better decisions.

Financially successful organizations approach their systems as part of an ongoing program rather than as a project with a

specified end point. Accenture's 2006 survey revealed that most organizations plan to add more system functionality over the next two years. (See Figure 14.) Interest is highest in expanding capabilities to build customer relationships, manage the supply chain and enhance analytical capabilities. As noted earlier, top performers are more likely either to have implemented industry-specific modules already or to plan to implement them in the next two years. However, most organizations in our study have not yet begun to implement industry-specific modules and have no plans to do so, at least in the next two years.



Figure 14. Enterprise system implementations by functionality.



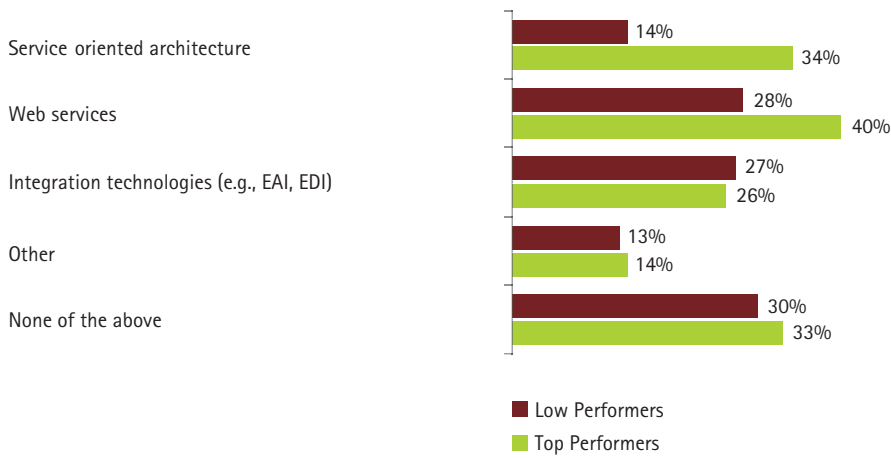
As organizations gain more experience using their enterprise systems, they attach greater importance to analytical capabilities. Analytical and reporting tools are widely used today, with respondents indicating that data warehouses (81 percent), reporting software (71 percent) and business intelligence tools (65 percent) are the most frequently employed technologies.

Integration is the primary benefit organizations are seeking in adopting other technologies and approaches to enhance their enterprise systems. Enterprise application integration (commonly known as EAI), used by 65 percent of respondents, is the most commonly employed integration technology used in conjunction with an enterprise system. Service oriented architecture (SOA) and Web services are related architectural standards and approaches that enable organizations to quickly and efficiently integrate new functionality. The adoption of Web services, which

makes it possible to share data across applications, grew considerably since our last study; they are being used by 61 percent of the respondents today.

Service oriented architecture holds great promise as a means to allow companies to inexpensively, easily and seamlessly integrate information and systems within and across organizations. Organizations also are beginning to use service oriented architecture to enhance their distinctive capabilities by incorporating differentiated features and industry-specific processes. In our survey, 25 percent of the participants report that they are using service oriented architecture today, and another 15 percent plan to begin using it in the coming year. Top performers, however, are more than twice as likely to plan to take advantage of the speed, flexibility and productivity benefits of service-oriented architecture as the overall survey group. (See Figure 15.)

Figure 15. Planned adoption of integration technology over the next year.

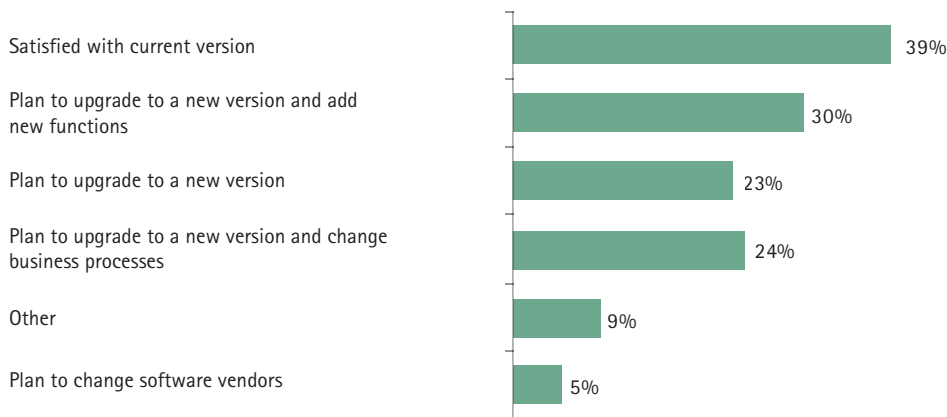


Except for their interest in adopting integration technologies, all the organizations in the study were fairly content with the technologies they are using today to extend their enterprise systems; when asked what new technologies they might employ a year from now, "none" was the most prevalent answer. In 2002, Web services and portals were the most common tools being piloted, but today these technologies are widely used.

Despite media speculation about potential customer upheaval arising from the recent consolidation of the enterprise software vendors, only 5 percent of survey participants reported that they were planning to

change vendors. Thirty-nine percent were satisfied with their current system release and functionality, possibly because they were already using the latest version. Others indicated they would seek to upgrade to the latest version in order to enjoy greater integration and improved IT efficiencies. Some CIOs also viewed upgrading as an opportunity to extend the reach and impact of an enterprise system and to optimize business processes. Thirty percent of organizations surveyed planned to combine upgrading to a new version with the addition of new modules, while another 24 percent planned to upgrade as part of an effort to transform a business process. (See Figure 16.)

Figure 16. Planned software changes over the next year.





Tending the garden

While the process of replacing old applications with an enterprise system was a difficult one for many organizations, their efforts are now bearing fruit. Many companies today show continued progress toward achieving targeted benefits, integrating their organizations, optimizing key processes and using better, more comprehensive data to make fact-based decisions. These benefits are also yielding a new crop of benefits in the form of distinctive capabilities that lead, in turn, to competitive advantage and high performance.

Like any garden, an enterprise system requires ongoing care. Sometimes watering and fertilizing are called for; at other times, weeding and pruning are needed. Some pioneering companies patiently tended their systems and are enjoying the fruits of their labors, and today more and more organizations are joining them. For those that planted seeds and were then surprised when nothing sprouted immediately, their steadfast gardening is now being rewarded. Fortunately, spring is never really that far away.

About the research

Accenture has been studying how organizations use enterprise systems to achieve business value and performance for several years. In 2002, an examination of organizations in the United States, Europe and Australia led to a major report, "The Return of Enterprise Solutions: The Director's Cut." Two years later, a study of Asian countries resulted in another report, "Second-Mover Advantage in Asian Enterprise Systems." In 2005 and 2006, the Accenture Institute for High Performance Business conducted a four-phase study over 12 months.

First, we interviewed more than 25 industry analysts and experts. Next, we analyzed data from a global survey of 310 CIOs. Then, between May and October 2005, we conducted a global Web-based survey to gather quantitative and qualitative data from 450 executives in medium to large organizations that had implemented at least two major enterprise system modules from vendors such as SAP, PeopleSoft, JD

Edwards, Siebel, Retek, Great Plains and Oracle. (Since our initial study, Oracle has acquired PeopleSoft, Retek, JD Edwards and Siebel.) Study participation was limited to executives with organizational responsibility for a major enterprise process or function—the CEO, COO, CIO or director of IT, as well as senior executives in finance, human resources, marketing or operations. (See Figure A.) Because there was some organizational overlap by respondents, we limited our analysis to data collected from 371 distinct corporate headquarters, business units and government entities. We received responses from people in 34 countries in 19 major industries. (The industries and geographies represented are shown below in Figures B and C.) We then applied statistical analysis to the data to produce the insights and conclusions highlighted in this report. Finally, we conducted in-depth interviews with executives at 15 organizations to gain additional insights into how they developed distinctive capabilities and realized value from their enterprise systems. A variety of industries, geographic regions and technical platforms were represented in these interviews.

Accenture has been conducting research into the components of high-performance businesses for the past two years, and this study is one element of that research. For the purposes of this study, top and low performers were defined by asking respondents to assess their standing—on a scale of 1 to 5—in the industry relative to profit, shareholder return and revenue growth. (The nature of this survey did not allow us to use Accenture's proprietary method for recognizing high-performance businesses to evaluate the respondents, but these self-reported performance measures were highly correlated with the organization's compounded average growth in revenues and profits.) Top performers scored 14 or higher (out of a possible 15 points); 13 percent of the sample scored at this level. Low performers scored eight or fewer points and represented 16 percent of the sample. We excluded government respondents because government agencies could not be evaluated using these criteria.

Figure A. Job titles represented.

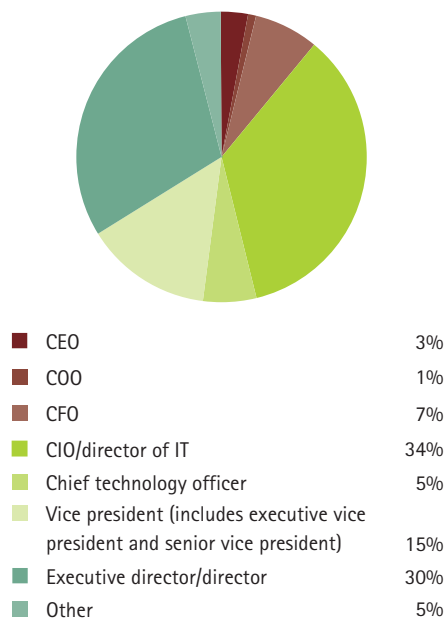


Figure B. Industries represented.

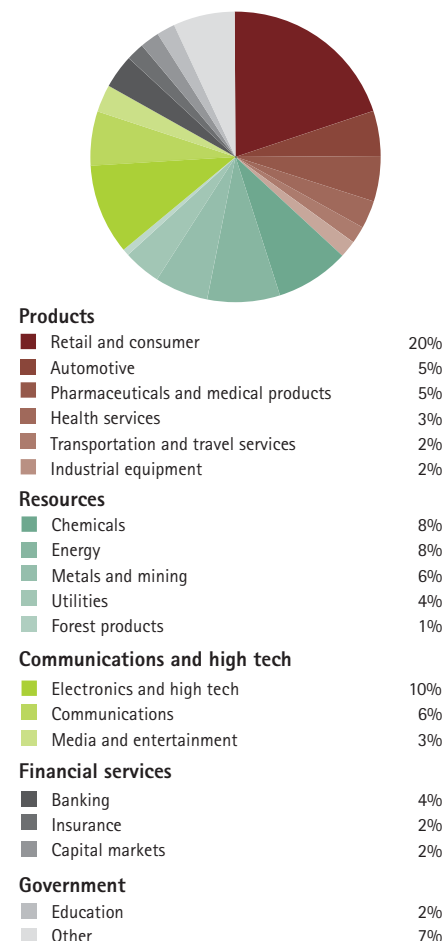
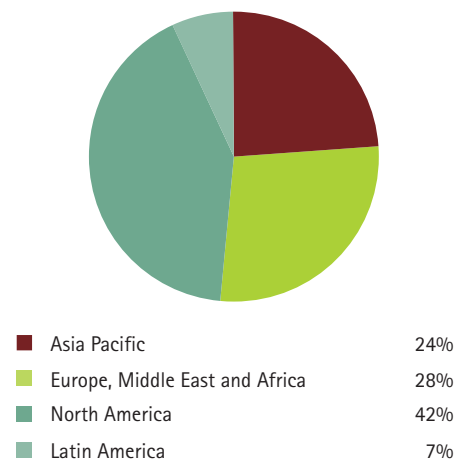


Figure C. Geographies represented.



About the authors

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Acknowledgments

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We would like to thank the more than 450 executives who generously gave their time to participate in the research study. We especially wish to express our appreciation and provide recognition for the extensive contributions of Dr. Christine M. A. Lentz, research associate at Babson College, throughout the study and in particular, the statistical data analysis. We wish to acknowledge Liana Lo Conte and Christina LaPointe of Auctorus for their online survey and data collection support.

We also want to express our thanks to our Accenture marketing colleagues for their help in the development and realization of this report, including Mark Jones, Katy Ahern, Heather Roberts, Alex Broeking and Eileen Moynihan. Finally, we wish to thank Masha Chausovsky for her creative design solutions.

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Appendix




Industry and geographic variation in the survey findings

By Jeanne G. Harris and Christine M.A. Lentz

The Accenture Institute for High Performance Business surveyed 371 senior executives who were knowledgeable about the current and planned enterprise system initiatives in their organizations. Survey respondents had an average of five modules currently installed and planned to add two more in the next two years. Fifty-five percent of organizations and business units included in the study have revenues or operating budgets greater than US\$10 billion.

Industry specific results are highlighted in Part I and Part II. The geographic variation in the survey findings is found in Part III and Part IV.

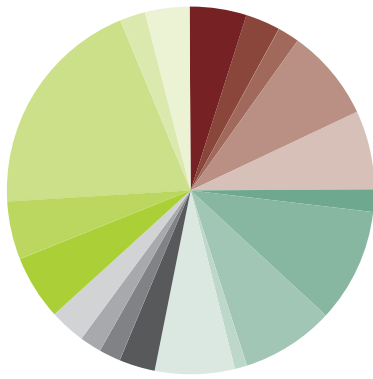


Part I. Cross-industry analysis

Nineteen industries were represented in the sample. (See Industry Appendix 1.) For simplicity of data interpretation, five industry groupings were created: communications and high technology, financial services, government, products and resources. The sample breakdown by industry grouping is shown in Industry Appendix 2.

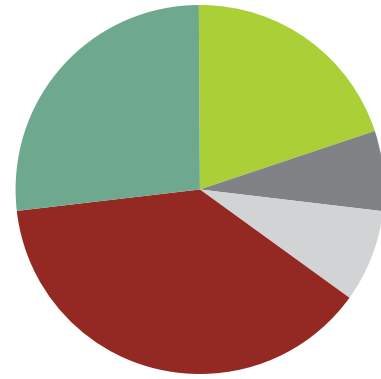
While the responses from executives were fairly consistent worldwide, there are some interesting findings that emerge when the survey data are analyzed by industry sector. This appendix highlights those differences and discusses their implications.

Industry Appendix 1. Industries.



■ Automotive	5%	■ Health services	3%
■ Banking	4%	■ Industrial equipment	2%
■ Capital markets	2%	■ Insurance	2%
■ Chemicals	8%	■ Media and entertainment	3%
■ Communications	6%	■ Metals and mining	6%
■ Education	2%	■ Pharmaceuticals and medical products	5%
■ Electronics and high tech	10%	■ Retail and consumer	20%
■ Energy	8%	■ Transportation and travel services	2%
■ Forest products	1%	■ Utilities	4%
■ Government	7%		

Industry Appendix 2. Industry groups.



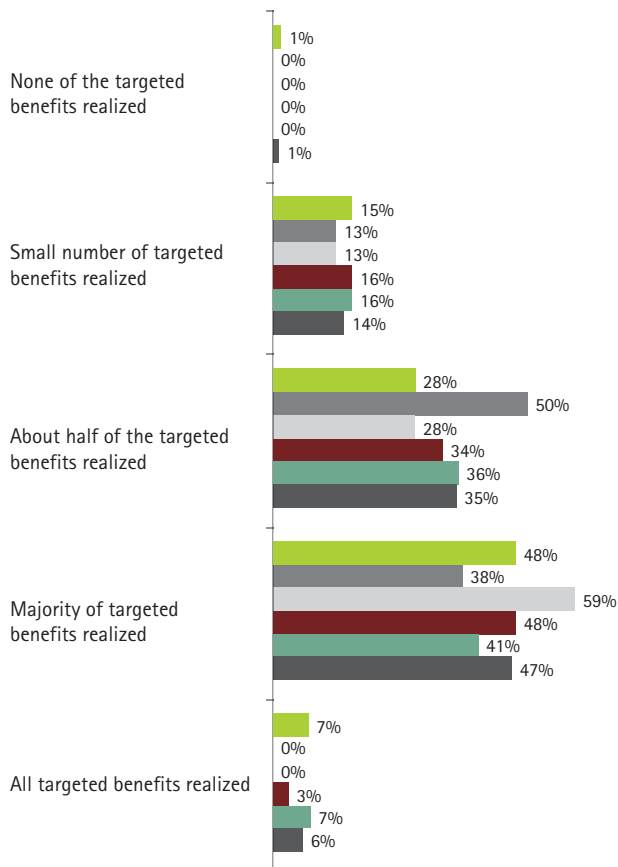
■ Communications and high technology	20%	■ Products	38%
■ Financial services	7%	■ Resources	27%
■ Government	8%		



Benefits

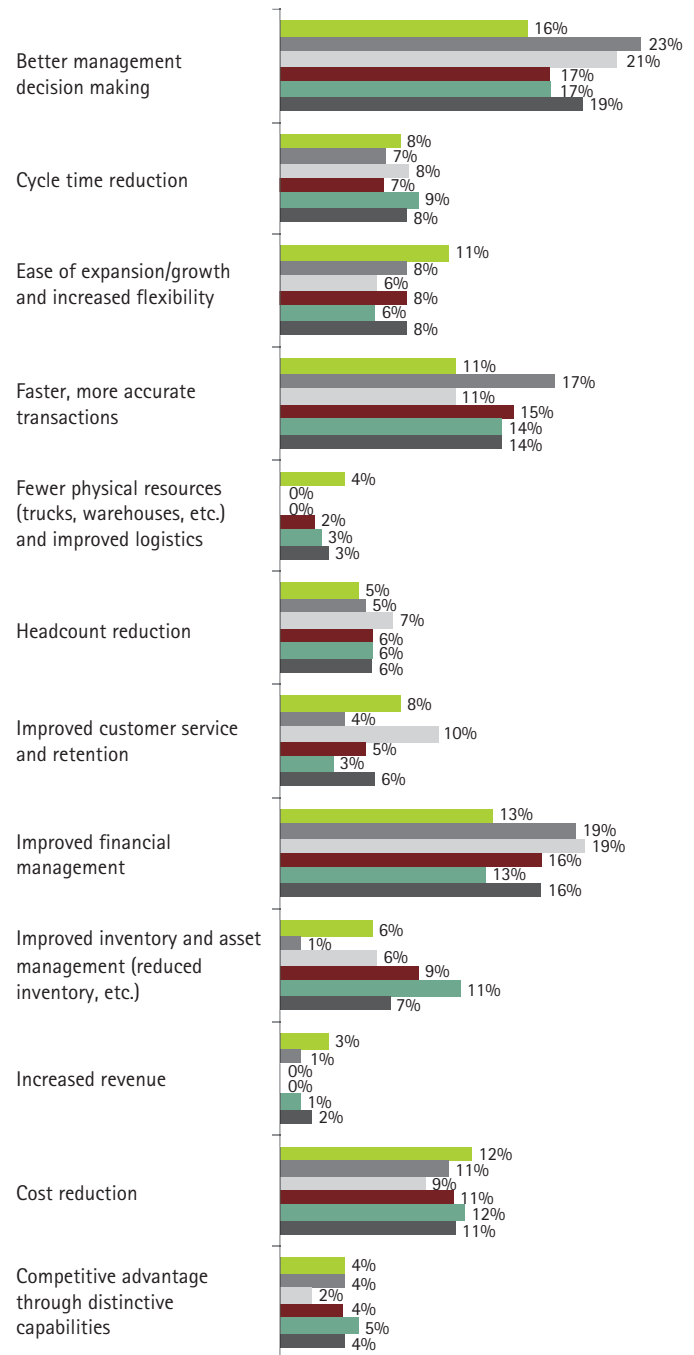
Only 1 percent of all companies indicated that none of the targeted benefits were realized, down from 10 percent in 2002. The communications and high technology group and the resources group have deep experience with enterprise systems, and these organizations enjoy the best results from their systems. In these groups, 7 percent realized all the targeted benefits. (See Industry Appendix 3.) About half of the organizations in each industry (except for financial services) achieved a majority or all of their targeted benefits.

Industry Appendix 3. Realization of targeted benefits from enterprise systems.



Enterprise systems are designed to achieve a diverse range of benefits, according to respondents. The financial services and government groups are particularly focused on better management decision making and improved financial management. A close third place for financial services organizations is faster, more accurate transactions whereas cost reduction is third place for communications and high technology. Government's targeting of improved customer service leads all industries. Resources' emphasis on improved inventory and asset management is critical for efficient asset utilization in that industry.

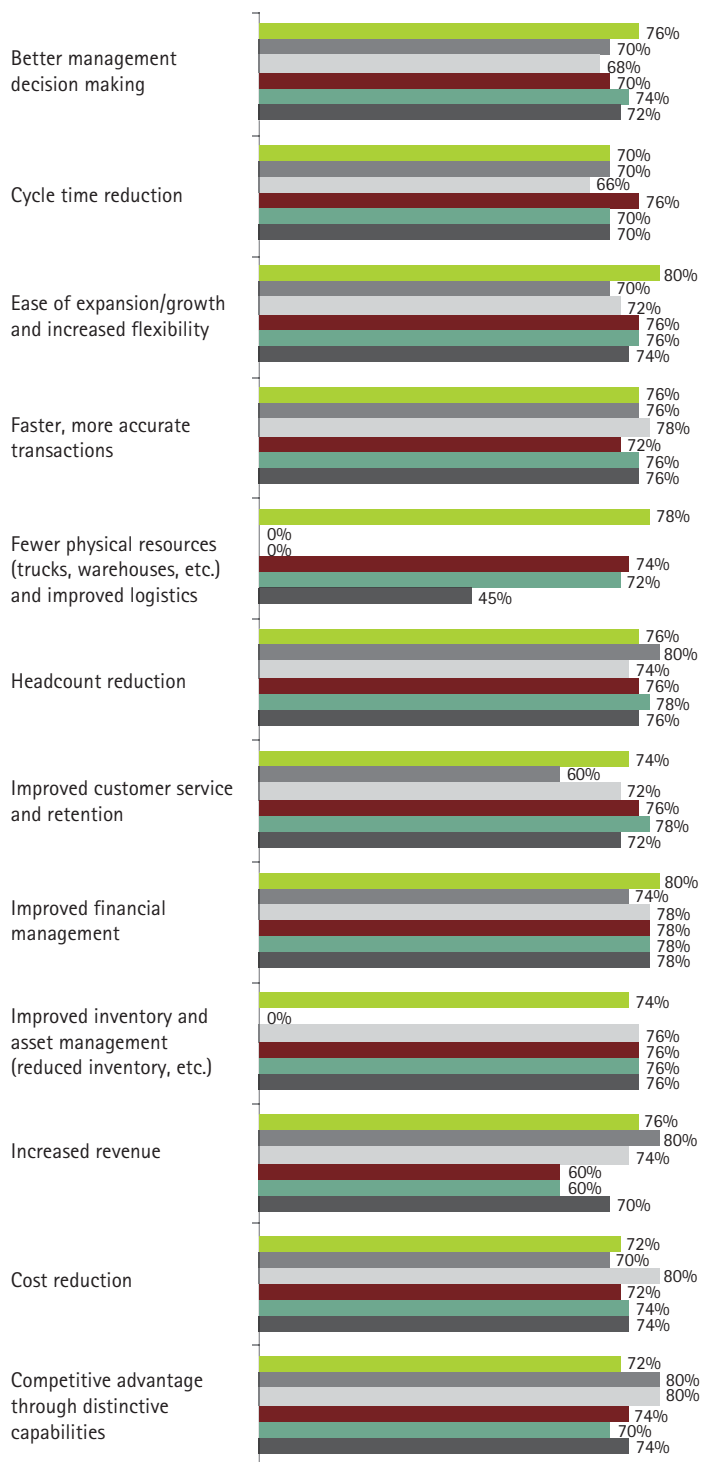
Industry Appendix 4. Benefits targeted by enterprise systems.¹



¹ Percentage of organizations listing this benefit as one of their top three benefits sought.

Most organizations are realizing a majority of the benefits targeted as well as additional benefits from enterprise systems. For example, 11 percent of the communications and high technology organizations target ease of expansion/growth and increased flexibility but 80 percent indicated this benefit is being realized. Also, on average, 5 percent of organizations targeted competitive advantage through distinctive capabilities but 74 percent are realizing this benefit.

Industry Appendix 5. Benefits achieved by industry group.

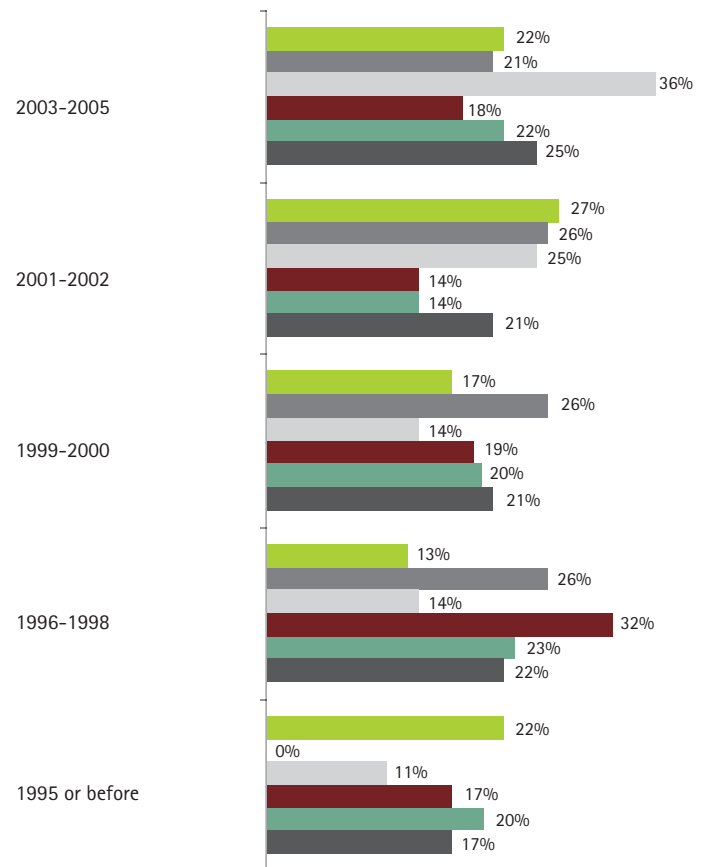


Prerequisites to value

Time

Organizations from the resources and communications and high technology groups were early leaders in the implementation of enterprise systems; approximately 20 percent indicated operational enterprise systems in place in 1995 or earlier. Products organizations also were early adopters of enterprise systems. By 1999, 49 percent of products organizations had implemented an enterprise system. Financial services organizations reported no implementations prior to 1995 but saw consistent levels of implementation beginning in 1996 until the present.

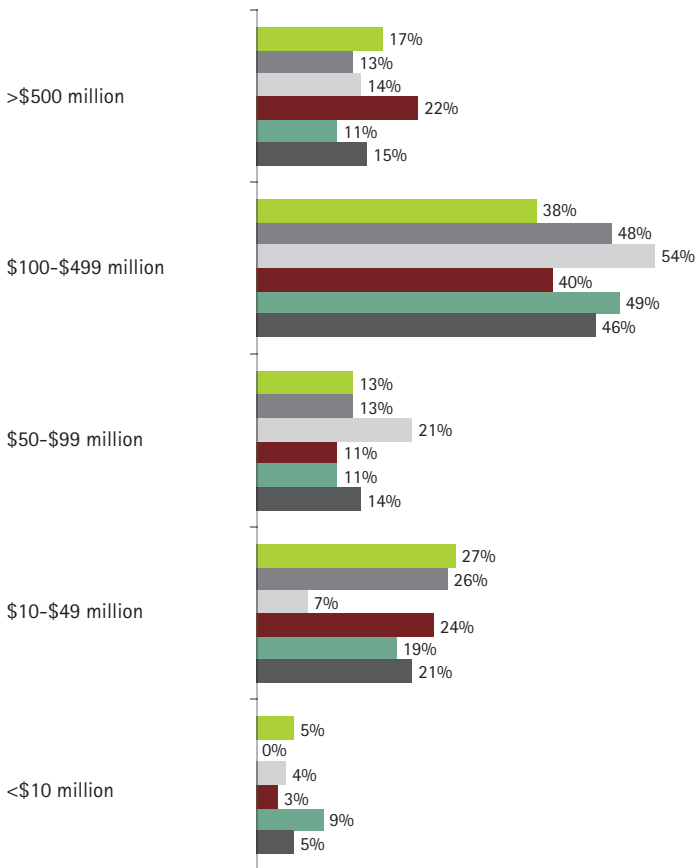
Industry Appendix 6. Year the first enterprise system module was implemented.



Spending on enterprise systems

Because spending on enterprise systems tends to correlate closely with the length of time an organization has had an enterprise system, investment in these systems is higher than in the previous study. In 2006, on average, 46 percent of organizations spent between US\$100 million and US\$499 million. Twenty two percent of products organizations report spending in excess of US\$500 million.

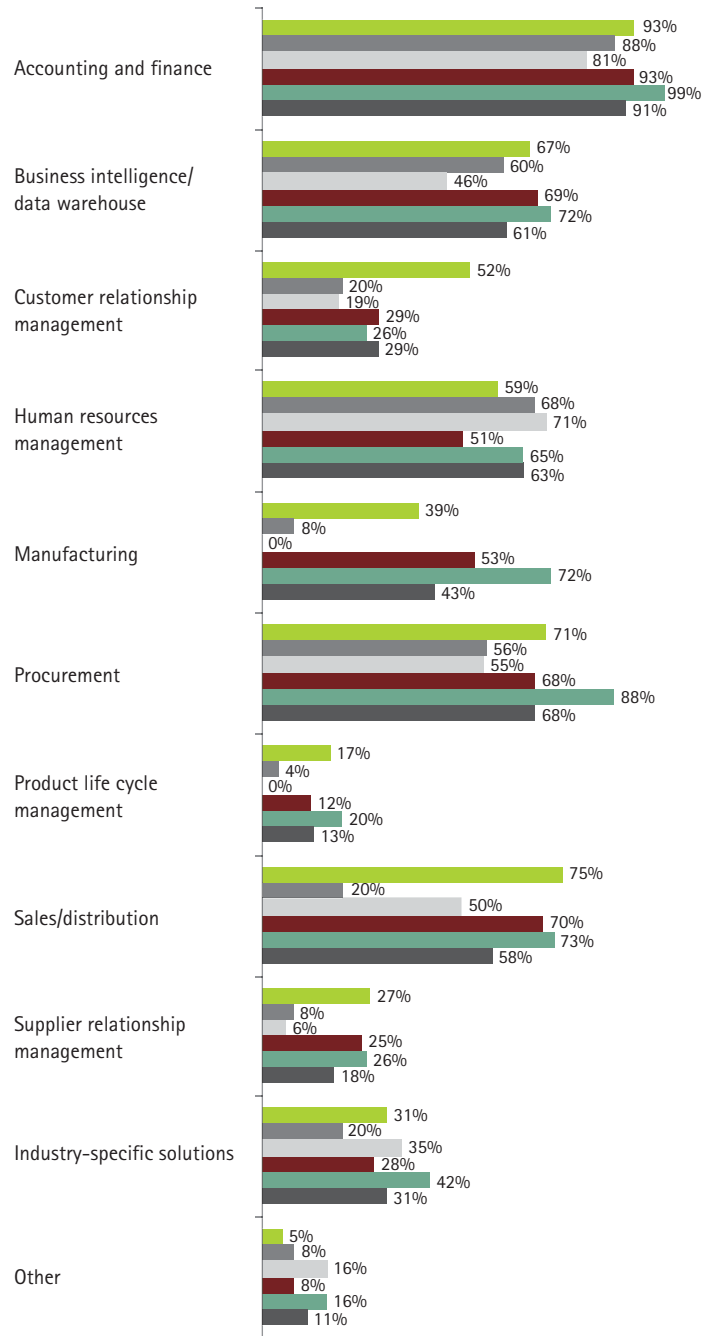
Industry Appendix 7. Investment in enterprise systems over the past five years.



Functionality

Resource organizations lead in many module categories. For customer relationship management, the communications and high technology group has nearly double the average number of implementations.

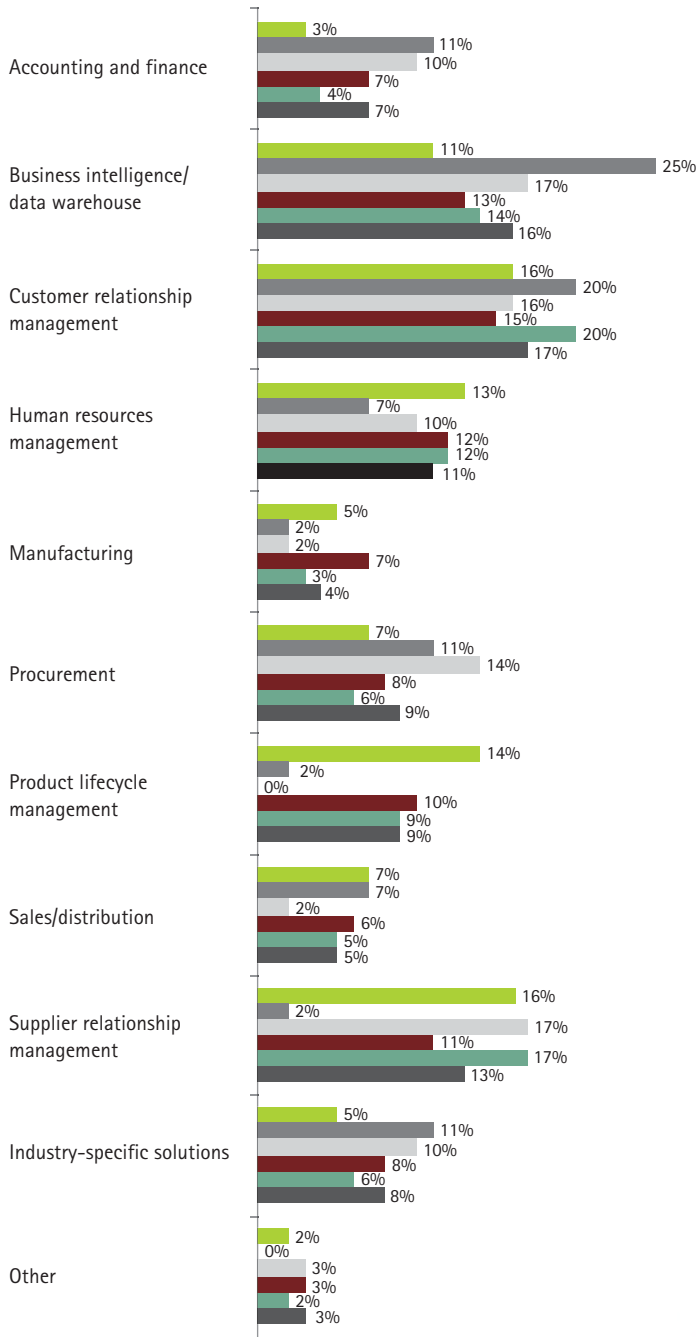
Industry Appendix 8. Percentage of enterprise system modules currently implemented.



■ Communications and high technology
 ■ Financial services
 ■ Government
 ■ Products
 ■ Resources
 ■ Cross-industry mean

Business intelligence/data warehouse in financial services leads all planned implementations at 25 percent. The second most frequently planned application is customer relationship management in financial services (20 percent) and resources (20 percent). Supplier relationship management is a priority for 17 percent of executives in government and resources.

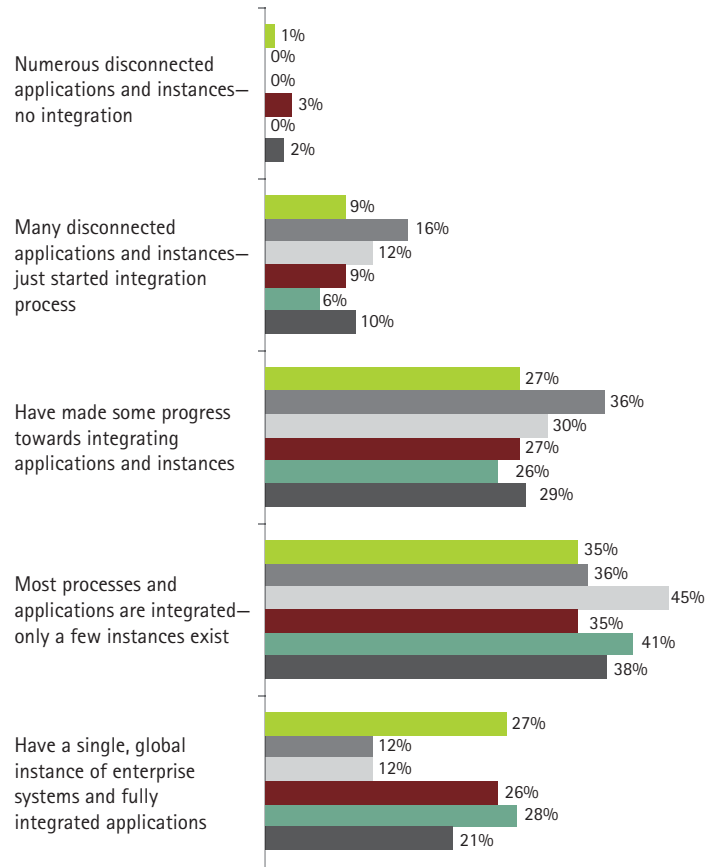
Industry Appendix 9. Percentage of additional enterprise system modules currently planned.



Integrating enterprise systems

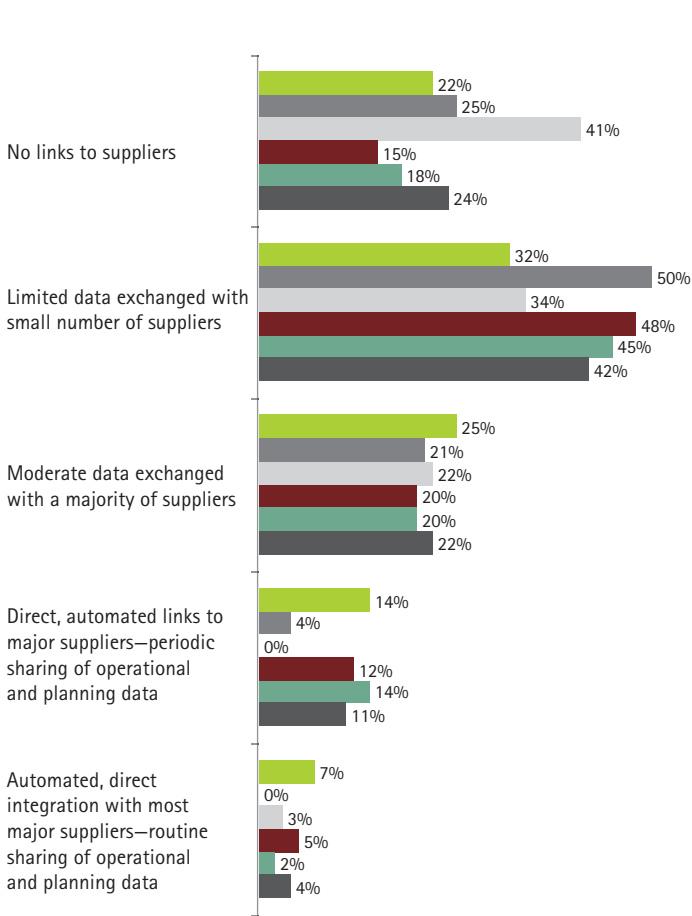
More than 25 percent of companies in three industry groups—products, resources and communications and high technology—have a single, global instance of an enterprise system. Product organizations have experienced the most progress in this area, up 15 percent from 2002.

Industry Appendix 10. Enterprise systems integration.



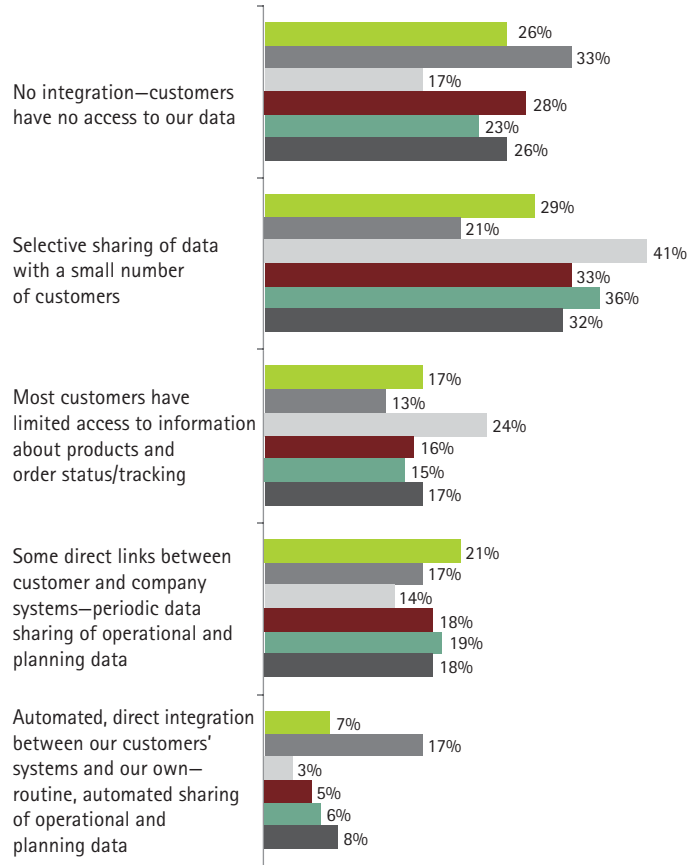
The products, resources, and communications and high technology groups lead supplier integration with nearly 15 percent of each group having direct, automated links to major suppliers. Most organizations have at least some data exchange with a small number of suppliers. However, more than 40 percent of the government group respondents reported no links to suppliers at all.

Industry Appendix 11. Integration with suppliers.



Twenty to 40 percent of all organizations report selective sharing of data with a small number of customers. In financial services, 33 percent of companies have no integration, whereas 17 percent have direct, automated connectivity with customers.

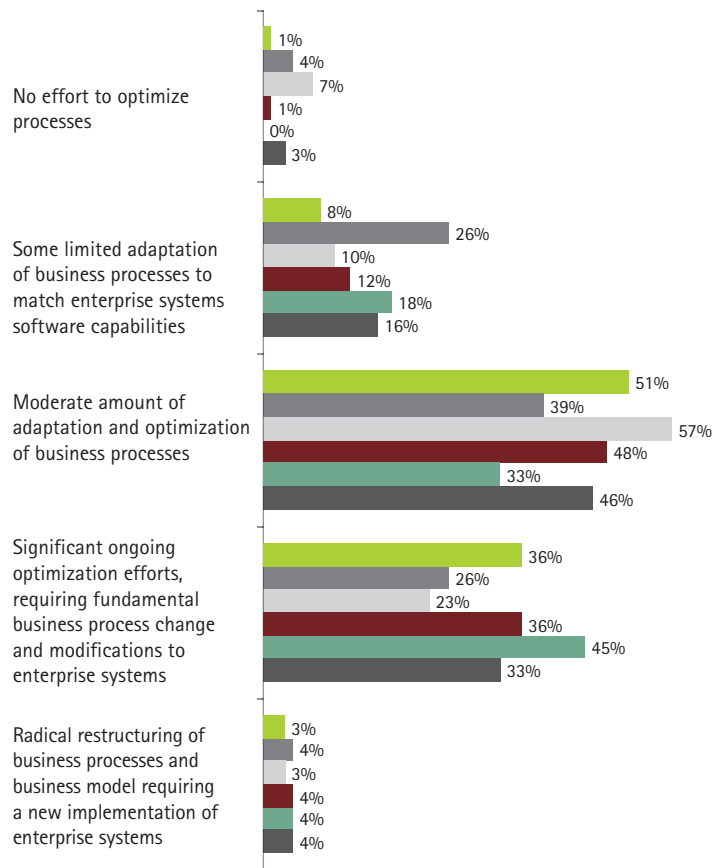
Industry Appendix 12. Integration with customers.



Optimizing enterprise systems

For most industry groups, a moderate amount of adaptation and optimization of business processes is occurring. Additionally, 45 percent of executives in resources companies indicate that significant optimization efforts requiring fundamental business process change and modifications to enterprise systems are under way in their organizations.

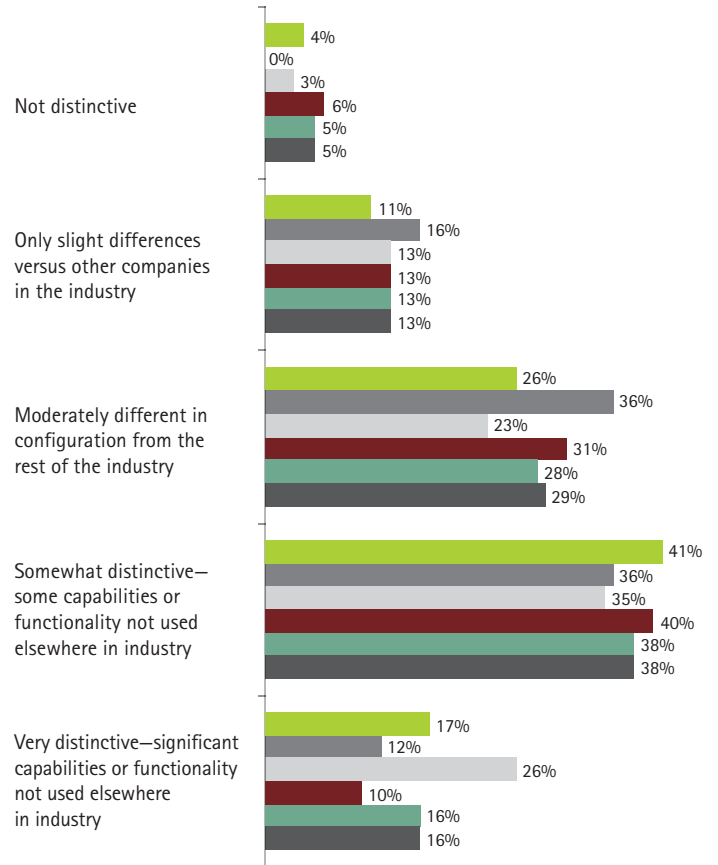
Industry Appendix 13. Optimization of enterprise systems.



Creating distinctive capabilities

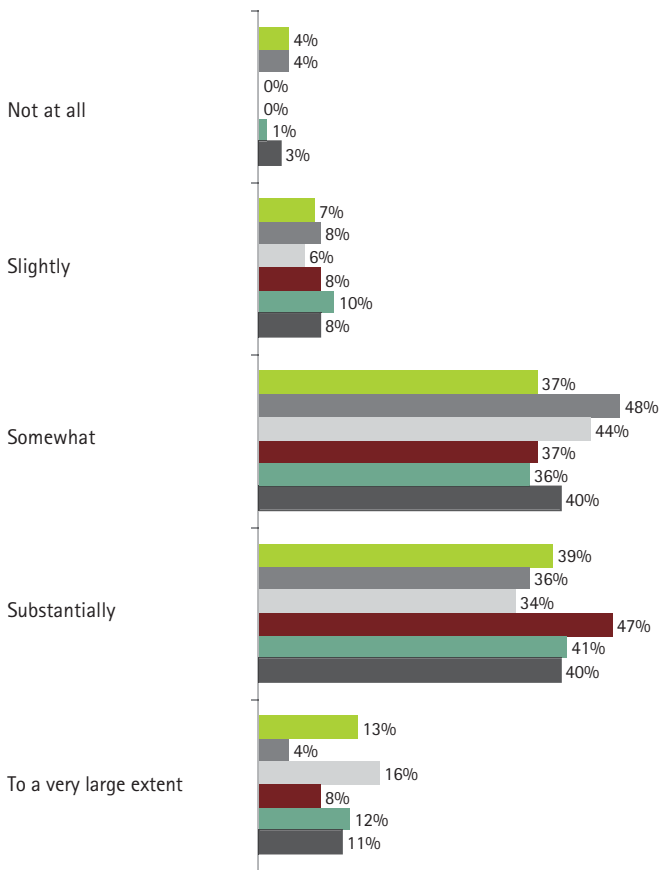
Many organizations are using enterprise systems to support and enable their distinctive capabilities: 35 percent or more indicated that their organizations are using enterprise systems as an integral component of their business models. Very distinctive functionality not used elsewhere in the industry is employed by an average of 16 percent of all companies with government organizations leading all groups with 26 percent.

Industry Appendix 14. Distinctiveness of enterprise systems within the industry.



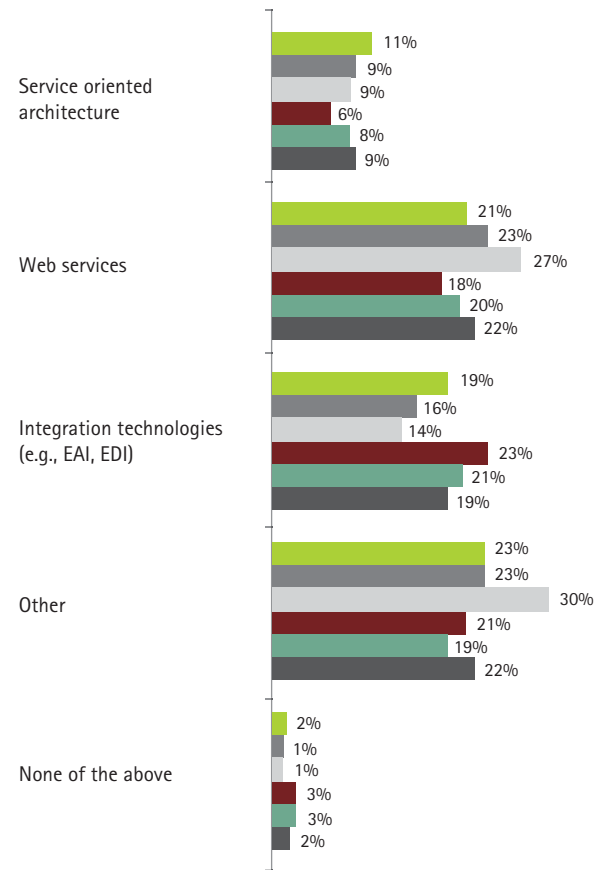
Approximately 15 percent of communications and high technology and government organizations indicate that their enterprise systems contribute to distinctive capabilities to a very large extent. Nearly 50 percent of products companies believe that their enterprise systems substantially enable distinctive capabilities whereas about 50 percent of financial services and government organizations indicate this is somewhat true.

Industry Appendix 15. Contribution of enterprise systems to distinctive capabilities.



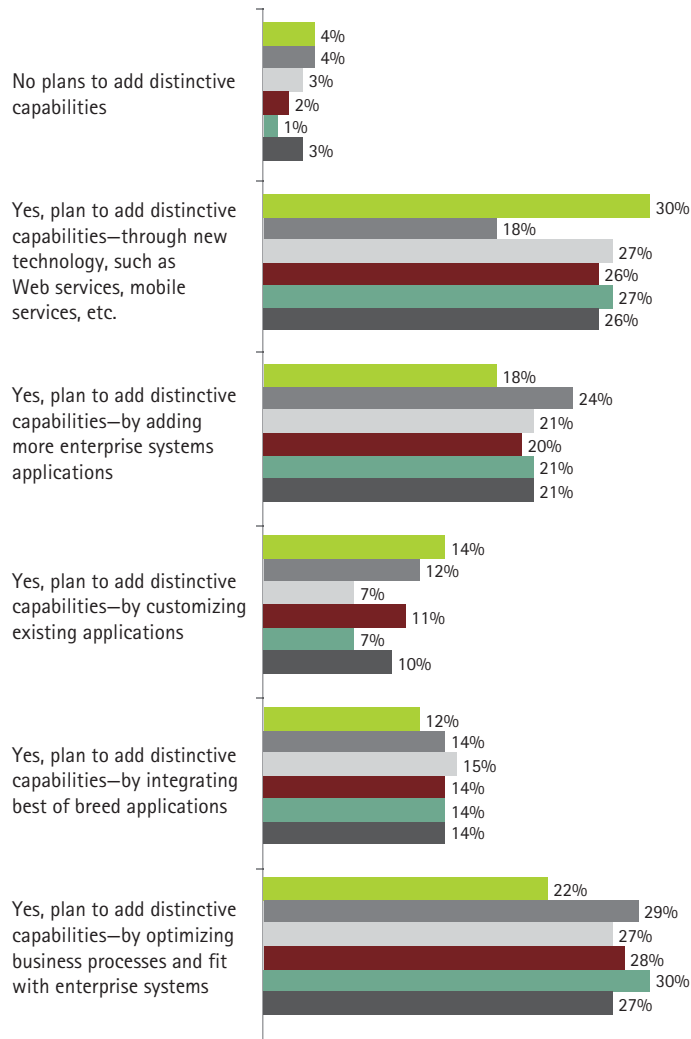
Government organizations are making extensive use of Web services with close to 30 percent employing the technology. For the products group, integration technologies such as electronic data interchange (EDI) are used to enable distinctive capabilities.

Industry Appendix 16. Technology for enabling distinctive capabilities.



Across all industries, organizations are adding distinctive capabilities through new technology, enterprise system applications and optimizing business processes. In financial services, organizations indicate that distinctive capabilities are planned to be added using enterprise systems applications whereas the other industry groups prefer to enable distinctive capabilities through new technologies, such as Web and mobile services. Around 30 percent of all organizations also plan process optimization work, with the exception of communications and high technology.

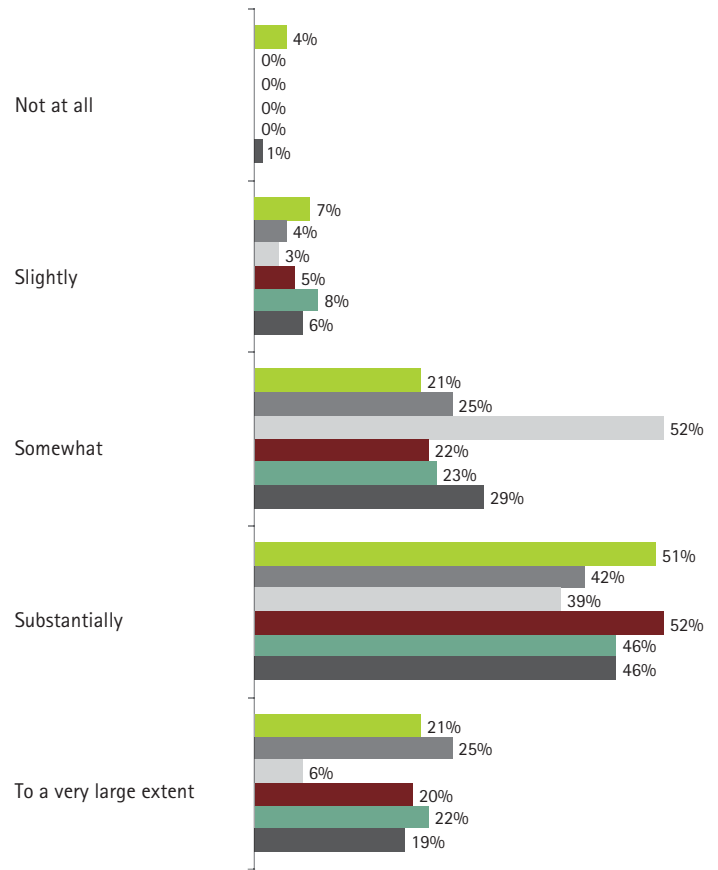
Industry Appendix 17. Future plans for adding distinctive capabilities.



Using analytics

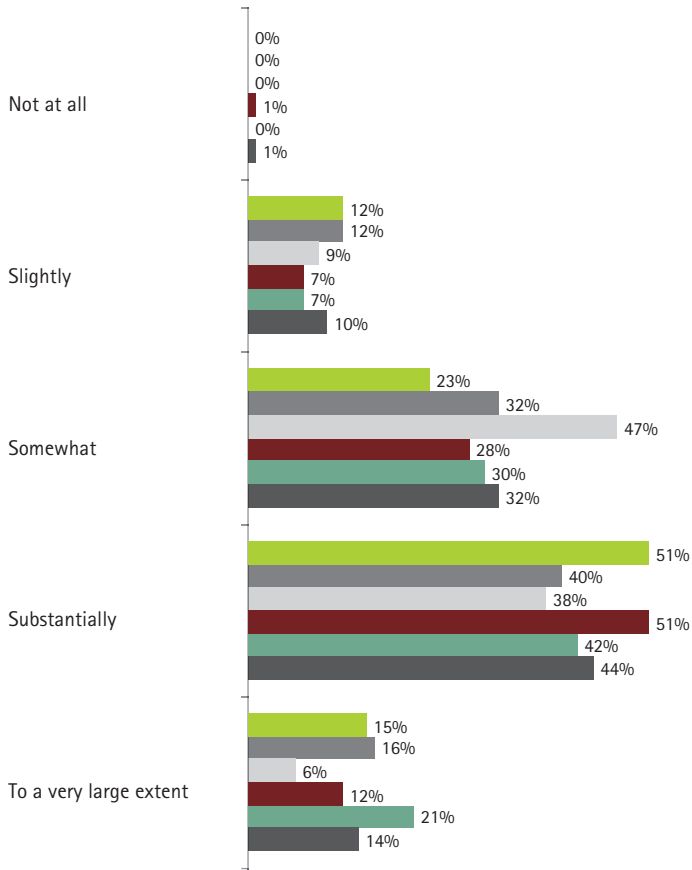
Over 50 percent of communications and high technology and products organizations substantially value analytically based insights. For other groups except government, more than 20 percent value these insights to a very large extent.

Industry Appendix 18. Value of analytically based insights.



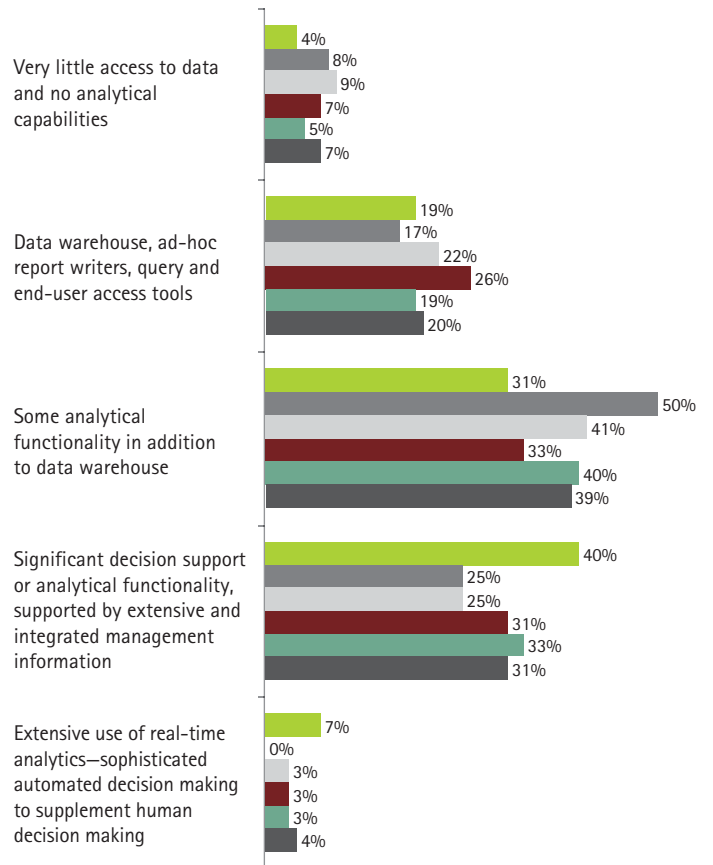
The industries that value analytically based insights (see Industry Appendix 18) are also using analytical data to make decisions.

Industry Appendix 19. Decisions based on enterprise systems data and analysis.



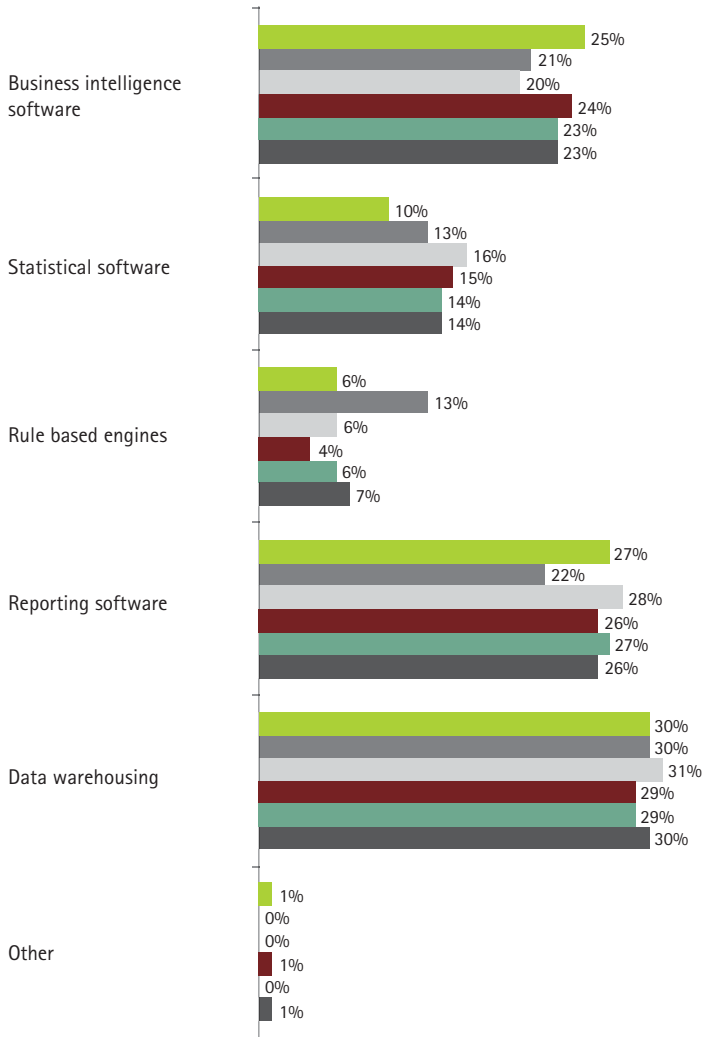
A variety of tools can help with decision support and data analysis. A majority of organizations have some analytical functionality in addition to a data warehouse. Forty percent of the communications and high technology group provided significant decision support or analytical functionality, supported by extensive and integrated management information. Most financial services companies have yet to make extensive use of real-time analytics although 50 percent have some analytical functionality.

Industry Appendix 20. Ease of access to data to support work.



A plethora of analytical technologies are used by all organizations. Financial services organizations employ rule-based engines substantially more than the others and reporting software substantially less.

Industry Appendix 21. Analytical technology used.



A large, rounded, green topiary bush, possibly a topiary sphere, dominates the left and center of the frame. The bush is meticulously trimmed, showing a dense, uniform texture of green leaves. The background is a clear, bright blue sky. The overall composition is clean and modern, with a strong sense of geometric form and color contrast.

Part II. Industry snapshots

Products

One hundred and thirty-eight executives in the products industry sector indicated that their organizations realized the same top three benefits as the entire sample—better decision making, improved financial performance and faster, more accurate transactions. Forty-nine percent had implemented at least two modules of enterprise systems by 1999 and 22 percent spend in excess of US\$500 million on enterprise systems that support all aspects of the business. To support and enable integration, about a quarter of products companies employ integration technologies and approximately 20 percent have at least some direct links to customers and suppliers allowing for periodic, as well as automated, direct data sharing. Leading all industry groups, 47 percent of product companies believe that their enterprise systems substantially contribute to their organizations' distinctive capabilities. Analytics is an important component of this advantage as over 50 percent of products' executives indicated that decisions are based on enterprise systems' data and analysis.

Resources

One hundred resources executives responded to the survey and 7 percent of these organizations indicated that all targeted benefits had been realized. Early adoption may be partly responsible as 20 percent of resources companies had implemented at least two enterprise systems modules in 1995 or before. Resources organizations have extensive module implementation, leading all groups in six of the 10 module categories. About 20 percent are planning to add customer and supplier relationship management in the next two years. Integration is an important driver of success, according to resources executives. Nearly 70 percent indicated that most processes and applications are integrated, 14 percent have direct, automated links to suppliers, and nearly 20 percent have some direct connectivity to customers. Optimization is another critical component as 45 percent of executives report significant, ongoing process improvement efforts that require fundamental business change. Distinctive capabilities will be added through these process optimization efforts which enable better fit between the organization and the enterprise systems. Resources companies both value analytically based insights and use the enterprise systems' data in decision making (20 percent indicate they do so to a very large extent).

Communications and high technology

Seventy-five communications and high technology executives participated in this study and nearly 50 percent of these organizations indicated that a majority of targeted benefits have been realized. Realized benefits came in the areas of improved decision making and financial management after years of work as 35 percent of communications and high technology companies had implemented enterprise systems by 1999. A broad portfolio of modules is supporting operations and distinctive capabilities at communications and high technology companies. Communications and high technology organizations lead the other groups in the implementation of customer relationship management, supplier relationship management and sales/distribution modules as well as the planned implementation of product lifecycle and human resources management. Integration is quite high at communications and high technology organizations with 27 percent having a single global instance of enterprise systems and nearly 7 percent indicating automated, direct exchange of data with most major suppliers. When compared with others in the industry, 17 percent of communications and high technology executives describe their enterprise systems as "very distinctive" and 13 percent indicate these systems contribute "to a very large extent" to distinctive capabilities. Analytics are highly valued by the communications and high technology group as 51 percent indicate they substantially value analytically based insights. Leading all industry groups by nearly a factor of two, communications and high technology executives indicate that their organizations are making extensive use of analytics.

Financial services

Twenty-six financial services company executives participated in this study and, as a group, they are relatively late adopters of enterprise systems. There were no implementations prior to 1995 and 26 percent prior to 1999. Targeted benefits are being realized but to a smaller extent than some of the other industries. Module implementation is most extensive in accounting and finance, human resource management and business intelligence/data warehouse. Plans for additional module implementation in the next two years include: business intelligence/data warehouse (25 percent) and customer relationship management (20 percent). Financial services organizations are less likely to have a single, global instance of enterprise systems but 36 percent indicate that most processes and applications are integrated. Integration with suppliers is low, but automated, direct linkage with customers leads all industry groups at 17 percent. Enterprise systems are contributing to distinctive capabilities somewhat and future plans include augmenting this capability through optimizing business processes and adding more enterprise system applications. Seventy-five percent of financial services organizations indicate that either some analytical functionality exists in addition to data warehouse or that significant decision support or analytical functionality is sustained by extensive and integrated management information.

Government

Government and public-sector organizations (32 participated) have targeted the same benefits as other organizations: better decision making, improved financial management, and faster, more accurate transactions. Realization of these benefits is a bit more elusive particularly for faster, more accurate transactions. Time is likely a factor as no government organization surveyed had implemented two enterprise systems modules prior to 1995 and only 36 percent implemented systems in the last two years. Nevertheless, the breadth of modules currently implemented was extensive. Plans for additional module implementation in the next two years included: business intelligence/data warehouse (25 percent) and supplier relationship management (18 percent). On average, government organizations spent the most on enterprise systems with 54 percent indicating expenditures of US\$100 million-US\$499 million over the past five years. Integration in government organizations is low as 41 percent report no links to suppliers and 17 percent have no links to customers. Some limited adaptation of business processes is being done to match enterprise system software capabilities to the organization's processes. Distinctive capabilities are being somewhat supported by enterprise systems. Future plans include continuing work on process optimization and adding enterprise system modules. The value of analytics is significantly lower than in other organizations (6 percent versus an average of 19 percent) as is their use of analytics (6 percent versus an average of 14 percent).



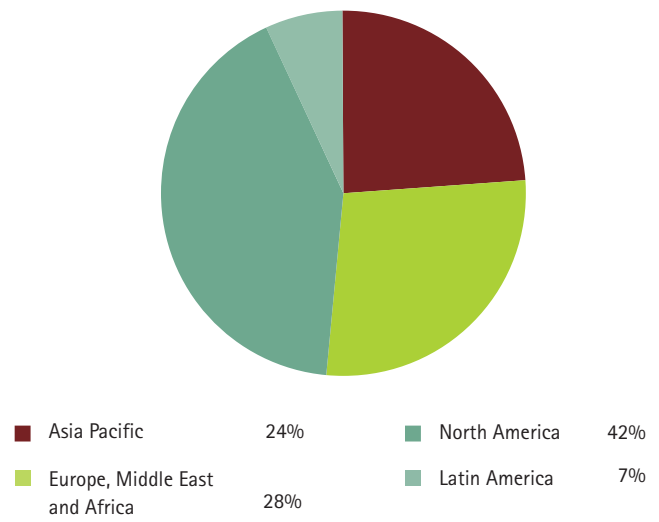
Part III. Geographic variation in industry findings

We surveyed 371 executives from medium to large organizations representing a wide range of industries (see Industry Appendix 1) and the public sector in 34 countries. Geographic Appendix 1 lists these countries. Geographic Appendix 2 groups these countries into four geographic regions: Asia Pacific, Europe, Middle East and Africa, North America and Latin America. While executives worldwide were fairly consistent in their perspectives, a few significant variations emerged. This section of the appendix summarizes some of the key differences found.

Geographic Appendix 1. Countries.

Argentina	Korea
Australia	Malaysia
Austria	Mexico
Belgium	Netherlands
Brazil	New Zealand
Brunei	Portugal
Canada	Singapore
China	Slovak Republic
Denmark	South Africa
Finland	Spain
France	Sweden
Germany	Switzerland
India	Thailand
Indonesia	UK
Ireland	USA
Italy	Uruguay
Japan	Venezuela

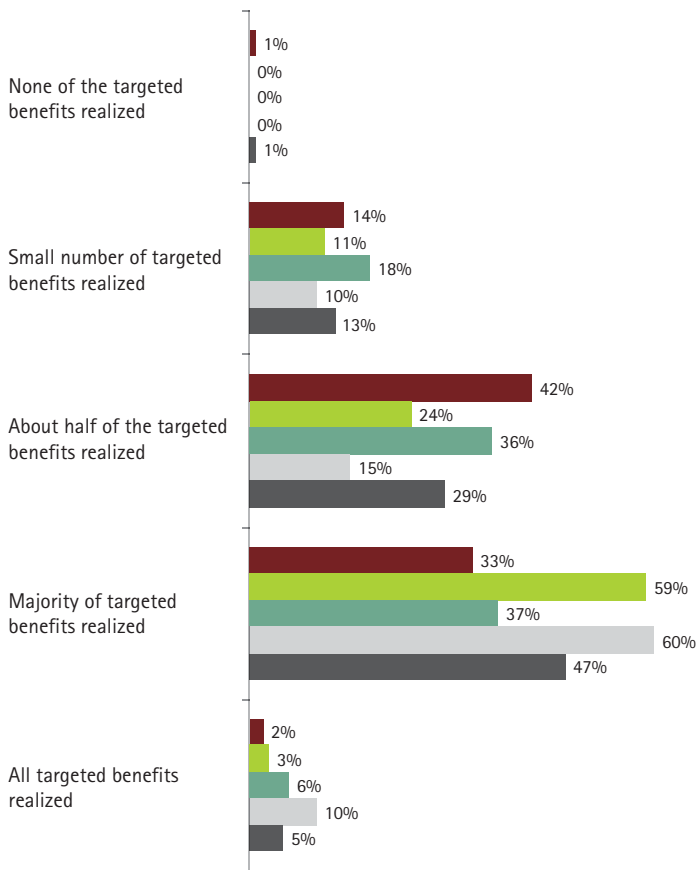
Geographic Appendix 2. Regions.



Benefits

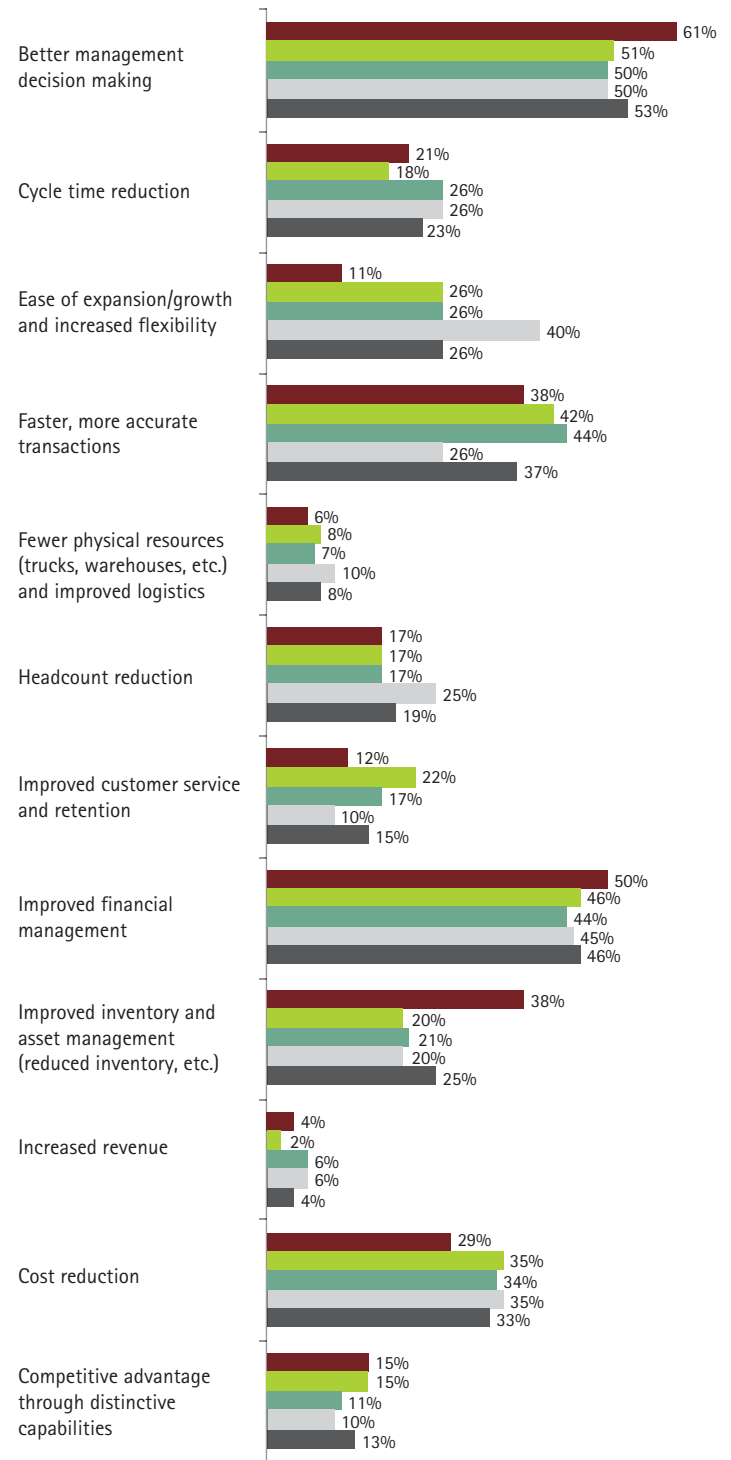
About sixty percent of European, Middle Eastern and African as well as Latin American organizations specified that a majority of targeted benefits have been realized. Only about 35 percent of Asia Pacific and North American organizations had realized a majority of benefits.

Geographic Appendix 3. Realization of targeted benefits from enterprise systems.



Sixty-one percent of Asia Pacific organizations targeted better decision making compared with approximately 50 percent for the other regions. Additionally, Asia Pacific organizations are targeting improved inventory and asset management significantly more than the others. Latin America executives indicate significantly more focus on growth and flexibility than on faster, more accurate transactions.

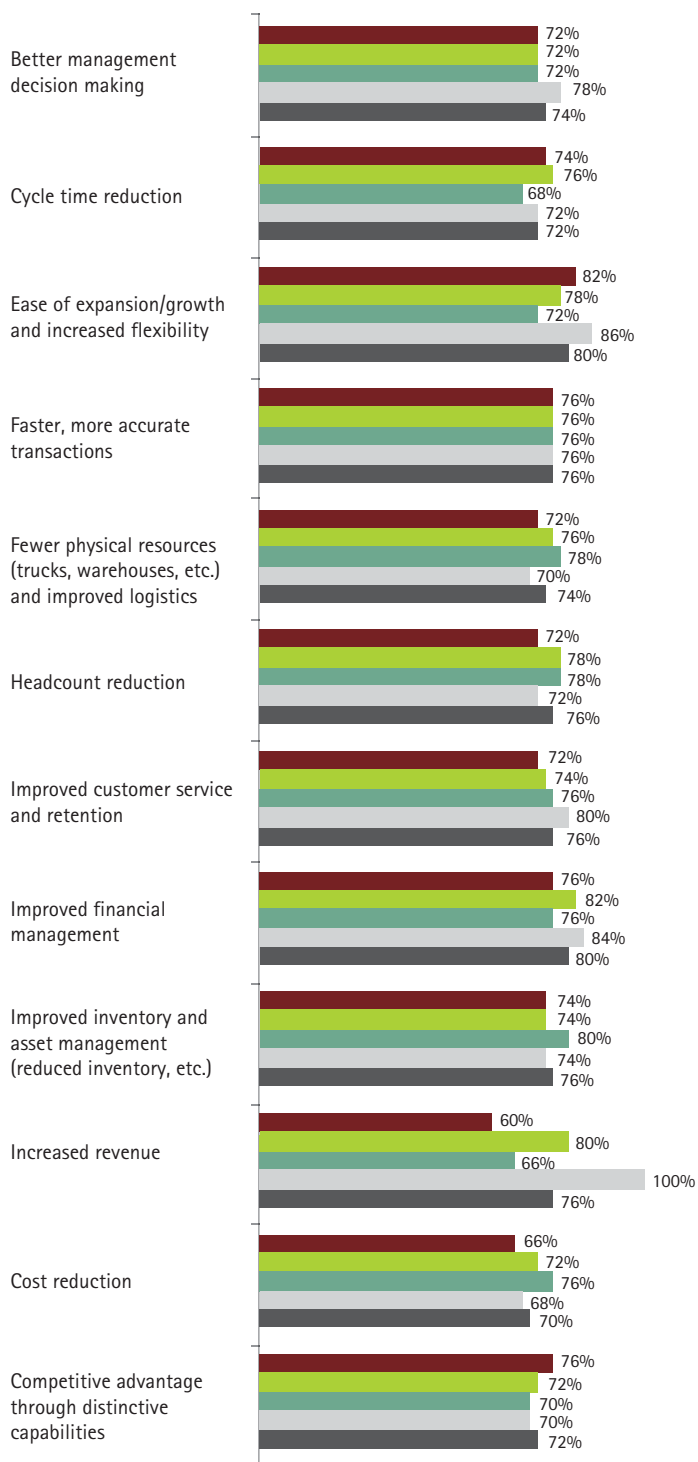
Geographic Appendix 4. Benefits targeted by enterprise systems.¹



¹ Percentage of organizations listing this benefit as one of their top three benefits sought.

Most organizations are achieving a majority of benefits targeted. Additionally, other benefits are being realized. For example, 80 percent of organizations in Europe, Middle East and Africa and 100 percent of organizations in Latin America are realizing increased revenue through enterprise systems implementations. Asia Pacific executives indicate that growth and flexibility are being achieved and North American organizations report improved inventory and asset management.

Geographic Appendix 5. Benefits achieved by organizations.



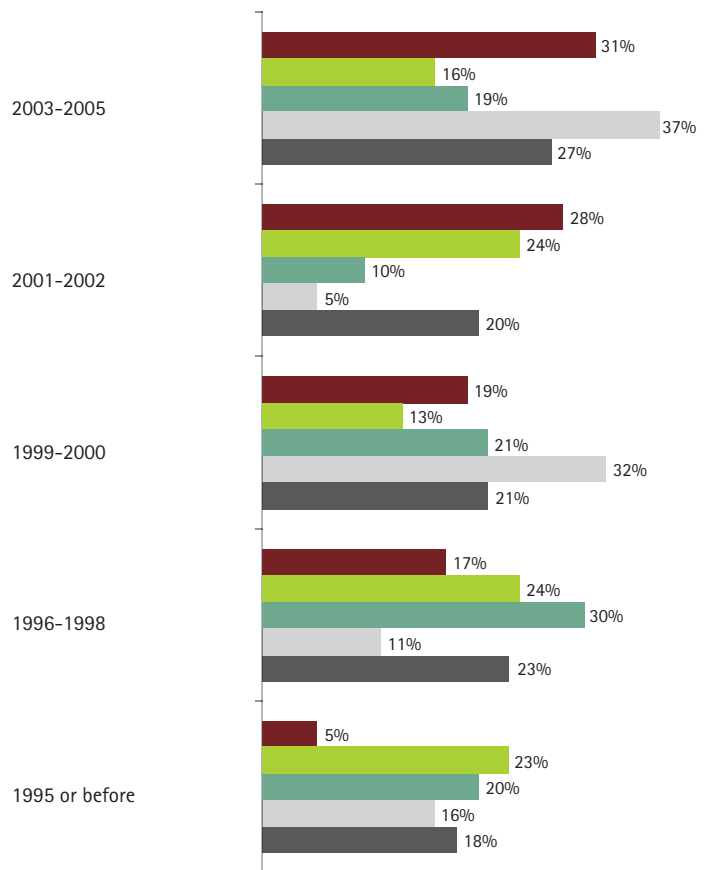
■ Asia Pacific ■ Europe, Middle East and Africa ■ North America ■ Latin America ■ Cross-region mean

Prerequisites to value

Time

About 20 percent of European, Middle Eastern and African organizations implemented at least two enterprise system modules by 1995 compared with only 5 percent of Asia Pacific organizations. Asia Pacific has seen gradual growth in enterprise systems with over 30 percent of these organizations implementing in the last two years.

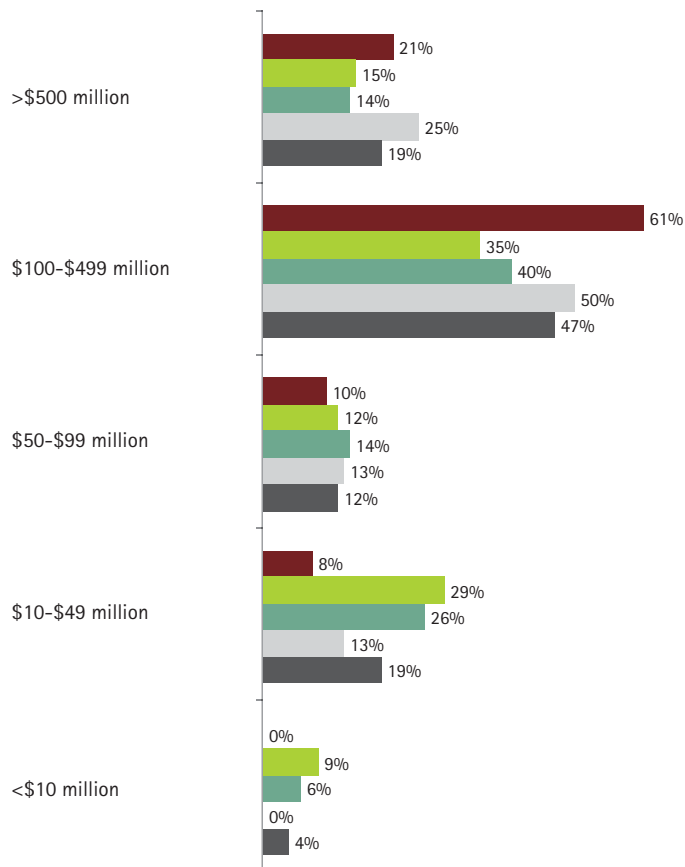
Geographic Appendix 6. Year the first enterprise system module was implemented.



Spending on enterprise systems

More than 60 percent of organizations in Asia Pacific spent US\$100 million–US\$499 million on enterprise systems in the last five years and, on average, nearly 20 percent of all organizations spent in excess of \$500 million. These figures are significantly higher than the 2002 study, but this may be due to differences in the sample composition, since the 2002 study included more midsize organizations.

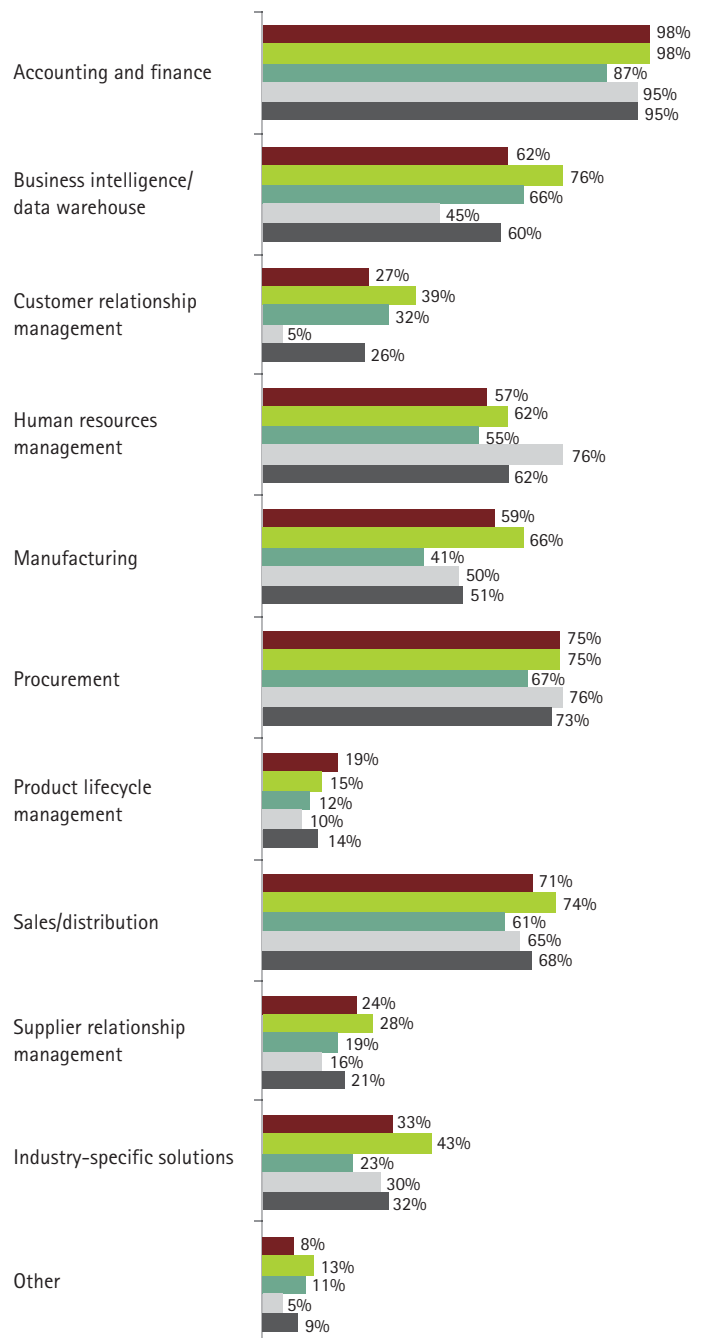
Geographic Appendix 7. Investment in enterprise systems over the past five years.



Functionality

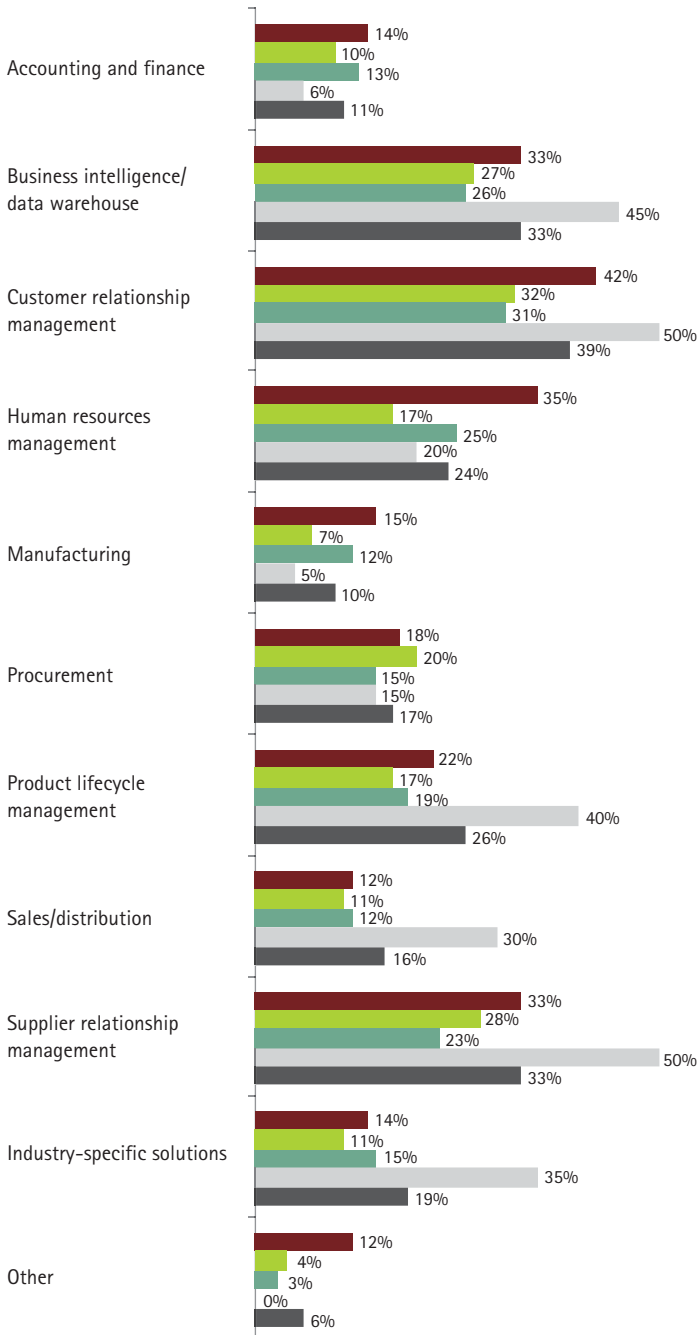
North American organizations indicate fewer implementations of production modules such as manufacturing, procurement and supplier relationship management than organizations in other regions. European, Middle Eastern and African organizations favor modules such as business intelligence/data warehouse, customer relationship management and industry-specific solutions more than organizations in other regions.

Geographic Appendix 8. Percentage of enterprise system modules currently implemented.



Customer relationship management, supplier relationship management and business intelligence/data warehouse modules lead all planned implementations, particularly for organizations in Latin America and the Asia Pacific region.

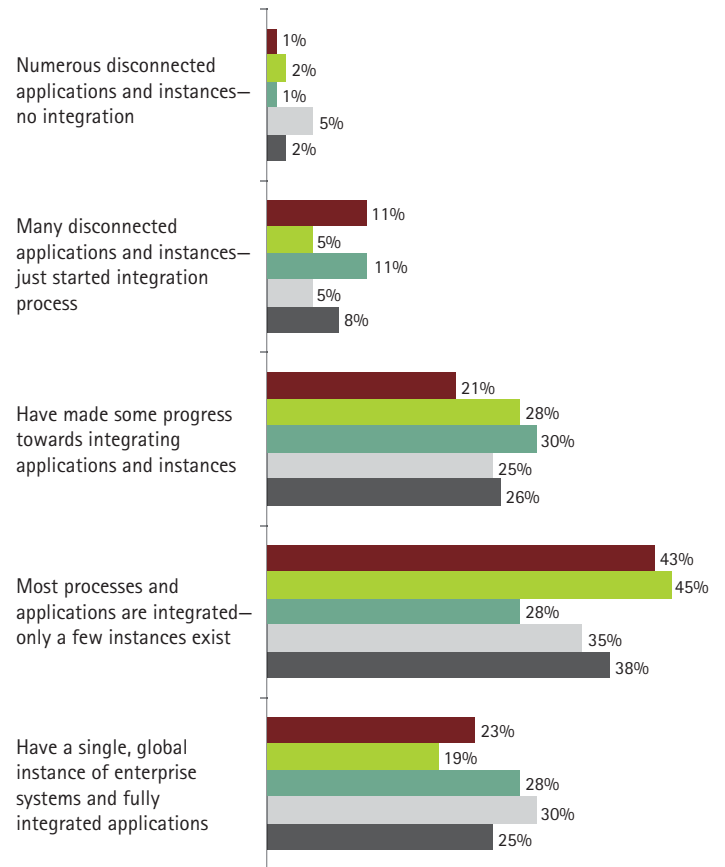
Geographic Appendix 9. Percentage of additional enterprise system modules currently planned.



Integrating enterprise systems

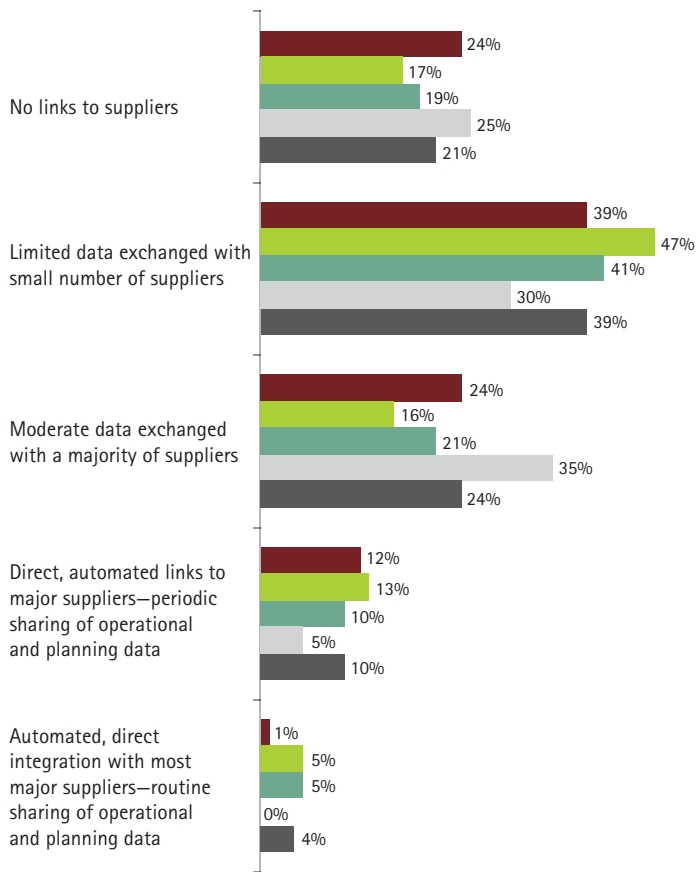
Integration of enterprise systems in organizations has increased dramatically since 2002. For example, today about 12 percent of North American organizations have little or no integration compared with 25 percent in 2002.

Geographic Appendix 10. Enterprise systems integration.



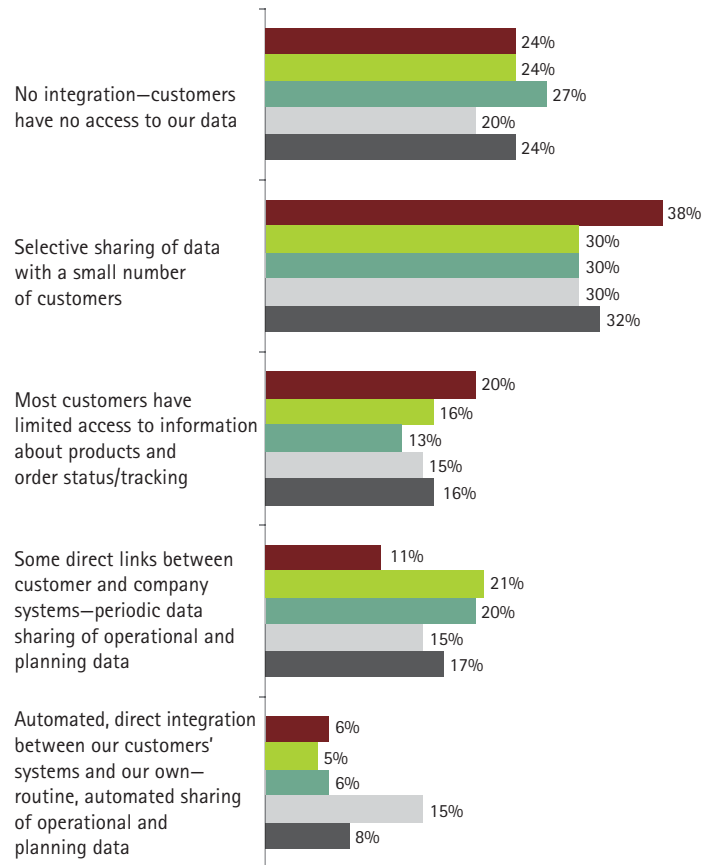
Nearly 50 percent of European, Middle Eastern and African organizations reported limited data exchange with a small number of suppliers. One executive explained that his company, like others in the region, is beginning to envision the benefits of integration with outside organizations but that they need to crawl before they can run.

Geographic Appendix 11. Integration with suppliers.



In about 20 percent of European, Middle Eastern, African and North American organizations linkages have been established with customers to provide periodic sharing of operational and planning data. Conversely, on average 24 percent of all organizations have no integration with their customers.

Geographic Appendix 12. Integration with customers.



■ Asia Pacific

■ Europe, Middle East and Africa

■ North America

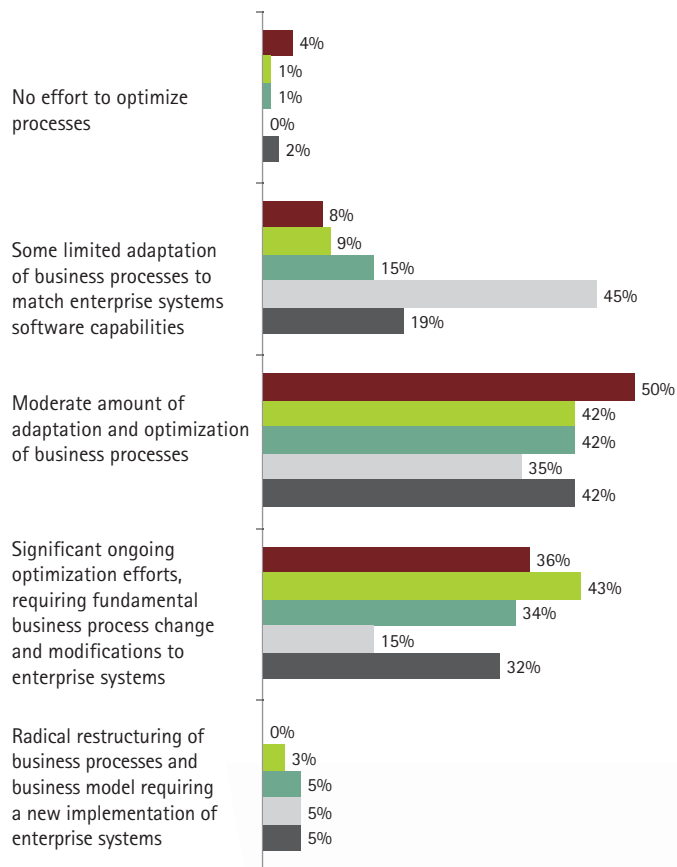
■ Latin America

■ Cross-region mean

Optimizing enterprise systems

Nearly all organizations have attempted to optimize business processes in conjunction with enterprise system implementations and ongoing operations. Latin American organizations appear to be lagging in undertaking significant ongoing optimization efforts. Interviewees in general stressed the importance of continued diligence to identify opportunities for improvement and to implement change.

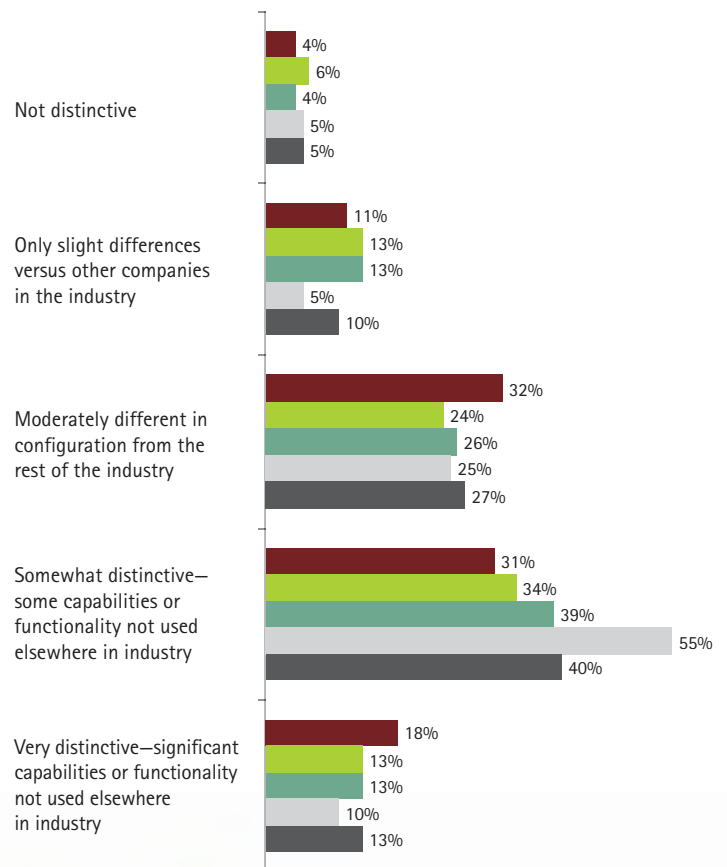
Geographic Appendix 13. Optimization of enterprise systems.



Creating distinctive capabilities

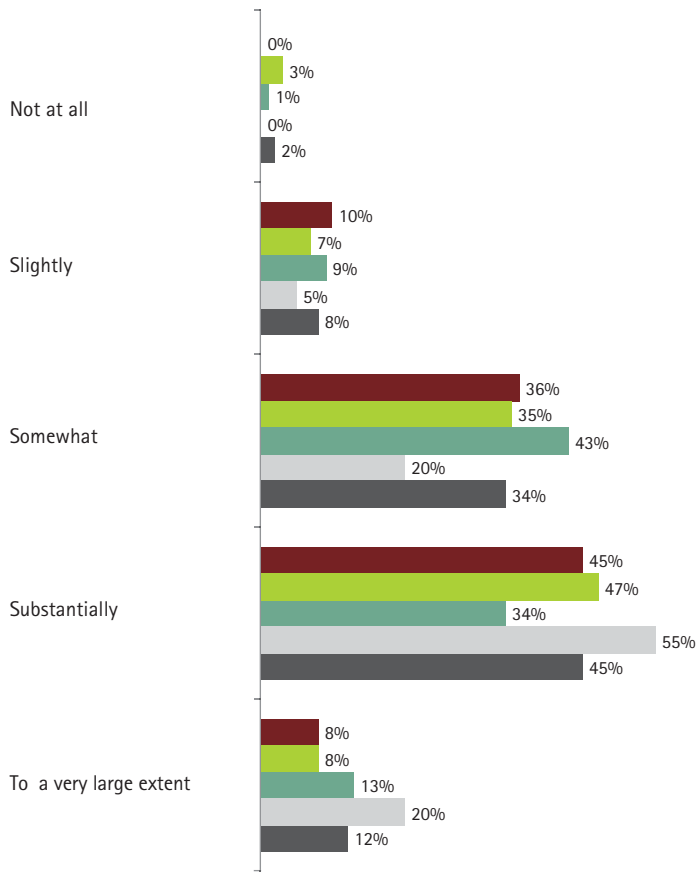
On average, 40 percent of all executives believe that their organizations' enterprise systems are somewhat distinctive. Eighteen percent of Asia Pacific executives indicated their enterprise systems were very distinctive, employing significant capabilities or functionality not used elsewhere in the industry.

Geographic Appendix 14. Distinctiveness of enterprise systems within regions.



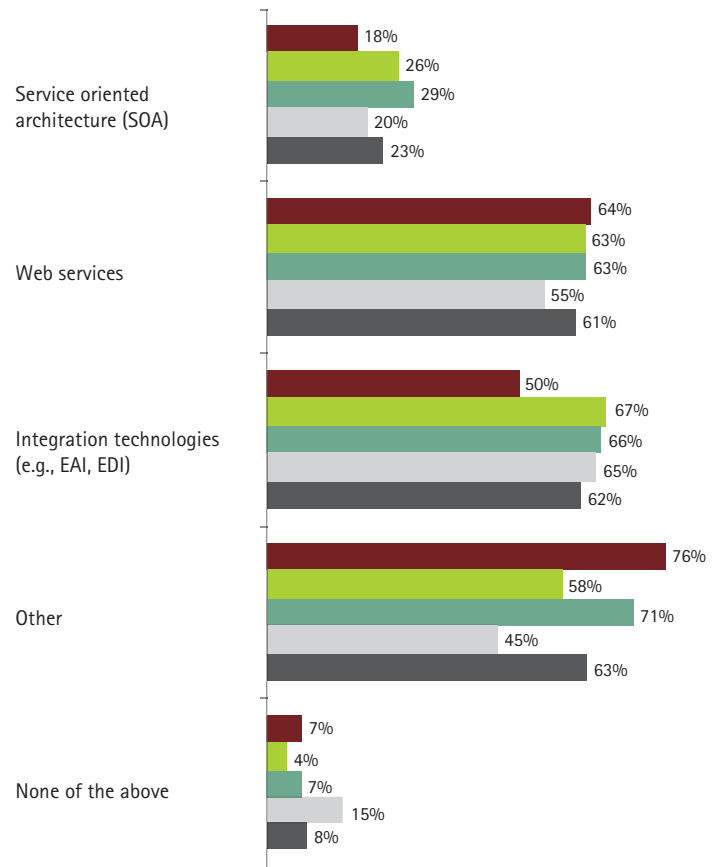
Distinctive capabilities are enabled by enterprise systems in nearly all organizations. From 34 percent of North American organizations to 55 percent of Latin American organizations indicate a substantial contribution to their distinctive capabilities.

Geographic Appendix 15. Contribution of enterprise systems to distinctive capabilities.



Technology adoption varies by region. For example, service oriented architecture (SOA) is less likely to be used in Asia Pacific and Latin America. Asia Pacific organizations are less likely than other regions to use integration technologies such as EAI or EDI.

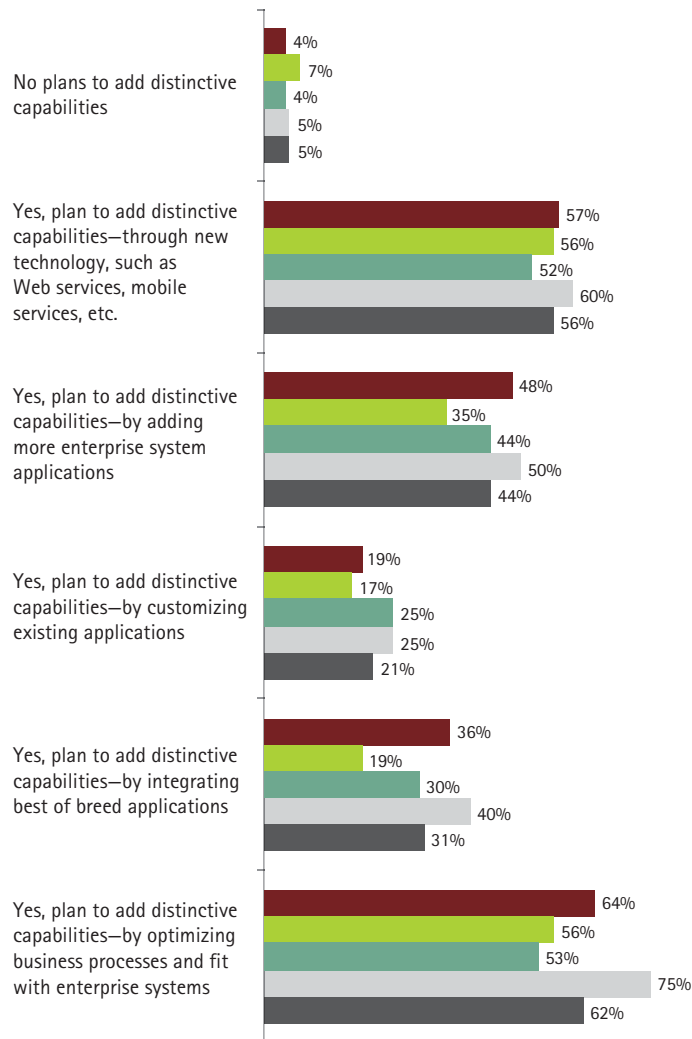
Geographic Appendix 16. Technology for enabling distinctive capabilities.



■ Asia Pacific ■ Europe, Middle East and Africa ■ North America ■ Latin America ■ Cross-region mean

For organizations in Europe, the Middle East and Africa, future plans for adding distinctive capabilities will come from new technology and by optimizing business processes and fit with the enterprise system. In Asia Pacific and Latin America, executives are more likely to plan to implement enterprise system applications and to integrate best-of-breed applications than other regions.

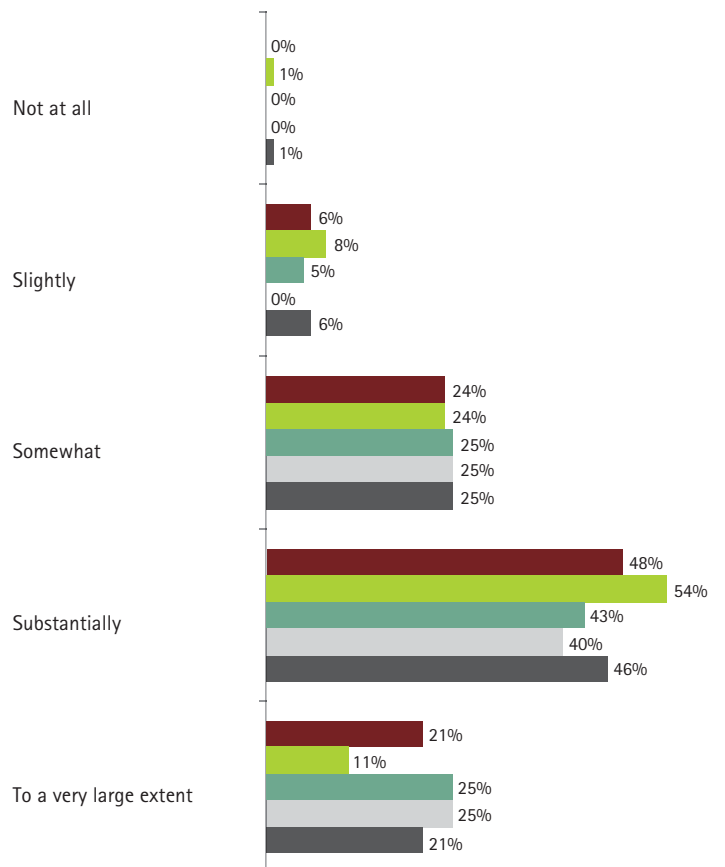
Geographic Appendix 17. Future plans for adding distinctive capabilities.



Using analytics

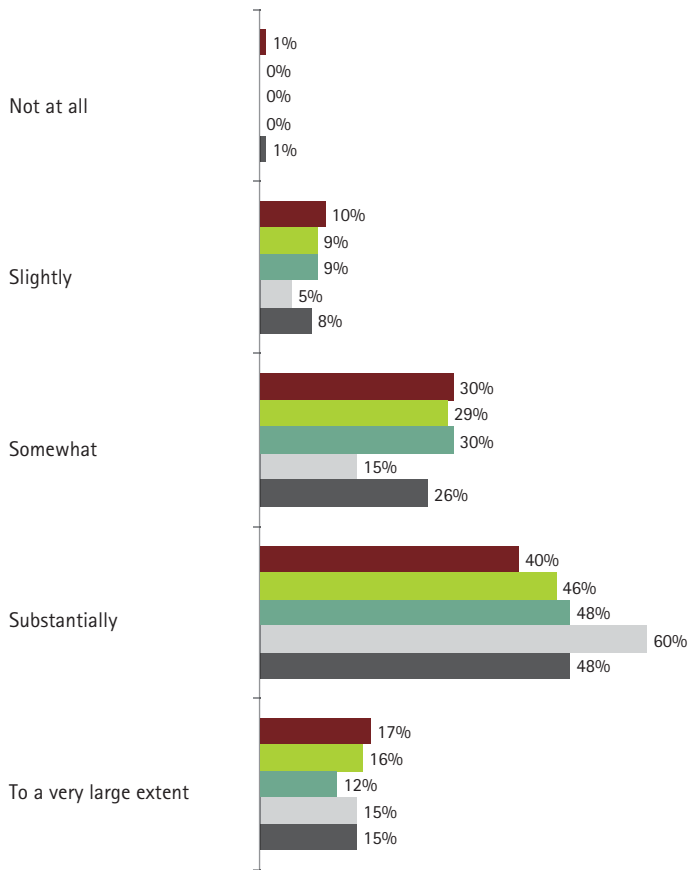
All regions report that their organizations value analytically based insights. Some executives interviewed believed that organizations in their region were analytically predisposed, making the use of analytics more widespread and accepted, but we found no evidence that companies in one region were more analytical than another.

Geographic Appendix 18. Value of analytically based insights.



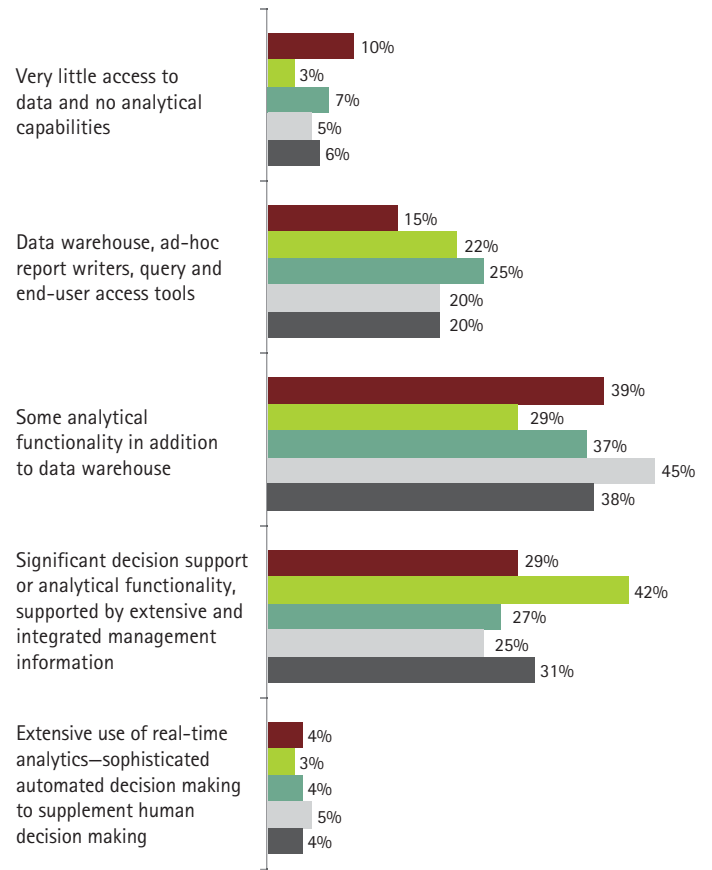
Nearly 20 percent of Asia Pacific, European, Middle Eastern and African organizations are making most of their decisions based on enterprise system data and analysis. In all the organizations, enterprise systems data was integral to operations and processes.

Geographic Appendix 19. Decisions based on enterprise systems data and analysis.



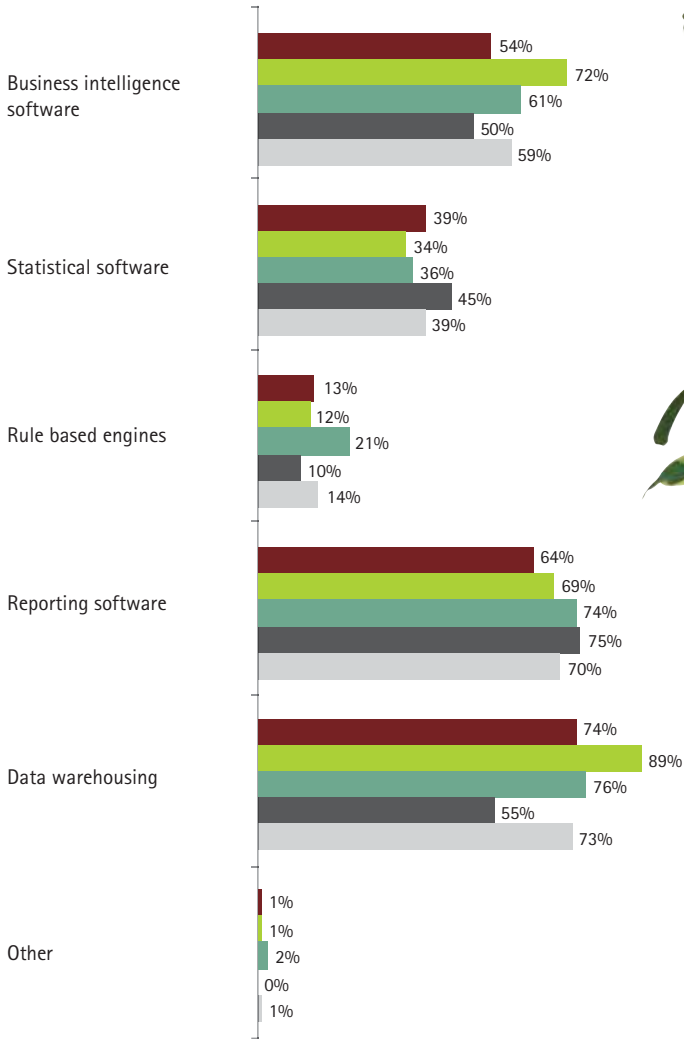
More than 40 percent of European, Middle Eastern and African organizations have significant decision support or analytical functionality, supported by extensive and integrated management information. Ten percent of Asia Pacific organizations have very little access to data and analytical capabilities.

Geographic Appendix 20. Ease of access to data to support work.



Organizations from Europe, the Middle East and Africa make more significant use of business intelligence software and data warehousing than other regions whereas organizations in North America are more likely than the other regions to employ rule-based software.

Geographic Appendix 21. Analytical technology used.



Part IV. Regional snapshots

Asia Pacific

Eighty-eight executives from 11 countries provided their insights through the Web survey and 33 percent indicated that a majority of the targeted benefits have been realized from enterprise systems. Sixty one percent of organizations in the Asia Pacific region indicated that better decision making was the most important objective. However, benefits such as ease of expansion/growth and use of fewer physical resources were also achieved. More than 60 percent of executives indicated their organizational spending on enterprise systems over the last five years was between \$US100 million-\$US499 million and most processes and applications are integrated. Limited data exchange with suppliers and selective data sharing with customers is under way as is a moderate amount of process optimization. Forty-five percent of Asia Pacific executives believe their enterprise systems contribute to their organizations' distinctive capabilities and 40 percent indicate that their organizations' decisions are based on enterprise systems data and analysis.

Europe, Middle East and Africa

One hundred and two executives from 16 countries participated in this study from this region. Nearly 60 percent indicate that a majority of the targeted benefits have been realized from enterprise systems. About 50 percent of organizations in this region indicated that better decision making was the most important objective. However, benefits such as increased revenue and headcount reduction were also achieved. A full range of modules is implemented throughout the region and plans include customer relationship management, supplier relationship management and business intelligence/data warehouse. Most processes and applications are integrated and 47 percent report limited data exchange with a small number of suppliers. More than 40 percent of organizations in this region are undergoing significant business process change. Enterprise systems are substantially supporting distinctive capabilities in nearly 50 percent of the organizations. Analytics is valued and being used as 46 percent of executives indicate that their organization substantially bases its decisions on enterprise system data and analysis.

North America

One hundred and fifty-four executives from the United States and Canada participated in this study. North American organizations are achieving benefits from enterprise systems such as improved financial management, faster, more accurate transactions, and improved inventory and asset management. Nearly 30 percent of North American organizations report having a single global instance of enterprise systems with applications integrated. Twenty percent of organizations have some direct links with customers and 10 percent report direct, automated links to major suppliers. Process optimization efforts, requiring fundamental business change, are occurring in about 34 percent of North American organizations. This work is also focused on enabling distinctive capabilities as 53 percent of executives indicate that process change and fit with enterprise systems will add to their distinctive capabilities. Analytics is valued and being used as 48 percent of North American executives report that enterprise systems data are used for making decisions.

Latin America

Twenty-seven executives from five countries responded to the survey from Latin America. The primary benefits realized were greater flexibility for growth, improved financial management and better decision making. Latin American organizations are implementing a full range of enterprise systems applications including human resource management and are planning many more applications as 37 percent of implementations occurred in the last two years. Latin American companies reported significantly more data exchange with suppliers than other regions and much less process optimization. Fifty-five percent of Latin American organizations indicate that their enterprise systems contribute to their distinctive capabilities. In 45 percent of organizations, some analytical capability is available in addition to a data warehouse.



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