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## RESEARCH NOTE TECHNOLOGY VALUE MATRIX- SECOND HALF 2011: ENTERPRISE APPLICATIONS

### THE BOTTOM LINE

**Many market and economic dynamics are impacting enterprise application decisions, including maturing first deployments, emerging second-generation systems and cloud options, traditional vendors' efforts to appeal to the midmarket, and growing frustration with costly license maintenance commitments. The Technology Value Matrix evaluates products that have a global presence and provide core functionality for finance and accounting, human resources, manufacturing, supply chain management, project management, and customer relationship management.**

Many organizations that invested in enterprise applications when they were still called ERP did so to assuage year 2000 concerns, and much has changed in 10 years. With roughly one-third of existing ERP investments reaching the end of their useful life in the next five years, vendors are gearing up for the next round. The Value Matrix for ERP software for the second half of 2011 addresses both on-premise and software-as-a-service (SaaS) vendors. It includes both Tier 1 and Tier 2 vendors, as they have been traditionally known, because both sets are increasingly competing and cohabitating in the same accounts. Decision makers are savvier and more skeptical this time around as well. As Nucleus has found in its conversations with enterprise application customers, changing expectations, software as a service (SaaS), the changing maintenance fee landscape, and analytics integration are influencing evolution in the enterprise application marketplace.

### MARKET OVERVIEW

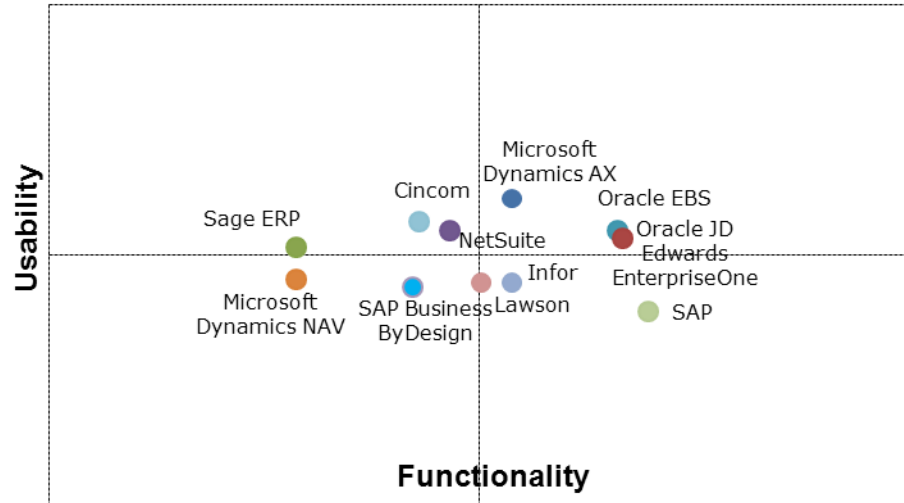
ERP software includes the software applications deployed to support finance and accounting, human resources, manufacturing, supply chain management, project management, and customer relationship management.

There are a number of factors currently influencing decision makers in the ERP market:

- Oracle is bringing Fusion Applications to market – while continuing to invest in its existing portfolio of ERP applications. This gives Oracle customers, many of whom have been waiting for the new applications for some time, the opportunity to identify areas of their enterprise application portfolio that need a refresh. There are now more than 100 generally available modules for financial management, CRM, governance and compliance, HCM, SCM, PPM, and

procurement – all of which are available for on-premise or cloud deployment. In conversations with early adopters at Oracle OpenWorld, Nucleus found that the desire to leapfrog to state-of-the-art technology and avoid upgrades in the near future, the need to upgrade, the ability to have input into product direction, and the perception that early adopters would be too high profile to fail were all motivators for customers choosing to implement Fusion Applications in 2011.

### Nucleus Value Matrix - ERP



- Both NetSuite and Microsoft are pushing the “two-tier” approach to the enterprise and finding growing success. Although NetSuite and Microsoft may still be considered too small for the Global 1000, they are successfully being deployed at smaller subsidiaries or branches of those firms where the IT resources and investment that would be required to extend their core enterprise application prove unfeasible.
- SaaS options are changing the traditional deployment and maintenance expectations for ERP – and third-party support providers are gaining ground. Nucleus has begun to see traction and customer success in the marketplace for SAP Business ByDesign [Nucleus Research I105 – *SAP Business ByDesign benefit case study – Anonymous*, September 2011]. Nucleus is also monitoring the early adopters of Fusion applications that have chosen a cloud delivery strategy.
- Vendors are developing deeper vertical functionality to accelerate time to value and increase the predictability of deployments. This has enabled Oracle, for example, to make its products less risky and more accessible to the midmarket while enabling Microsoft to differentiate its capabilities against larger vendors in areas like manufacturing.

Nucleus expects competition in the ERP marketplace to continue as vendors aggressively compete for the next purchase cycle for the global 2000 and the first purchase for midmarket firms and subsidiaries. Not surprisingly, many of these relatively mature products have reached fairly similar points in usability, which is

good news for customers. Vendors that will advance in the Matrix based on usability moving forward will be those that continue to invest and innovate at a faster-than-market pace in areas such as mobility, in-application guidance, and integrated role-based analytics.

We found that three products qualify as Leaders in the Value Matrix at this time: Microsoft Dynamics AX, Oracle E-Business Suite, and Oracle JD Edwards EnterpriseOne:

- Microsoft Dynamics AX continues to expand its capabilities this year with the release of AX 2012, and in their review of the product Nucleus analysts found functionality enhancements would impact user and IT productivity and provide support for greater complexity such as mixed-mode manufacturing [Nucleus Research I50 – *Previewing Microsoft Dynamics AX 2012*, April 2011]. It also includes new industry functionality for manufacturing and the public sector that will drive both faster deployment time for customers and greater partner and ISV investment. Improved interoperability with Microsoft Office should drive even greater usability for an application already shipping with role-based user interfaces.
- Oracle JD Edwards EnterpriseOne continues to win customers largely by its ability to differentiate against SAP on price and time to deployment using Oracle Business Accelerators for JD Edwards EnterpriseOne and its ability to support more complex business requirements with out-of-the-box functionality that would require custom code or add-ons from its smaller competitors [Nucleus Research I66 – *Anatomy of a decision – SAP versus Oracle JD Edwards EnterpriseOne*, June 2011]. JD Edwards has also increased its vertical functionality coverage. Cost predictability, a growing concern for ERP decision makers, is a common factor JD Edwards EnterpriseOne customers cite for choosing the solution over others with less clear deployment timelines and resource requirements. JD Edwards announced native support for the iPad at OpenWorld 2012, further improving EnterpriseOne's usability score.
- Oracle E-Business Suite. Oracle has continued to invest in its E-Business Suite offering and in making it easier for customers to deploy and use the software. Of course, the availability of Oracle Fusion Applications will drive some reconsideration of EBS for customers; others are likely to remain with the application and look for opportunities to optimize their deployment with analytics and other add-ons. Nucleus found that many customers noted Business Accelerators were an important factor in their selection of E-Business Suite. These vertically-focused rapid implementation tools developed by Oracle reduce the time and risk of deploying EBS. Oracle Business Accelerators for E-Business Suite support 40 different countries and a number of vertical industries, and customers Nucleus analyzed estimated they cut their deployment time by more than 50 percent [Nucleus Research I18 – *Oracle Business Accelerators*, February 2011].

There are six other offerings in the Matrix. Some of these have superior functionality or usability in specific application areas, so should not be ignored in the evaluation process; however, they do have a compelling proposition as value leaders in terms of both functionality and usability:

- NetSuite, for example, has continued to make steps to deliver more functionality while expanding its partner network. Although the majority of NetSuite's customers are small and medium-sized businesses, the vendor has

begun to penetrate subsidiaries of larger organizations. Customers of all sizes cite a common database across sales, operations, and finance, integrated reporting, and remote access as key usability advantages of NetSuite's architectural approach. NetSuite's ability, with OneWorld, to support multicurrency multi-entity financial consolidation is a key differentiator for companies operating in multiple countries and tax environments. NetSuite has also made enhancements to its manufacturing capabilities that increase its functionality and make it more attractive to manufacturers [Nucleus Research k59 - *NetSuite's impact on manufacturing company performance*, January 2011].

- Sage has made some interesting investments in usability that are likely to pay off in future releases. From a functionality perspective, Sage's core functionality is focused mostly on manufacturing and distribution firms; the depth of other vertical functionality is more dependent on Sage partners who deliver the solutions and vary from vertical to vertical.
- Infor will be an interesting vendor to watch in the next few quarters, as it takes advantage of its Lawson acquisition to expand its market offering and leverages its partnership with Salesforce.com to deliver a cloud-based ERP offering on the Force.com platform. Investments in Infor's Workspace technology, with the goal of a consumer-grade user experience, and the ability to, for example, push tasks and workflows to a user's desktop, are driving greater usability as they are deployed. Not surprisingly given its portfolio of enterprise application offerings, industry specialization are the marching orders for Infor 10 and the company is continuing to invest in growing its development team. Lawson's deep functionality is focused on fewer markets: health care and public sector are strong vertical capabilities the vendor brings to the partnership. Lawson has also invested in prebuilt processes and leveraging the Workspace technology to drive greater usability.
- SAP Business ByDesign appears in the Value Matrix based on limited initial examination of customer successes in this area. Nucleus plans to monitor Business ByDesign deployments on an ongoing basis and will adjust the product's position accordingly as more data is available. For a relatively new product, Business ByDesign is being chosen by customers who want enterprise-grade financial controls and structures from a SaaS provider. SAP, without doubt, has the broadest and deepest functionality in the enterprise application marketplace, and some of SAP's new investment in mobile device functionality bode well for improving its usability score in future Matrices.
- Cincom appears in this Value Matrix based on limited initial examination of its CONTROL solution. Although Cincom is somewhat narrow on its focus on complex manufacturing, it is important to note that the functionality evaluation presented here is for enterprise application capabilities, not Cincom's broader support for depth in support for engineering complexity, contract management, and support for manufacturers with aftermarket requirements. Cincom ranks relatively high on the usability scale because it is delivered natively through Microsoft Office SharePoint Portal Server and Microsoft PerformancePoint with out-of-the-box role-based predefined views and analytics.

## METHODOLOGY

The Value Matrix is based on functionality and usability, the two core measures that Nucleus has found indicate an application's ability to deliver initial ROI and, ultimately, maximum value over time.

Usability composite scores are based on a number of factors including intuitiveness of the application, availability of role-based interfaces, training requirements, and productivity impact on users. Functionality composite scores are based on the breadth and repeatability of functionality in the core application, the availability and ease of integration of add-on functionality that delivers additional benefit, and the vendors' investment in innovative functionality outside the core that will deliver additional benefit.

Companies can use this Matrix to assess their investment short list as well as to evaluate the case for maintaining an existing product that may lag behind the value offered by other options. Nucleus expects the center point of the Matrix, which represents the composite average point in the market, will move up and to the right over time as vendors make more investments in functionality and usability – effectively increasing the average value delivered across all products.