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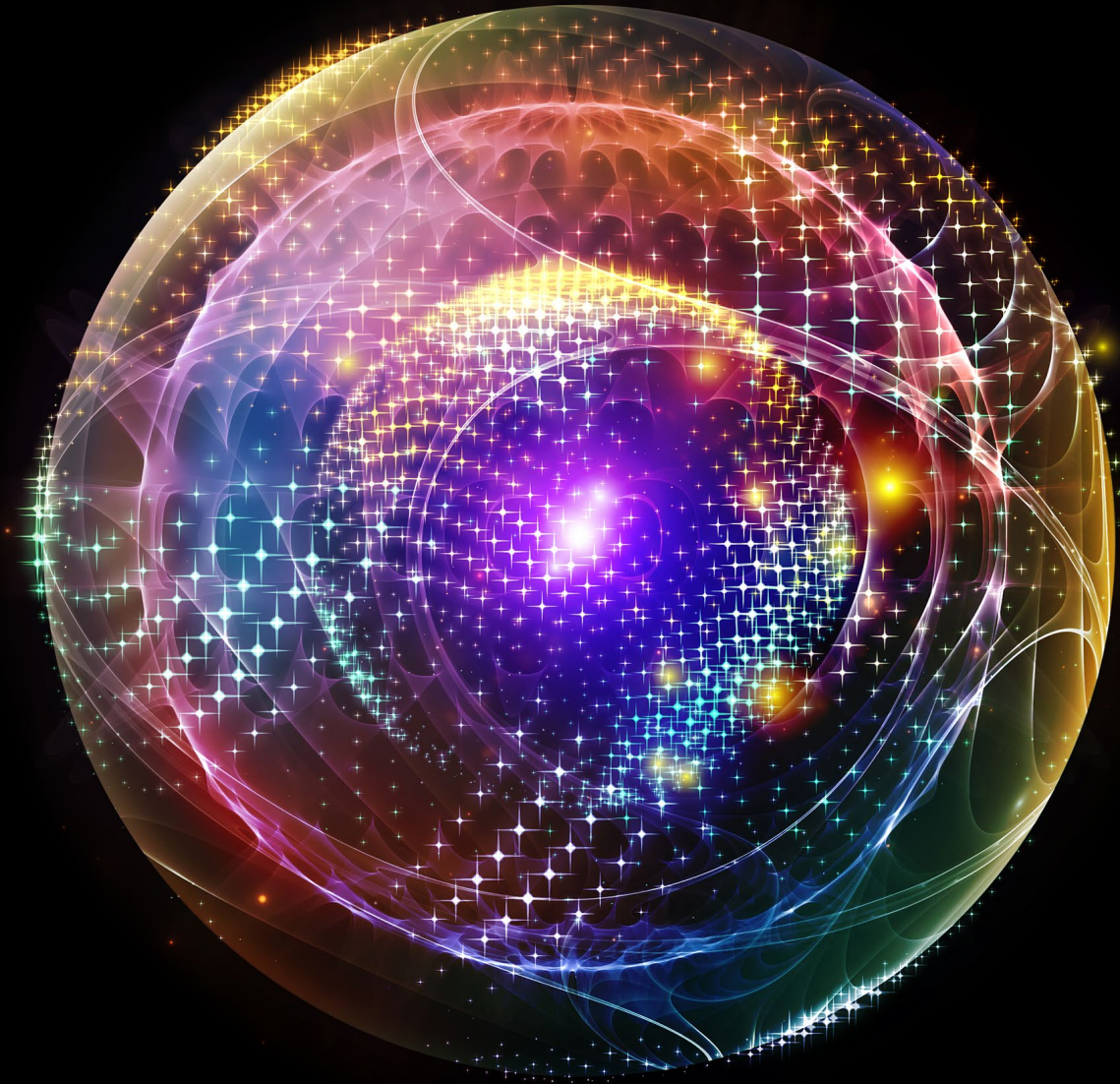
Delivering business impact
through ERP transformation
in uncertain times

Introduction

In the face of economic uncertainties, enterprises are bound to optimize efficiency and reevaluate their operating models. The end of life of legacy SAP (SAP ECC) represents a major lifecycle event for many ERP systems and demands a substantial investment in technologies that are foundational to enterprise operations. Historically, ERP transformation programs have faced challenges, often exceeding budgets and timelines, delivering vague or unquantified business value, and were misaligned with strategic objectives. Current ERP undertakings often still emerge as technology-centric projects lacking strategic grounding, leading to unmet stakeholder expectations, with up to 70% of programs predicted to fail in meeting their business case[1].

Drawing on our experience as global ERP implementation leader and thought partner for our clients, we have developed a conclusive way of delivering ERP transformations that create business impact. The Vision to Value framework describes how to navigate the complex interplay between strategic anchoring, continuous alignment of value objectives, and diligent implementation procedures. This article shares strategic insights for business and technology leaders to effectively set up ERP transformation programs for measurable business benefits. The article is also relevant for those with ongoing ERP transformation programs. In many of them, organizations realize that recalibration towards efficiency is necessary.

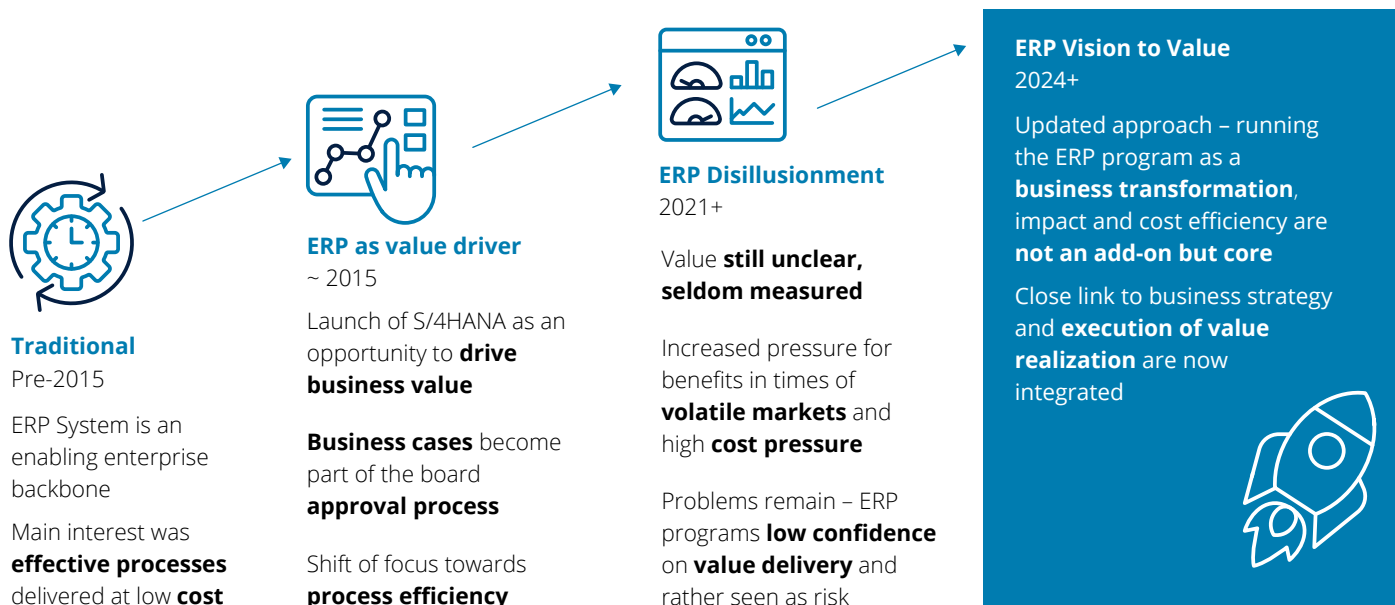## Common challenges of ERP transformations

Historically, ERP systems were a stable enterprise backbone that was carefully modernized by IT departments over the long lifecycle with a focus on cost. Modern ERP Systems like SAP S/4HANA brought value to the forefront, yet more as a side benefit rather than the core purpose of the transformation.

In today's world of heightened uncertainty and an even higher pace of technology and AI development, enterprises are demanding more efficiency, speed, and flexibility, warranting ERP programs that deliver sustainable business impact. A new transformation approach for ERP is needed, not only to call it a business transformation but to execute it as one end-to-end, fully leveraging the opportunities that AI brings.

In a world where businesses need to be increasingly efficient yet flexible to adapt to market dynamics, an evolving regulatory landscape and rapid technological developments, ERP programs must evolve to become key drivers of sustainable business transformation. However, taking ERP transformations to the next level is a challenging endeavor as ERP is a multi-facetted topic:

- **Cross-functional and cross-divisional:** The scope of ERP has grown consistently in many industries and enterprises and is often the key IT application to support business processes. It covers the requirements of many functions in the enterprise from back office, such as finance, procurement and manufacturing, quality and supply chain, and often even product development and sales. Different business units/divisions and business models within an enterprise must be considered— alignment of commonalities and specificities is paramount.

- **Global:** ERP systems often need to cover a large geographical scope and comply with local regulatory requirements— significantly increasing the number of stakeholders involved.

- **Technology:** ERP transformation programs often need to resolve technical complexities and are used to consolidate systems or move from an on-premises infrastructure to the cloud. Many ERP landscapes are technically complex in size and numbers of instances. They are historically grown (often through M&A) and highly specific in their setup, which adds a lot of technical complexity and user adoption obstacles.

The role of the ERP system is evolving—the next horizon is within reach

Traditional
Pre-2015

ERP System is an enabling enterprise backbone

Main interest was **effective processes** delivered at low **cost**

ERP as value driver
~ 2015

Launch of S/4HANA as an opportunity to **drive business value**

Business cases become part of the board **approval process**

Shift of focus towards **process efficiency**

ERP Disillusionment
2021+

Value **still unclear, seldom measured**

Increased pressure for benefits in times of **volatile markets** and high **cost pressure**

Problems remain – ERP programs **low confidence** on **value delivery** and rather seen as risk

ERP Vision to Value
2024+

Updated approach – running the ERP program as a **business transformation**, impact and cost efficiency are **not an add-on but core**

Close link to business strategy and **execution of value realization** are now integrated

[1] Source: Gartner Latest Enterprise Resource Planning (ERP) Insights | Gartner

- **Customizations:** ERP systems were often initially implemented in the 90s or early 2000s and have been further developed since then. Many company functions have optimized their silos and created an enormous number of customizations. Breaking those up would require operating model and organizational changes. And although process harmonization and standardization are high on the list of targets for ERP transformations, it cannot be achieved by just changing the underlying ERP application – changes to the business operating model are also required.

This inherent complexity frequently overwhelms program teams. As ERP transformations are rare and only carried out every 10–20 years, organizations are naturally exposed to a large experience gap that can only partially be filled with new hires that do not know the company well. Consequently, ERP programs are taking shortcuts, overlooking strategic setups, and rushing into implementations. This leads to inflated scope, protracted durations, and misaligned priorities. Alternatively, a purely technical upgrade approach to modernizing ERP, while occasionally suitable, often ignores business challenges and does not resolve technological debt.

Whereas challenges in ERP programs often only become transparent years after program launch, the initial direction setting stage of the program is where companies need to focus on choosing the right transformation approach and seeking alignment between all stakeholders. In this early phase of ERP programs, the direction towards achieving business impact needs to be set and committed by all leaders. This is even more important today, because, in addition to the risks, executives need to understand the impact potential of AI.
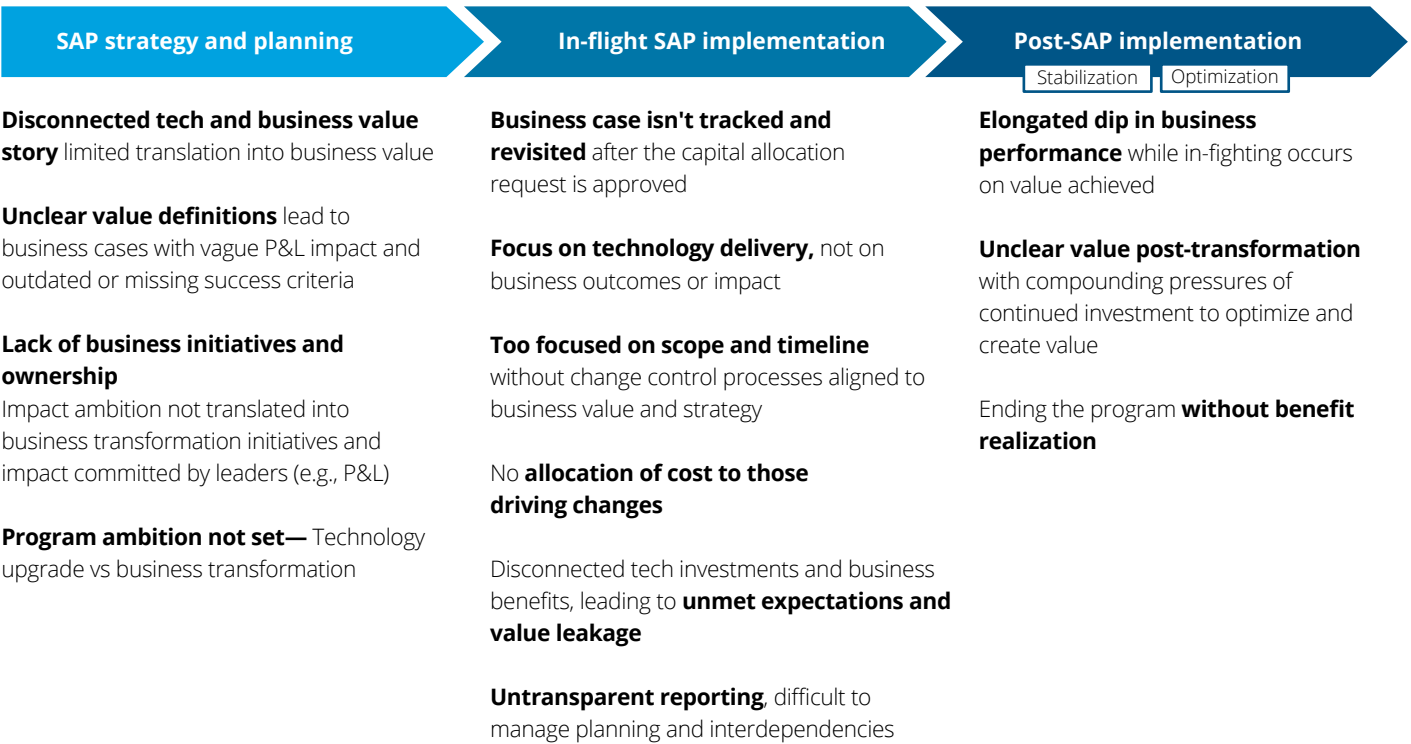
Even with key learnings from the past still present in organizations, many ERP transformations still fall short of promised outcomes. Insights from leaders of recent programs reveal persistent challenges including misalignment of stakeholders, discrepancies between business strategies and technology enablement, and overly extended timelines leaving stakeholders disconnected from future benefits.

Defining the value of an ERP transformation

To members of management boards, an ERP transformation is not an exciting outlook— necessary, but costly, and impacting the organization for a long time. On top of that, ERP alone does not deliver value. Only when combined with E2E process discipline, key operating model changes, improved data quality, AI and automation, and value capture plays to convert efficiencies into bottom line savings, will ERP deliver tangible business value.
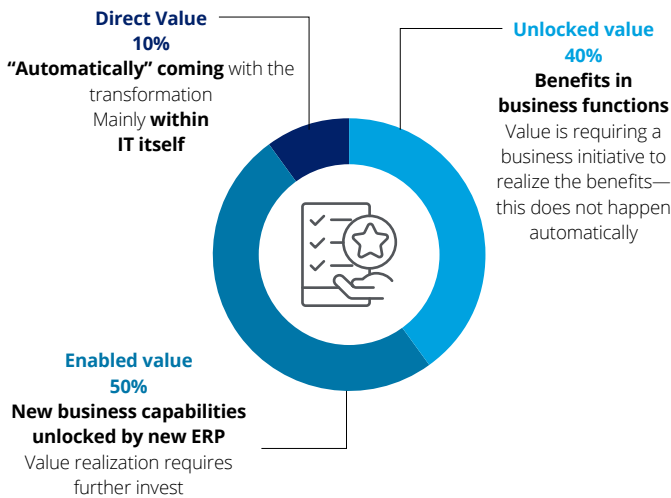
- Only 10% of the full value potential of an ERP transformation comes "automatically" when modernizing ERP systems. This is primarily from technology operations savings.

- ERP can unlock 40% of value potential, i.e., business benefits through automation, improved process capabilities, and effective use of insights. Unlocking this value requires business initiatives to change practices, operating model, or organization.

- About half of the business value potential comes from initiatives that are enabled by ERP. These include digital and AI plays that employ the improved data quality but also require additional investment. The opportunity here is immense; AI-driven agents have the potential to completely transform global business services, which rely heavily on ERP functionalities today and where there is huge potential for full automation.

Typical pitfalls observed along ERP transformation journeys preventing value realization

SAP strategy and planning	In-flight SAP implementation	Post-SAP implementation
		Stabilization / Optimization
Disconnected tech and business value story limited translation into business value	**Business case isn't tracked and revisited** after the capital allocation request is approved	**Elongated dip in business performance** while in-fighting occurs on value achieved
Unclear value definitions lead to business cases with vague P&L impact and outdated or missing success criteria	**Focus on technology delivery,** not on business outcomes or impact	**Unclear value post-transformation** with compounding pressures of continued investment to optimize and create value
Lack of business initiatives and ownership Impact ambition not translated into business transformation initiatives and impact committed by leaders (e.g., P&L)	**Too focused on scope and timeline** without change control processes aligned to business value and strategy	Ending the program **without benefit realization**
Program ambition not set— Technology upgrade vs business transformation	No **allocation of cost to those driving changes**	
	Disconnected tech investments and business benefits, leading to **unmet expectations and value leakage**	
	Untransparent reporting, difficult to manage planning and interdependencies	

What is the value of ERP transformations?

Most of the value is inside the business functions and needs to be actively realized.

Direct Value
10%
"Automatically" coming with the transformation
Mainly **within IT itself**

Unlocked value
40%
Benefits in business functions
Value is requiring a business initiative to realize the benefits—this does not happen automatically

Enabled value
50%
New business capabilities unlocked by new ERP
Value realization requires further invest

The unifying factor is that value must be visible in the P&L (EBIT(DA) effective). Qualitative benefits like time savings in tasks need to be translated into effective impact and realized.

The specific value of an ERP transformation needs to be determined in an upfront ERP strategy phase, where **value planning** takes place. Top level business strategy objectives need to be financially and strategically aligned with program targets. An Enterprise Value map is used to determine the key levers and define the North Star KPIs.

As soon as the program kicks off, a bottom-up **value realization** approach needs to be driven by the Value Management Office (VMO). The VMO maps out how value will be delivered, how process-aligned KPIs will be defined and baselined, and how value realization targets will be set and tracked. The VMO will establish a value measurement approach to quantify both qualitative and quantitative benefits from the ERP program. This involves envisioning the value, executing according to the value realization playbook, and realizing benefits post-implementation through performance management, enhanced processes, optimized operations, and improved data insights. Measurement challenges have traditionally been a weak point; modern tools embedded in the ERP system can help with objective measurements.

A client of ours from the energy sector had limited visibility of the value of an ongoing and suboptimal ERP implementation which needed enhancements but had a tightening budget. Applying the Vision to Value approach we were able to articulate double the previous value from the ERP investment and enabled full executive visibility of the program portfolio.

Another client from the consumer sector was struggling with limited growth and employee efficiency. We partnered with them from the start of the program to articulate the case for change, value, cost, timeline, and resourcing strategy to shape the transformation roadmap of the board for the next five years. We jointly identified significant triple-digit million value potential from technology-enabled transformation initiatives and established a Value Management Office to embed value articulation and realization from the start.

Vision to Value methodology—top-down value planning and bottom-up value realization

Value realization framework

Vision
Business objectives

Top-down

Value levers

Enterprise value map
Revenue growth, operating margin, asset efficiency, expectations

Bottom-up

North Star KPIs
Operational KPIs

Business capabilities and ERP programs by function

Value planning

Value realization

Value planning
Ensure business strategy is aligned with the process and program by connecting vision to functional value, creating visibility in the overall health of a functional area along its value journey

Value realization
Reflect the performance business objective achievement through project level KPIs that quantify value

This was achieved by architecting an overall value realization approach which included the development of KPIs to measure process health and quantify value for the upcoming projects as part of the overall program.

Key insight: Establishing value-led objective system for ERP transformations

Successful transformations apply a holistic, end-to-end approach to define, deliver and sustain over time real value from technology investments.

Vision to Value guided ERP transformations as in the examples shown, are fundamentally different in the way they feel to the organization. When brought to its full potential, introducing a new ERP system fundamentally changes the way a company operates. Sales organizations are starting to spend most of their time with clients, because their order management, pricing, reporting and opportunity management have been automated. Finance organizations can shift to steering and advising, rather than spending time on data gathering and transactional execution.

A core element of this updated approach is the establishment of a value-led shared objectives framework. A system of this type collects all stakeholders behind simple, shared guiding principles for complex transformations. Implementing an objectives and key results (OKR) system, driven by strategic vision and underpinned by a robust business case everyone is eager to achieve, enhances stakeholder convergence and commitment.

Implementing a Vision to Value ERP approach

By embedding these elements into the ERP approach, organizations can capitalize on their ERP investments, turning them into a strategic tool for achieving tangible business outcomes.

To successfully execute a value-led ERP transformation, we recommend a structured approach that includes the following components:

1. Value-backed strategy phase: Initiate with a vision for the ERP transformation aligned with corporate strategy. Develop an initial business case endorsed by stakeholders, ensuring accountability particularly among P&L leaders to achieve the anticipated benefits.

2. OKR system and business case integration: Establish a dynamic OKR framework reinforced by a KPI system and detailed business case, enabling responsive adjustments to align with internal and external developments. Engage the transformation office, including a Value Realization Office (VRO), to actively manage these aspects and ensure realization of quantifiable benefits.

3. Operationalization: Identify and connect the value drivers with the solution design, starting with key design decisions and building detailed value journeys. Establish an operational baseline, addressing challenges like missing metrics and integration with performance management. Create a Value Realization playbook with phasing, tracking and governance to ensure the ownership of benefits at middle management level.

Applying established rules of entrepreneurial decision making to ERP transformations is a game changer—and resolves the main alignment conflicts

	1. Stakeholders not incentivized on **business benefits**	**2.** Business demands **"perfect solution"** often customized and complex	**3.** IT **left alone** with problems caused by **highly complex** solutions	**4.** **Unrelated topics** added to central ERP budget
Four alignment conflicts…				
…are addressed through established principles of investment decisions…	**Shared benefit objectives "value"**	**Shared objectives and key results (OKRs) aligned with the corporate strategy and form an attractive business case**		
	Cost allocation to beneficiary	**Cost allocation to beneficiaries**		
…becoming game changers in ERP programs		Stakeholders **incentivized** for achieving their OKRs	**Cost allocation** de-centralizes **key design decisions**. Only **differentiating capabilities** justify additional investments and **complexity beyond standard solutions**	Investments needed to **support the OKRs**

4. Value-led scope management: Employ a value-driven scope management model that allows flexibility in response to evolving contexts. Emphasize continuous value realization through dedicated workstreams that drive operational initiatives.

5. Enhance business capabilities: Employ advanced tools to facilitate the discovery, planning, and realization of differentiating business capabilities enabled by new ERP solutions. This entails utilizing analytical frameworks such as business capability mapping and performance improvement measurement supported by advanced process and data mining tools. Go beyond current ERP capabilities and make full use of the possibilities of agentic AI to completely re-think the way your business and supply chain services are run.

6. Value Management Office: Ensure cohesive alignment across all organizational levels including business functions, IT, and management. Deploy strategic mechanisms, such as the Value Management Office (VMO), to facilitate cross-functional collaboration, drive ROI-based decision making, and maintain alignment with overarching strategic priorities.

7. Change management and role clarity: Implement sophisticated change management processes, delineating clear roles for value leads, divisional controls, and process experts to ensure smooth execution and adaptation of ERP transformations across departments.

To ensure this approach remains lean while strategically enhancing the organization's capabilities, we integrate Vision to Value Realization into technology delivery, augmenting PMO, and other strategic mechanisms. It fosters a seamless alignment between technology and business objectives, driving sustainable growth and operational excellence.

Conclusion

Deploying a value-driven ERP transformation not only requires advanced technological integration but also strategic alignment across all organizational levels. Vision to value is a structured methodology to put business value in the center of the transformation and align all stakeholders on a common set of objectives.

This comprehensive approach has shown significant returns by enabling enterprises to harness efficiencies, drive innovation, and create sustainable value—aligning with the strategic imperatives of modern business ecosystems.

With disciplined implementation and continuous stakeholder engagement, organizations can transform ERP challenges into opportunities for profound and enduring impact. In times of economic uncertainty this approach is essential to justify the investment and create a competitive advantage through a modernized and future-proof digital core.

The classic lifecycle of an ERP transformation and an end-to-end business transformation lifecycle need to come together in a joint approach

	Vision to Value		Value realization	
ERP lifecycle	**Prepare**	**Imagine**	**Deliver**	**Run**
Value lifecycle	**Value-backed ERP strategy** / **ERP Value identification**	**Value planning and baseline**	**Value vs scope management**	**Post Go-Live adoption**
Value-focused ERP transformation	• Decide on the **role** of **ERP transformation** within the corporate strategy • Identify **value drivers** to address • Connect to full **business initiative portfolio** and align targets, content and timelines • Develop **Objectives and Key results (OKRs)** answering "where to go" (Objectives) and "how do I know I am getting there" (key results) • Build **top-down business case** with initial benefits • Identification of **shared opportunities** where ERP can help **speed up or simplify** existing initiatives	• Conduct workshops, together with Business Process Owners, to **build value journeys** • **Collect metrics** and define **measurement framework** for missing KPIs to build **operational baseline** • Prepare of **bottom-up business case and ROI timeline** • **Design** Value Realization **playbook and governance** • **Integration** with **PMO and Change management**	• **Track** and **communicate OKRs** • **Value-based scope** changes control based on ROI • Identify and launch of quick wins and **related business initiatives** • Active **risk management** of value • Alignment with business initiatives • Regular re-evaluation between ERP program and corporate strategy, incl. implications and timeline • Integration of **Value KPIs** in enterprise performance management system	• Launch and accompany **business initiatives** to realize the **"unlocked value"** • Support **user onboarding** • **North Star KPIs** (quarterly reviews) monitoring • **"Hard" savings** and qualitative impact validation with leadership

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