

Modernized ERP is critical for speed, scalability, and agility. Embracing the cloud enables organizations to advance their digital transformation and AI strategies, ensuring they remain competitive, resilient, and responsive.

The AI Era: Why Modernized Cloud ERP and Continuous Innovation Matter

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Introduction

The AI era is here, and the imperative to modernize enterprise systems is no longer optional — it is essential for survival and future growth. Organizations must act now to remain competitive, resilient, and responsive. Speed, scale, and agility are the new table stakes, and a modern, AI-enabled cloud ERP system with a clean core is the foundation for success. IDC's 1Q25 *Worldwide Application Services Survey* found that over 68% of organizations rate application modernization as a high or top strategic priority today, with more than 85% rating it a high or top priority within the next three to five years. Organizations recognize that modern systems enable faster development cycles, easier integration with new technologies (such as AI), and support for business agility. The aforementioned IDC survey found that 69% of organizations plan to modernize their ERP systems today, as they recognize better total cost of ownership and enhanced innovation capabilities that future proof their business for the long term.

The world is moving at an unprecedented pace. As speed, scale, agility, and relentless innovation become the new requirements for success, businesses that hesitate risk being left behind. The foundation for thriving in this environment is a modern, AI-enabled cloud ERP system, a clean core that delivers one version of the truth, regardless of how fast technology evolves. The urgency to transform is not just a strategic imperative; it's a matter of survival. IDC's May 2025 *SaaSPath Survey* revealed that 70% of organizations are investing in intelligent ERP systems to enhance agility, speed, and configurability and that 66% are switching ERP systems for better embedded AI workflows and higher ROI.

AT A GLANCE

KEY STATS

- » 69% of organizations plan to modernize their ERP system today (source: IDC's *Worldwide Application Services Survey*, January 2025).
- » 70% are investing in intelligent ERP systems to enhance agility, speed, and configurability (source: IDC's *SaaSPath Survey*, May 2025).
- » 66% are switching their ERP systems for embedded AI workflows and higher ROI.

WHAT'S IMPORTANT

Organizations require a technology strategy that includes a modern cloud system, AI-enabled workflows, data management, and the ability for the provider to keep pace with innovation.

The Need for Change: ERP Modernization

Legacy ERP systems present significant challenges: inefficiency, data latency, high maintenance costs, and limited access to innovations. As enterprise data volumes grow — 88% of organizations report increased data and 52% say it's growing faster than they can use, according to IDC's August 2024 *Global Data Validation Survey* — the limitations of outdated systems are more apparent.

Data in legacy systems is typically fragmented, inconsistent, and stored in inaccessible formats, making it difficult for AI to deliver value. As the data grows, it brings performance degradation, an inability to contextualize the information, increased security risks, and higher costs overall. Legacy ERP systems not only pose a risk to the organization but also are becoming technical debt at a much faster pace, which means the organization will struggle to reach its full potential.

Without modernization, organizations risk falling behind and struggling for survival against competitors with advanced technology. Delaying ERP modernization means lost opportunities across technology, finance, and operations. It also has a strategic market impact on the organization.

The missed technology opportunities from delayed ERP modernization include:

- » **Advanced capabilities:** Organizations miss the benefits of AI/ML, agentic AI, and real-time data insights, delaying automation and data-driven decision-making.
- » **Continuous innovation:** Delaying modernization means new features and improvements delivered in the interim in the cloud are missed.
- » **Reduction of technical debt:** Each year of delay adds legacy interfaces and patches, making future integration and eventual migration more difficult and costly.
- » **Closing the technology gap:** As modern technology advances, each year of delay widens the gap, rendering future upgrades more disruptive.

Delaying ERP modernization also presents financial impacts such as high IT operating costs, directly impacting net income. Other financial impacts include:

- » **Delayed ROI and cost savings:** Postponing migration pushes back efficiency gains, smarter insights, and greater agility, all of which translate into financial gains. Waiting defers the gains and the compounding value, which can have a direct impact on revenue and profitability.
- » **Rising maintenance and infrastructure costs:** Outdated systems are more costly to support. Investments must continue for legacy on-premises infrastructure and custom fixes, diverting funds from innovation to maintenance.
- » **Risk of last-minute cost spikes:** A delayed migration compresses the timeline and drives up project expenses. Rushed, late-stage projects tend to run over budget, eroding financial benefits.

Operational processes also take a hit when ERP modernization is delayed:

- » **Automation and efficiency gains:** By deferring migration, the enterprise continues relying on labor-intensive legacy processes such as batch processing, which slow decisions and responses to changes.
- » **Standardization and a clean core:** A delay means the organization remains on fragmented, highly customized workflows instead of simplifying and aligning operations to a modern standard or clean core. This forfeits the agility and lower process complexity that standardization brings.
- » **Risk of persisting inefficiencies and growing complexity:** Legacy process inefficiencies compound over time. As years pass, data volumes and custom solutions increase, making the eventual migration more challenging due to the larger amount of data to convert, more customizations to reengineer, and a greater risk of errors during cutover.
- » **Future risk of business disruption from a rushed transition:** Delaying compresses the migration into a shorter window, raising the likelihood of operational disruption. Last-minute transitions carry a higher risk of system downtime and quality issues due to inadequate testing and planning. In contrast, an earlier migration can be phased and controlled.

Compounding the aforementioned issues are the organizational impacts of delayed ERP modernization, which include:

- » **Gradual upskilling and change management:** An earlier migration allows staff to adapt to new processes gradually. Waiting eliminates this phased learning.
- » **Talent attraction and retention issues:** Organizations that delay migration risk talent attrition, as younger IT professionals prefer modern platforms.
- » **Loss of knowledge:** A delayed transition risks losing critical institutional knowledge needed to support the old system and execute a successful migration later.
- » **Cultural resistance and change fatigue:** Employees entrenched in decades-old processes may resist abrupt changes, especially when faced with tight deadlines. Insufficient change management (more likely when rushing) can lead to confusion, low user adoption, and morale issues.

Finally, there are the market impacts when ERP modernization is delayed, which include:

- » **Lack of strategic agility:** By delaying, the enterprise sacrifices agility in a dynamic market because it is harder to implement new business models or digital initiatives rapidly. A delay means a slower time to market for innovations and an inability to fully support modern business strategies.
- » **Falling behind competitors:** In a fast-paced environment, a delayed migration can translate to lost market position. Competitors that leverage cloud ERP's latest technologies will outpace peers on multiple fronts. Laggards may see lost market share and growth opportunities as a direct consequence.
- » **Risk of regulatory and compliance exposure:** Running on unsupported ERP software introduces serious compliance and security risks. This raises audit red flags and vulnerability to cyberthreats, especially in regulated

industries where noncompliance fines are heavy. A delayed move could mean failing to meet new regulatory requirements or suffering security breaches — strategic risks that can damage the enterprise's reputation and incur significant costs.

Organizations that adopt modernized cloud ERP now reap efficiency gains, smarter insights, and agility, which translate into financial returns. They are able to optimize operations and lower costs by migrating off legacy systems and proprietary hardware, reducing maintenance, and eliminating redundant systems. Those that continue to wait, however, will defer these gains and risk last-minute cost spikes and business disruptions.

Modern cloud ERP systems empower organizations to scale quickly and adapt to changing market demands. Cloud ERP enables continuous access to new innovations, including AI and other advanced functionalities. Continuous access to new innovations through automatic updates from the cloud ERP vendor eliminates the need for costly and disruptive on-premises upgrades. This allows organizations to leverage emerging technologies as they become available, setting themselves apart from their competitors.

The urgency for modern enterprise applications is critical. IDC's May 2025 *SaaSPath Survey* reveals a seismic shift in enterprise priorities:

- » 44% plan to adopt new ERP systems with generative AI (GenAI) in the next 24 months.
- » 70% demand intelligent systems for speed and agility and embedded AI workflows.

These numbers are not just trends; they are a call to action for organizations to embrace the change now.

Modernization and AI, Productivity, Efficiency, and Enhanced Integrations

Modernization drives operational growth and efficiency. Enterprises are finding that AI-enabled ERP is improving decision-making velocity while enhancing employees' work. IDC research indicates that organizations investing in AI-enabled ERP enable employee productivity and efficiency gains by 30%+.

To continue to deliver such benefits, ERP itself must evolve. That means embedding more built-in intelligence directly into processes, delivering industry-specific capabilities that address unique business needs, and ensuring stronger integration and extensibility so enterprises can connect data, applications, and workflows seamlessly.

Modernization of legacy ERP systems into cloud ERP systems creates a sustained, future-proofed technology foundation from which an organization can quickly scale. This point is underscored in IDC's 2025 *SaaSPath Survey*, which found that 28% of respondents believe AI-driven capabilities are a critical ERP attribute. The survey noted that 44% of organizations are investing in AI-powered ERP applications while 22% will replace their current applications if GenAI is not included in the next release.

Integrating AI into ERP applications also streamlines processes and reduces the need for manual or semi-manual workflows. According to IDC's April 2025 *Future Enterprise Resiliency and Spending Survey, Wave 4*, 81% of organizations expect their application provider's agentic AI to eliminate manual workflows within 18 months. Eliminating manual workflows, removing reliance on outdated spreadsheets and data, and moving to real-time insights that inform decisions are critical for success in the modern AI world. When organizations recognize that AI-enabled ERP systems do just that by

bringing more data together for better insights and decisions, reducing and eliminating the need for spreadsheets and additional workflows, the benefits become significant as a competitive industry differentiator.

Upgrading to cloud ERP brings flexibility, scalability, and cost efficiency. It eliminates the need for up-front hardware investments and removes the burden of system maintenance and upgrades. In addition, cloud ERP enhances customer and employee experiences by providing more responsive, resilient, and intelligent systems. IDC's 2025 *SaaSPath Survey* finds 44% of organizations are planning to advance their technology based on generative AI as part of the vendor's product releases. Organizations recognize that AI-enabled applications improve decision-making and empower employees with advanced technology. AI embedded in cloud ERP delivers rapid insights from growing volumes of data, enabling quick navigation of disruptions and business challenges that slow the business down and degrade performance. IDC's December 2024 *Future Enterprise Resiliency and Spending Survey* found that 41% of organizations are prioritizing AI-enabled applications to enhance decision-making and align technology with business objectives.

Migrating to a single-suite provider ensures coherent, high-quality data and aligned processes, which are foundational for better AI outcomes. Within the next two years, according to IDC's 2025 *SaaSPath Survey*, 83% of organizations surveyed plan to move their applications to a single-suite provider. A single-suite provider brings increased efficiency and productivity. In addition, native integration is a must for many organizations, especially as they plan to utilize agentic AI across the suite data.

Barriers and Solutions

Organizations can modernize 47% of their cloud ERP systems using modular and standardized approaches, while the remaining portfolios require customized solutions, according to the *Top Application Types for Modernization: Worldwide* (IDC #US53053825, January 2025). Customizations have become the de facto standard in legacy systems. While customizations keep the current infrastructure functioning, they also continue to create technical debt that becomes expensive to upgrade and run, typically has a latent response time, requires specialized technical expertise to update the systems, and requires the system code to be modified so the customization is understood. All this continues to add more costs and complexity to managing and maintaining the legacy solution. IDC research finds that 35% of organizations are replacing legacy systems with modern cloud systems, thereby removing excess costs and future risk while future proofing the business. However, not all organizations find it easy to modernize their systems. Considerations that must be included in the decision to modernize include:

- » Reviewing the current system and understanding the gaps
- » Working with the vendors to understand their product offerings, innovation, and road maps, as well as their partners (This includes looking at the vendors'/partners' proven methodologies toward modernization to remove the risk.)
- » Evaluating if vendors have a proven methodology, supported by tools, and scaled by their team or through skilled partners to de-risk modernization efforts
- » Understanding the investment from capex to opex, and the budget shifts required to move to a modern infrastructure

- » Putting an emphasis on skills that enhance the future proofing of technology and make the transition to a modern cloud ERP system uncomplicated

Benefits

Legacy, on-premises, and overly customized ERP systems can hinder an organization's ability to scale in the AI world. These systems are not advanced or efficient enough to leverage AI in a cost-effective manner within the business.

IDC's October 2025 *Future Enterprise Resiliency and Spending Survey, Wave 8*, identified that the top factors for modernizing enterprise applications are ensuring that core applications are AI enabled (44%) and reducing costs of operating core applications (28%). All this has profound implications for the net income of the organization. In addition, the same survey finds that 40% want to improve the cyber-resiliency of their core applications and 33% wish to modernize both their core applications, infrastructure, and data capabilities — critical requirements for future innovations and achieving the benefits from them. Clearly, innovation in the AI world is critical, and modernizing ERP systems will help organizations align with this new era.

According to IDC's 2025 *SaaSPath Survey*, organizations reported the following benefits from integrating AI into the cloud ERP and operational processes:

- » 34% increased operational efficiencies
- » 27% experienced improved employee productivity
- » 21% uncovered cost savings
- » 20.7% cited improved profits
- » 20% reported improved customer experience

Considerations

Organizations must clearly understand the cost-benefit analysis as they consider moving to the cloud. A review of the current costs, planned updates, and performance outcomes provides the context for comparing the modernization efforts. Remember, modernization is an investment in the future of the organization and its survival in the AI world. This mindset can help the organization understand the differences between yesterday's technology and today's foundation for the future.

Modernization also requires investment and working with the right partners. The chosen technology vendor and its partners must understand the AI world requirements; offer a clear enterprise application strategy that incorporates the cloud, data management, and AI enablement; and have a proven methodology to move toward this future. All these considerations are critical to success. Without these

"We recognize we need to move most of our applications into the cloud. Without doing so, we will continue to be behind in the new digital AI world."

— Manufacturing CIO

elements, organizations risk jeopardizing their ability to advance transformation benefits and enhance business performance.

Conclusion

IDC's 2025 *CEO Survey* finds 55% believe AI offers a chance to reinvent their business models. From the CEO to the employee, organizations are recognizing that the digital AI world is shifting the enterprise to be a more efficient, resource-intensive business, using AI-enabled ERP.

The journey from migration to modernization to embedded AI and agentic workflows is one of continuous innovation. Organizations must plan wisely, embrace change, and ensure that data, business processes, and AI form the core of their strategy.

The rewards of modernization — performance and capabilities that are ready for future innovation and resilience — are within reach for those that act.

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