

The Business Value of SAP Cloud ERP Solutions for Scaleup and VC/PE-Backed Companies



Craig Powers
Research Director,
Worldwide Digital Business Strategies, IDC



Simone De Bruin
Research Director,
Worldwide Digital Native Business, IDC



Matthew Marden
Research Vice President,
Business Value Strategy Practice, IDC



Table of Contents



CLICK ANY HEADING TO NAVIGATE DIRECTLY TO THAT PAGE.

Executive Summary	3
Business Value Highlights	3
Situation Overview	4
Funding Challenges	4
SAP Cloud ERP and Scaleup Companies	5
The Business Value of SAP Cloud ERP for Scaleup Companies	6
Study Demographics	6
Choice and Use of SAP Cloud ERP by Interviewed Scaleup and VC/PE-Backed Companies	7
Business Value Results	8
Improved Use of Data to Run Business	9
Business Operational Efficiencies	10
Improved Business Results — Higher Revenue and Margins	13
Other Benefits	15
Value for Scaleup and VC/PE-Backed Companies	16
Challenges/Opportunities	16
Conclusion	17
Appendix 1: Methodology	18
Appendix 2: Supplemental Data	19
About the IDC Analysts	20

Executive Summary

Technology that supports growth is essential for any start-up, scaleup, or mature digital-native company. Yet determining if that technology, like enterprise resource planning (ERP), is providing value as the business expands can be a difficult task. SAP and similar vendors can tout benefits such as data visibility, automation, and better efficiency overall, but what do those mean to key performance indicators and, ultimately, to the bottom line? The real proof comes from talking to those organizations that have implemented technology and can see the real-world impact it has had on their business.

IDC interviewed scaleup companies and companies backed by venture capital and private equity (VC/PE) in the hypergrowth phase of their business growth about their use of SAP Cloud ERP solutions as a platform for running their businesses and operations. These organizations described SAP Cloud ERP as an enabler of achieving growth with efficiency, purpose, and agility. As a result, they achieve better business outcomes in a more efficient and cost-effective fashion, which allows them to expand more readily and makes them more attractive as a potential acquisition target or to prepare for a potential initial public offering (IPO).

Specifically, interviewed scaleup and VC/PE-backed companies reported that SAP Cloud ERP solutions provide the following benefits:

- **Driving the ability to leverage operational data** to positively affect business decisions and outcomes by ensuring timely and actionable data use
- **Improving the operational efficiency of lines-of-business (LOB) teams** by establishing a common business platform, minimizing delays and errors, and providing data-driven insights to use for daily activities
- **Achieving better business results** by scaling to meet customer demand and providing higher-quality and more timely products and services
- **Increasing profitability** by increasing revenue and operating more efficiently

Business Value Highlights

Click each highlight below to navigate to related content within this document.

- ↑ **12.1%**
total revenue gain
- ↑ **\$2.36 million**
higher revenue per SAP application
- ↑ **11.2%**
higher operating margin
- ↑ **36%**
higher productivity, impacted users
- ↑ **28%**
higher productivity, finance teams
- ↑ **20%**
higher productivity, sales teams
- ↓ **41%**
fewer errors, finance and accounting

Situation Overview

Scaleups and more mature digital-native organizations have the potential for more positive business and growth outlooks than their traditional market counterparts. Digital-native organizations are born in the digital era and use cloud-native technologies to achieve their business goals. Digital Natives tend to have a growth mindset, expecting higher revenue increases year-over-year than their non-digital counterparts.

This growth mindset, combined with a tendency toward digital, means scaleups are much more likely to expect to increase their IT spending in 2023 and beyond than traditional businesses. In fact, digital-native businesses, which include scaleups, are highly focused on technology spend — often spending 20% to 50% of their funding on technology investments (IDC *Digital-Native Business Study*, December 2022).

When investing in technology, scaleups are most often focused on cloud platforms that facilitate innovation and technology to drive customer experience. Cloud is often the expectation, and these organizations see technology as an important value-add.

Funding Challenges

While scaleup companies are highly focused on technological investment and innovation, finding the funding to support those efforts is under pressure. In 2021, venture capital (VC) deal activity reached an all-time high; however, during 2022 and the first half of 2023 deal activity began to decline. Increasing interest rates, high inflation, geopolitical issues, and the threat of a looming recession have created a challenging environment for VCs, as well as for scaleups. Early-stage as well as later-stage deal activity is low, along with a lack of exit activity due to economic uncertainty — meaning mergers and acquisitions are more likely as an alternative to IPOs and exits. This impacts valuations for scaleup organizations, compels them to seek profit over growth, and pushes them to look at portfolio triaging.

Traditional VC funds are still fundraising successfully, but the way they spend the money is changing, with due diligence — including examining a company's technology infrastructure — and deal closure processes taking longer. Additionally, VCs and their limited partners are requesting tighter control and focusing more on profitability.

Scaleups, particularly on the high valuation end, need to reposition, sometimes drastically, their business model to drive revenue and profit growth. Scaleup investors are expecting the companies they fund to become more resilient and move toward profitability with current resources.

SAP Cloud ERP and Scaleup Companies

SAP's history of cloud ERP began with SAP Business ByDesign in 2007, a product targeted specifically at midmarket companies that weren't in the market for the on-premises SAP ERP solution that was the most popular among large enterprises at the time. Later releases of SAP ERP could be deployed in the cloud but were not themselves true software-as-a-service offerings. That changed with the launch of SAP S/4HANA, public cloud edition, which aims to provide the benefits of a public cloud solution that SAP Business ByDesign offers, but with the functionality and scalability of SAP's large-enterprise-friendly core ERP product, SAP S/4HANA.

Scaleup and VC/PE-backed companies which heavily prioritize efficiency and cost controls aren't seeking on-premises ERP deployment. Those deployments are often too costly and require too much investment to maintain. The need for an ERP in the cloud that can be deployed quickly and grow with the company without heavy maintenance is important.

To meet this need, SAP has offered SAP S/4HANA, public cloud edition to scaleup companies through a program called GROW with SAP for Scaleups. This program's scaleup offering includes a standardized version of SAP S/4HANA that is configured based on what's worked best for existing SAP customers. The implementation period is expected to take just four weeks, and includes modules to support finance, procurement, human resources, and travel and expense management.

In addition to the rapid implementation of SAP S/4HANA, public cloud edition, GROW with SAP for Scaleups also strives to appeal to the unique needs of scaleups with the Hypergrowth Hub that facilitates access to SAP's global ecosystem of users and partners. The Hypergrowth Hub is a destination for tailored support and expert guidance for GROW customers to execute their business priorities. This destination is intended as a comprehensive resource for companies looking for both strategies and technology to address common growth challenges.

The SAP ecosystem is one of the largest enterprise technology ecosystems, and there are many local and global established SAP user communities. These communities are common sources of expertise for newer SAP customers and growth organizations that may not have SAP experience on staff.

The Business Value of SAP Cloud ERP for Scaleup Companies

Study Demographics

IDC conducted research in 2023 evaluating the impact for scaleup and VC/PE-backed companies in the hypergrowth phase of their business growth about the impact of using SAP Cloud ERP solutions. For purposes of this study, IDC considers scaleup companies to be post start-up but moving toward looking for an acquiring company or preparing for an IPO. Interviews were in-depth and designed to understand the overall impact of using SAP Cloud ERP solutions as a core business platform from both a quantitative and qualitative perspective for these companies.

Table 1 provides an overview of these scaleup and VC/PE-backed companies' key firmographic characteristics. On average, these companies had 1,113 employees and annual revenue of \$105.02 million (medians of 450 employees and revenue of \$98.25 million, respectively). Study participants were diverse in terms of geography and industry. They provided experiences for scaleups based in the United Kingdom (3), Canada, Ecuador, Netherlands, and Switzerland. By industry, they were from the automotive, consulting, energy, manufacturing, professional services, technology, and wholesale industry verticals.

TABLE 1
Demographics of Interviewed Organizations

	Average	Median
Number of employees	1,113	450
Number of IT staff	48	10
Number of business applications	6	4
Annual revenue	\$105.02M	\$98.25M
Countries	United Kingdom (3), Canada, Ecuador, Netherlands, Switzerland	
Industries	Automotive, consulting, energy, manufacturing, professional services, technology, wholesale	

n = 7; Source: IDC Business Value In-Depth Interviews, July 2023

Choice and Use of SAP Cloud ERP by Interviewed Scaleup and VC/PE-Backed Companies

Interviewed scaleup and VC/PE-backed companies linked business growth challenges to their decision to use SAP Cloud ERP as a business platform. They commonly found it challenging with legacy platforms and more manual-driven approaches to achieve sufficient scalability, expertise, and quality to drive optimal business results. As a result, they too often failed to meet business opportunities for reasons such as an inability to move resources quickly enough to meet business demand, insufficient expertise in terms of regulatory compliance, and an inability to leverage operational data to inform business strategies and decisions.

These scaleup companies spoke to these challenges in terms of choosing SAP Cloud ERP as a business platform for their growth phases:

Platform for business expansion plans:

“We’re looking to become a preferred supplier in our industry and are scaling up the operation to meet a level of forecast demand. ... From the SAP perspective, we’re looking to expand out for this to support our manufacturing and logistics operations, our sales and distribution, and plant maintenance efforts.”

Information management of growing operations:

“Our growth challenges have been around information management because we have thousands of clients across the country, and we have even more different products for sale, so the management and the volume of our portfolio in relation to the client is complicated.”

Access to resources, compliance expertise:

“Resources have been the biggest challenge. Specific country legislation has been the other challenge: There are complex regulations related to payroll, taxes, and accounting for each individual country. Achieving that relevant skillset, or finding it in a third party, is the biggest challenge we’ve faced.”

Need for enhanced data capabilities:

“We are using data manipulation to expand into the retail sector. Our focus is on learning more about that area to open a new branch of the business. We’re expanding this year into retail, which is an ambitious plan that will involve all sorts of data manipulation along with our existing B2B administration.”

With SAP Cloud ERP solutions, interviewed scaleup and VC/PE-backed companies reported creating robust platforms for operating their businesses. Almost all interviewed companies cited the use of SAP S/4HANA, and several companies use SAP CX and SAP Concur, as well as company-by-company use of other SAP Cloud ERP solutions such as SAP BTP, SAP SuccessFactors, and SAP by Design.

At the time of the interviews, all study participants were using SAP Cloud ERP solutions to run most of their business operations. Interviewed scaleup and VC/PE-backed companies reported that SAP Cloud ERP supported a significant majority of their business (77% of revenue on average, 90% by median), as well as an average of 2,822 B2B trading partners, 762 suppliers, and 161 day-to-day users of SAP Cloud ERP solutions across eight sites and branches. **Table 2** provides additional information about study participants' use of SAP Cloud ERP solutions.

TABLE 2
Use of SAP Cloud ERP Solutions by Interviewed Scaleup and VC/PE Backed Companies

	Average	Median
Number of direct users of applications	161	76
Percent age of revenue impacted	77%	90%
Number of sites/branches	8	6
Number of B2B trading partners	2,822	100
Number of suppliers	762	90

n = 7; Source: IDC Business Value In-Depth Interviews, July 2023

Business Value Results

Interviewed scaleup and VC/PE-backed companies described ways that SAP Cloud ERP solutions have enabled them to operate more efficiently and effectively, which supports their ongoing growth and provides a foundation for continued growth. They have benefited from standardization, consolidation, performance, and improved access to data, all of which allow them to move more readily to address business opportunities. Further, they noted that SAP Cloud ERP solutions help them navigate the transition from the start-up phase to the hypergrowth phase of their business operations.

Interviewed scaleup SAP customers spoke to these benefits in detail:

Provides robust operational platform:

“SAP Cloud ERP supports us in developing an operating model and bringing in standardized and more robust processes across countries in which we operate. ... What we’ve seen now with SAP Cloud ERP is a lot of standardization, using best practices from SAP, and a level of improvement in terms of deploying processes that fit the purpose for a growing company.”

Transformation of business with SAP Cloud ERP:

“We’re able to do things with SAP Cloud ERP that we couldn’t do in our old system. The big impact is the opportunity for new business and growth. ... Because we have all numbers available in real time every day for every person, we’re so much faster. Our use of SAP has transformed the business.”

Real-time visibility, flexibility, cloud model:

“The most significant benefit for us is having a quality ERP system with real-time visibility, so we can make adjustments and maximize the use of our resources — that’s a key benefit. The nimbleness of the cloud means we’re going to have the latest and greatest version of the system and functionalities.”

Need for knowledge to grow business:

“We realized that we had a lack of knowledge in the business, i.e., how to go from being a small, agile start-up to a proper grown-up business. ... We’ve implemented new processes as a result of having SAP Cloud ERP that have moved us toward understanding how to do things in a scaled-up business.”

With SAP Cloud ERP solutions in place, interviewed scaleup and VC/PE-backed companies reported achieving better business and operational results and ultimately putting themselves in a better position for future acquisitions or IPO activity. As discussed in this study, they linked their use of SAP Cloud ERP solutions to higher revenue of 12.1% as well as operational efficiencies in the form of higher line-of-business team productivity that combine to drive net operational efficiencies that IDC values at an average of 11.2%.

Improved Use of Data to Run Business

Interviewed scaleup and VC/PE-backed companies spoke to how SAP Cloud ERP has unlocked their ability to use operational data and insights to their business advantage. They compared this with their struggles to achieve full visibility and understanding of data before implementing SAP Cloud ERP solutions, as they were hindered by having multiple systems and siloed data. This limited their ability to access needed data in a timely fashion or to use it to drive relevant insights that could positively affect their business decisions and actions.

With SAP Cloud ERP solutions in place, interviewed scaleup and VC/PE-backed companies have consistent and timely access to cross-organizational operational data. This enables them to apply data to their day-to-day activities and decisions, positively impacting both their operations and business results. They described how improved use of data with SAP Cloud ERP positively affects everything from manufacturing activities to financial reporting to sales processes.

Interviewed scaleup companies provided numerous examples of how SAP Cloud ERP has allowed them to leverage operational data to their business advantage:

Importance of enhanced data visibility:

“Visibility of data is a key benefit of SAP Cloud ERP. We’re not seeing big operational savings, but it has very much been about having a better understanding of our business and operations. ... Data visibility is important when we’re dealing with manufacturing of our prototypes — we have visibility of what we have on hand and what we’re expecting.”

Much improved insight into business:

“The insight we get from SAP Cloud ERP and SAP S/4HANA is tremendous. Before, we had very little insight into the financials, and SAP allows us to cut the data any way we would like. ... It’s a mammoth difference in terms of reporting — hundreds of percent, in terms of the insight SAP gives us into our business.”

Higher revenue from access to timely data:

“We can get information in real time with SAP Cloud ERP. This is a benefit because we can deliver information in real time, which saves an additional day of the sales process, which amounts to more sales every day. ... So, we’re ahead of the clients with available information.”

Having a single platform means better business visibility:

“We didn’t quite have a good tool to see what was happening to our business outcomes on a daily, weekly, or monthly basis. With SAP Cloud ERP, now we have one system that takes care of most of our operations, which gives us a whole lot better visibility of the whole business.”

Business Operational Efficiencies

Scaleup companies rely on core business teams to execute their jobs efficiently to drive company-wide business growth. While these teams vary across companies, they commonly include finance, HR, and sales teams. Interviewed scaleup and VC/PE-backed companies described how inefficient processes and information silos presented obstacles to these teams before implementation of SAP Cloud ERP solutions, and how implementation has helped these teams operate more effectively and create more value for their companies through higher productivity levels.

Interviewed scaleup and VC/PE-backed companies spoke to the impact of SAP Cloud ERP solutions on a number of their teams, including:

Finance teams, which have access to unified, timely, and high-quality data:

One interviewed scaleup customer explained: *“We’ve streamlined the financial landscape and our business processes with SAP Cloud ERP. Before it was very much a patchwork quilt from a financial systems landscape, but SAP Cloud ERP consolidates everything into one system, so it’s far easier and cheaper in the long run.”*

Study participants were able to provide a view to the finance-specific impact of SAP Cloud ERP, achieving gains such as 41% fewer errors and 39 % faster period closing times, which drives average productivity gains of 28% for finance teams.

Sales teams, which benefit from actionable insights about customer demand patterns and the ability to better integrate sales activities, supporting 20% higher average sales team productivity levels:

“We use the sales solution from SAP Cloud ERP in sales and marketing. It’s quite an integrated solution. As a result, sales is aware of what is happening in marketing with their customers. They can gain a lot of insight about the effectiveness of newsletters, the integration with LinkedIn, which helps their pipeline.”

Manufacturing and warehousing teams, which gain from integrated processes, automation, and more efficient operations:

“We’ve fully automated our warehouse with SAP Cloud ERP and the line is mostly automated — to do this, we need SAP Cloud ERP. It orchestrates all that automation from the minute we bring a product into the warehouse and put it onto a loading dock, to the product being put onto an unloading dock at the exit warehouse to be loaded onto a container or a trailer.”

HR teams, which also benefit from timely access to centralized data as well as having a modern business platform to attract potential employees:

“SAP Cloud ERP has helped us with hiring in the sense that having SAP makes hiring easier for operational staff members, as SAP has a broadly known reputation.”

Table 3 (next page) shows the productivity impact of using SAP Cloud ERP for interviewed and VC/PE-backed scaleup companies across LOB teams. Overall, these organizations reported a significant 36% productivity gain for finance, sales, manufacturing, HR, and other teams that use SAP Cloud ERP solutions on a day-to-day basis, which reflects a significant operational efficiency and driver of improved business results equal to a 1.9% net operational efficiency across all employees.

TABLE 3
Impact on User Productivity

	Before / without SAP Cloud ERP	With SAP Cloud ERP	Benefit of SAP Cloud ERP	Benefit of SAP Cloud ERP
Finance Teams				
Equivalent productivity level, FTEs per org	15.5	19.9	4.3	28%
Value of net productivity per org	\$1.09M	\$1.39M	\$0.30M	28%
Sales Teams				
Equivalent productivity level, FTEs per org	3.4	4.1	0.7	20%
Value of net productivity per org	\$240,000	\$288,000	\$48,000	20%
HR Teams				
Equivalent productivity level, FTEs per org	0.7	0.9	0.2	28%
Value of net productivity per org	\$50,000	\$63,800	\$13,800	28%
Other Impacted LOB Teams				
Equivalent productivity level, FTEs per org	32.1	44.4	12.3	38%
Value of net productivity per org	\$2.25M	\$3.11M	\$858,900	38%
All Impacted Employees				
Equivalent productivity level, FTEs per org	58.4	79.5	21.1	36%
Value of net productivity per org	\$4.09M	\$5.56M	\$1.48M	36%
All Employees				
Equivalent productivity level, FTEs per org	1,134	1,113	21	1.9%
Value of net productivity per org	\$79.38M	\$77.90M	\$1.48M	1.9%

n = 7; Source: IDC Business Value In-Depth Interviews, July 2023

Improved Business Results — Higher Revenue and Margins

Beyond operational efficiencies, interviewed scaleup and VC/PE-backed companies firmly tied their use of SAP Cloud ERP solutions to achieving better business results. They explained that having a business platform based on SAP Cloud ERP solutions allows them to establish more integrated, efficient operations to serve their customers. They further noted the advantages of data-driven insights serving as the foundation for important business decisions and strategies. Ultimately, these business-related gains help interviewed scaleup and VC/PE-backed companies serve their customers with timely, relevant, and high-quality products and services.

Interviewed SAP scaleup companies provided detailed examples of how SAP Cloud ERP solutions have helped them from a business perspective:

Faster to market with new products:

“The introduction of new products is much easier with SAP Cloud ERP. We distribute these products exclusively to other businesses. So, SAP has allowed us to incorporate new products into our portfolio more dynamically. We’ve increased our distribution range. ... And being able to incorporate new products into our portfolio more quickly has generated a better profit margin.”

Value of scalable platform across business locations:

“Because of our locations and operations — we have operations worldwide — the scalability and fact that it’s hosted on a scalable and global infrastructure — means that the accessibility of SAP Cloud ERP and the performance of the system are always consistent.”

Value of nimble ERP in cloud:

“Having a cloud-based ERP system with SAP makes us a lot more flexible. The nimbleness of the cloud makes it perfect: When we open in a new country, we replicate processes from other countries. For example, when we opened in a new country, our finance department needed only a week to create the new entity, making sure that everything works fine, because we could set up the system easily. That’s the beauty of it.”

Business efficiencies of distributed project management:

“Project management used to be handled by our finance department, but now it’s done by consultants because SAP Cloud ERP makes it much easier for them to handle project management. This has allowed much faster scalability of the business because it was five times more time consuming to do project management the old way and we also now see fewer errors.”

Interviewed scaleup and VC/PE-backed companies linked their use of SAP Cloud ERP solutions to improved business results in the form of higher revenue. On average, they reported gaining \$11.34 million per year in higher revenue, equating to an average revenue gain of 12.1%. As shown in **Table 4** below, this equals more than one million dollars per year in higher revenue (\$1.02 million) per 100 employees and a significant \$2.36 million in higher revenue per SAP application.

TABLE 4
Business Productivity Benefits, Higher Revenue

Revenue Impact	Per Organization	Per 100 Employees	Per Application	Percent Higher Revenue
Higher gross revenue	\$11.34M	\$1.02M	\$2.36M	12.1%
Higher net revenue (15% margin assumed)	\$1.70M	\$152,800	\$354,200	1.8%

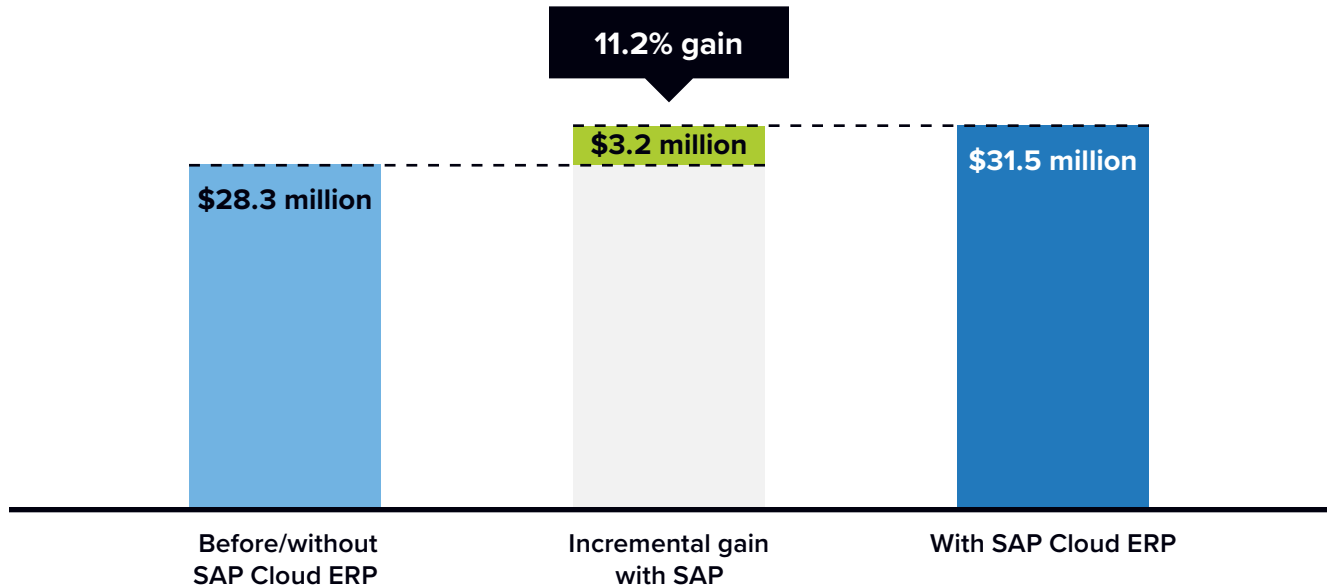
n = 7; Source: IDC Business Value In-Depth Interviews, July 2023

The combination of higher revenue and operational efficiencies in the form of higher employee productivity means that interviewed scaleup and VC/PE-backed companies achieve better margins and are ultimately more attractive to potential investors, whether as an acquisition target or via an IPO. Based on IDC assumptions of a 30% overall net profit margin and a 15% net margin on revenue gains, IDC calculates that study participants will achieve an average net operational enablement gain of 11.2%, which is equal to \$3.2 million per year per organization (see **Figure 1**, next page). While the exact impact of SAP Cloud ERP solutions depends on an individual organization’s typical profit margins, IDC’s research demonstrates a significant positive impact on net operating profits across interviewed scaleup companies.

FIGURE 1

Impact on Net Operating Margin

(Net operating margin per year per organization, million USD)



n = 7; Source: IDC Business Value In-Depth Interviews, July 2023
 (assumes 30% net profit margin for overall business, 15% margin on additional revenue gained from use of SAP Cloud ERP)
 For an accessible version of the data in this figure, see [Figure 1 Supplemental Data](#) in Appendix 2.

Other Benefits

Interviewed scaleup and VC/PE-backed companies also referenced other value points of their SAP Cloud ERP implementation, although they found it more challenging to quantify these areas of impact. Most prominently, they appreciate having a cloud-based platform that allows for more deliberate spending and enhanced agility.

Other organizations spoke to reducing their operational risk profile with SAP Cloud ERP, including through having a platform that better accommodates auditing requirements.

Value of cloud operations and upgrades:

“We’ve transformed our operations with SAP Cloud ERP solutions. Using cloud means adopting the best practices. We don’t want to reinvent the wheel. ... With two upgrades per year, we don’t want complicated regression testing. SAP has defined best practices — with all the benchmarks they’ve got, there was no question that we had to adopt.”

More robust auditing capabilities:

“One area we’ve improved with SAP Cloud ERP is having proper access rules for segregation of duties. As part of the auditing process, it’s quite important to have clear rules for each individual ... and limit the likelihood of errors.”

Greater control over spend with variable payment model:

“Integration with SAP has enabled us to have greater control over our operations. It’s also enabled us to change our models from official fixed/regular payments to variable payments based on functional productivity. We also have more control over productivity.”

Value for Scaleup and VC/PE-Backed Companies

IDC’s interviews with SAP scaleup and VC/PE-backed companies demonstrate the importance of their implementations of SAP Cloud ERP solutions to their current business activities and operations. However, these companies often have longer-term objectives in mind, including potential acquisition by a private equity or corporation, or preparing for a possible IPO. In either case, demonstrating the strength of their technological foundation and their profitability is key. IDC’s research shows that SAP Cloud ERP solutions have helped study participants achieve both objectives.

An interviewed SAP customer summed up the impact of using SAP Cloud ERP solutions on its valuation and potential attractiveness as an acquisition target: *“We are partly owned by a large pension fund. ... They asked us to show them our systems, our reports, and our ERP systems. ... They were really impressed and said, ‘You guys are four years ahead of us.’ They were impressed by our level of maturity managing all those business processes and having such KPIs. ... I can testify that our company valuation has been increased by our use of best-in-class systems like SAP Cloud ERP.”*

Challenges/Opportunities

Scaleup businesses are facing a changing VC funding environment, where investments are more scrutinized, and growth alone is no longer going to drive investment interest. These organizations need to be able to prove their ability to drive revenue and eventual profit more than ever before in order to secure the funding they need. Exit strategies have also been impacted by economic uncertainty, meaning that mergers and acquisitions become a bigger likelihood in order to get investors their returns.

This changing market presents an opportunity for organizations looking to make technology investments that support efficiency and transparency. Scaleups that have advanced abilities in reporting are better able to easily move into new territories and automate key processes, thereby making them attractive to investors and potential acquiring companies.

With scaleups and VC/PE-backed companies facing an increasing expectation to do more with what they have, a savvy approach to technology investment is necessary. Major investments, such as an ERP, need to support growth without extensive further spending. Scaleups that can implement platforms and software that enable growth without costs that consume potential profit will lead the way.

ERP can't be a limiting factor to growth while scaleups look to rapidly build up value and sustain massive growth when the opportunity arises. Enterprise-level ERP provides the ability to handle larger transaction loads as well as country-related and regionally specific requirements that midmarket or home-grown ERPs aren't likely to offer. In addition, enterprise-level ERP affords the opportunity to keep a single source of truth as new locations and markets are added.

Better data visibility through that single source of truth can lead to more accurate valuation, possibly even raising it and making the company more appealing to investors and purchasers. Investment in the right cloud ERP system can provide better experiences for employees, partners, and suppliers, enabling organizations to pursue the best talent, most meaningful partnerships, and strongest supply chains.

Conclusion

Companies in their hypergrowth phases, including scaleup and VC/PE-backed companies, know that they require robust ERP platforms to fuel further growth. However, they must seek efficiencies and control costs, limiting their interest in traditional on-premises ERP deployments and leading them to focus on cloud-based ERP solutions that they can deploy quickly and operate efficiently. To address the needs of scaleup and VC/PE-backed companies, SAP offers SAP S/4HANA to them through a program called GROW with SAP. This study assesses the impact for a sample of SAP scaleup and VC/PE-backed companies of using SAP S/4HANA and other SAP solutions in the SAP GROW platform.

IDC's research demonstrates the significant impact that having a robust, scalable, and efficient ERP platform with SAP Cloud ERP solutions has on scaleup and VC/PE-backed companies. Specifically, study participants moved to SAP to provide their businesses with the scalability, expertise, and quality they required to maintain and fuel further business growth. They reported benefiting from SAP Cloud ERP solutions with standardization, consolidation, performance, and improved access to data, which enable them to address and win more business opportunities. Further, they linked the use of SAP Cloud ERP solutions to substantial operational efficiencies in the form of productivity gains for key teams. Together, these revenue gains and operational efficiencies allow interviewed scaleup and VC/PE-backed companies to improve their margins, which increases their attractiveness as a possible acquisition target or helps to better position them for a potential IPO. For these companies in the hypergrowth phase of their business cycles, this means achieving an important operational objective.

Appendix 1: Methodology

IDC's standard Business Value methodology was utilized for this white paper.

This methodology is based on gathering data from scaleup and VC/PE-backed companies that are currently using SAP Cloud ERP solutions as the foundation for the model. Based on interviews with these study participants, IDC has calculated the benefits and costs to these organizations related to their use of SAP Cloud ERP Solutions. IDC conducted its quantitative analysis for this study by gathering benefit information during the interviews using a before-and-after assessment of the impact of using SAP Cloud ERP solutions. In this study, the benefits included higher revenue, operational cost savings, and higher employee productivity.

Other IDC Business Value assumptions are summarized as follows:

- Time values are multiplied by burdened salary (salary + 28% for benefits and overhead) to quantify efficiency and manager productivity savings. For purposes of this analysis, based on the geographic locations of the interviewed organizations, IDC has used assumptions of an average fully loaded \$100,000 per year salary for IT staff members and an average fully loaded salary of \$70,000 for non-IT staff members. IDC assumes that employees work 1,880 hours per year (47 weeks x 40 hours).
- Downtime values are a product of the number of hours of downtime multiplied by the number of users affected.
- The impact of unplanned downtime is quantified in terms of impaired end-user productivity and lost revenue.
- Lost productivity is a product of downtime multiplied by burdened salary.

Note: All numbers in this document may not be exact due to rounding.

Appendix 2: Supplemental Data

The table in this appendix provides an accessible version of the data for the complex figure in this document. Click “Return to original figure” below the table to get back to the original data figure.

FIGURE 1 SUPPLEMENTAL DATA

Impact on Net Operating Margin

(Net operating margin per year per organization, million USD)

Before/without SAP Cloud ERP	\$28.3 million USD
Incremental gain with SAP	\$3.2 million USD
With SAP Cloud ERP	\$31.5 million USD

n = 7; Source: IDC Business Value In-Depth Interviews, July 2023 (assumes 30% net profit margin for overall business, 15% margin on additional revenue gained from use of SAP Cloud ERP)

[Return to original figure](#)

About the IDC Analysts



Craig Powers

Research Director, Worldwide Digital Business Strategies, IDC

Craig Powers is the Research Director responsible for Worldwide Digital Business Strategies. His core research coverage includes the evolution of digital strategy as companies move from transforming to maturing as digital organizations. As part of this emphasis, Craig will focus on digital spend and investments, maturity assessments, executive priorities, business platforms, and roadmaps.

[More about Craig Powers](#)



Simone De Bruin

Research Director, Worldwide Digital Native Business, IDC

Simone de Bruin is research director for IDC's Worldwide Digital Native Business, and part of the global thought leadership team. Based in Amsterdam, Simone focuses on the digital-native market segment which represents a dynamic, fast growing and tech centric group of organizations. The research program will advise tech suppliers on market sizing and segmentation, trends and developments, tech-buying patterns, and go-to-market approaches needed to effectively reach and engage digital-native organizations.

[More about Simone De Bruin](#)



Matthew Marden

Research Vice President, Business Value Strategy Practice, IDC

Matthew is responsible for carrying out custom business value research engagements and consulting projects for clients in a number of technology areas with a focus on determining the return on investment (ROI) of their use of enterprise technologies. Matthew's research often analyzes how organizations are leveraging investment in digital technology solutions and initiatives to create value through efficiencies and business enablement.

[More about Matthew Marden](#)

IDC Custom Solutions

This publication was produced by IDC Custom Solutions. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis independently conducted and published by IDC, unless specific vendor sponsorship is noted. IDC Custom Solutions makes IDC content available in a wide range of formats for distribution by various companies. This IDC material is licensed for external use and in no way does the use or publication of IDC research indicate IDC's endorsement of the sponsor's or licensee's products or strategies.



IDC Research, Inc.
140 Kendrick Street, Building B, Needham, MA 02494, USA
T +1 508 872 8200

 @idc

 @idc

[idc.com](https://www.idc.com)

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives.

©2023 IDC. Reproduction is forbidden unless authorized. All rights reserved. [CCPA](#)