

Small and midsize businesses are embracing ERP modernization, cloud, AI, and partner-driven innovation to achieve business agility, scalability, and drive growth. This advanced technology and strategic partnerships enable SMBs to unlock new levels of efficiency, productivity, and innovation.

Unlocking Business Agility and Growth for SMBs with Modern ERP and Partner Innovation

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Introduction

In today's fast-paced business environment, small and medium-sized businesses (SMBs) are no longer just keeping up — they're leading the charge in digital transformation. The days of legacy systems and manual processes are behind us. SMBs recognize that to stay competitive, resilient, and agile, they must modernize their ERP systems, embrace cloud deployment, and tap into the power of partner-driven innovation. These aren't just technology upgrades — they're strategic imperatives for unlocking new levels of business agility and sustainable growth.

Key Business Priorities for SMBs

IDC's 2025 *Small and Medium-Sized Business Survey* makes it clear: SMBs are laser-focused on growth, efficiency, and innovation. Increasing revenue tops the list of action items, with 41.8% making it their main priority. Attracting new customers (35.6%) and improving operational efficiency (33%) follow closely behind. Productivity gains (31%) and the development of digital products and services (29%) round out the top 5 priorities. They reflect the reality of today's market — SMBs must be nimble, customer-centric, and ready to seize new opportunities.

AT A GLANCE

KEY STATS

SMBs are laser-focused on growth, efficiency, and innovation. Supporting mobile workers who work securely from anywhere is critical. According to IDC's research:

- » 56% of SMBs rank ERP and business operations tools among their top technology investments.
- » 51.7% look to AI to drive operational improvements and elevate customer experiences.
- » 80.7% rely on their partners to add value to their ERP and business applications through integrations, customizations, or ongoing support.

To get there, SMBs are investing in technology that supports mobile workers, enables remote access, and integrates seamlessly with cloud applications. The rise of distributed workforces means 58.9% of SMBs, as noted in IDC's *SMB Survey*, need solutions that enable employees to work securely from anywhere, such as remote access to network-based resources and cloud applications. And bringing it all together is AI, which is no longer a buzzword but a business enabler, with 51.7% of SMBs looking to the technology to drive operational improvements and elevate customer experiences.

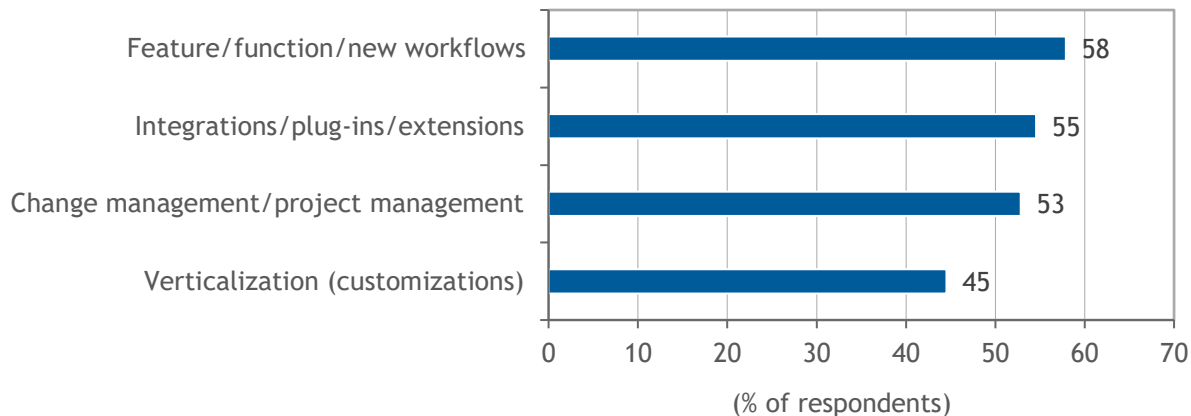
ERP Modernization and Cloud Adoption

Modern cloud ERP platforms are the backbone of digital transformation for SMBs. These solutions are evolving rapidly, offering intuitive web-based interfaces, cloud-native deployment, and robust integration capabilities. It's no surprise that 56% of SMBs in IDC's survey rank ERP and business operation tools among their top technology investments. The shift to cloud is accelerating, with 54% expanding their use of cloud and hosted resources. Cloud-native ERP delivers scalability, flexibility, and cost-effectiveness, which is what SMBs need to grow and adapt.

AI is front and center in ERP modernization. IDC's *SMB Survey* finds that 51.8% are prioritizing AI-powered features such as predictive analytics and intelligent automation. SMBs have noted that adopting cloud technology has made incorporating AI easier: It removes traditional barriers to new tech adoption by offering cost efficiency (pay as you go), scalability, remote accessibility, and access to advanced AI (pretrained models, APIs, data management, and integration). Partners can also augment this technology with their own solutions to assist clients, such as AI agents that use specialized tools for building, deploying, and orchestrating other AI agents to autonomously make decisions, take actions, and adapt to specific goals. The partner ecosystem is critical to SMBs: IDC's 2024 *SaaSPath Survey* found that 80.7% rely on partners to add value to their ERP and business applications, whether through integrations, customizations, or ongoing support. In addition, SMBs told IDC's 2025 *SaaSPath Survey* that their application vendors' ecosystems of partners are used in a variety of ways (see Figure 1).

FIGURE 1: **SMBs' Current and Planned Use of Application Vendor Ecosystem Partners**

Q In what ways do you use or plan to use your app vendor's ecosystem?



n = 876

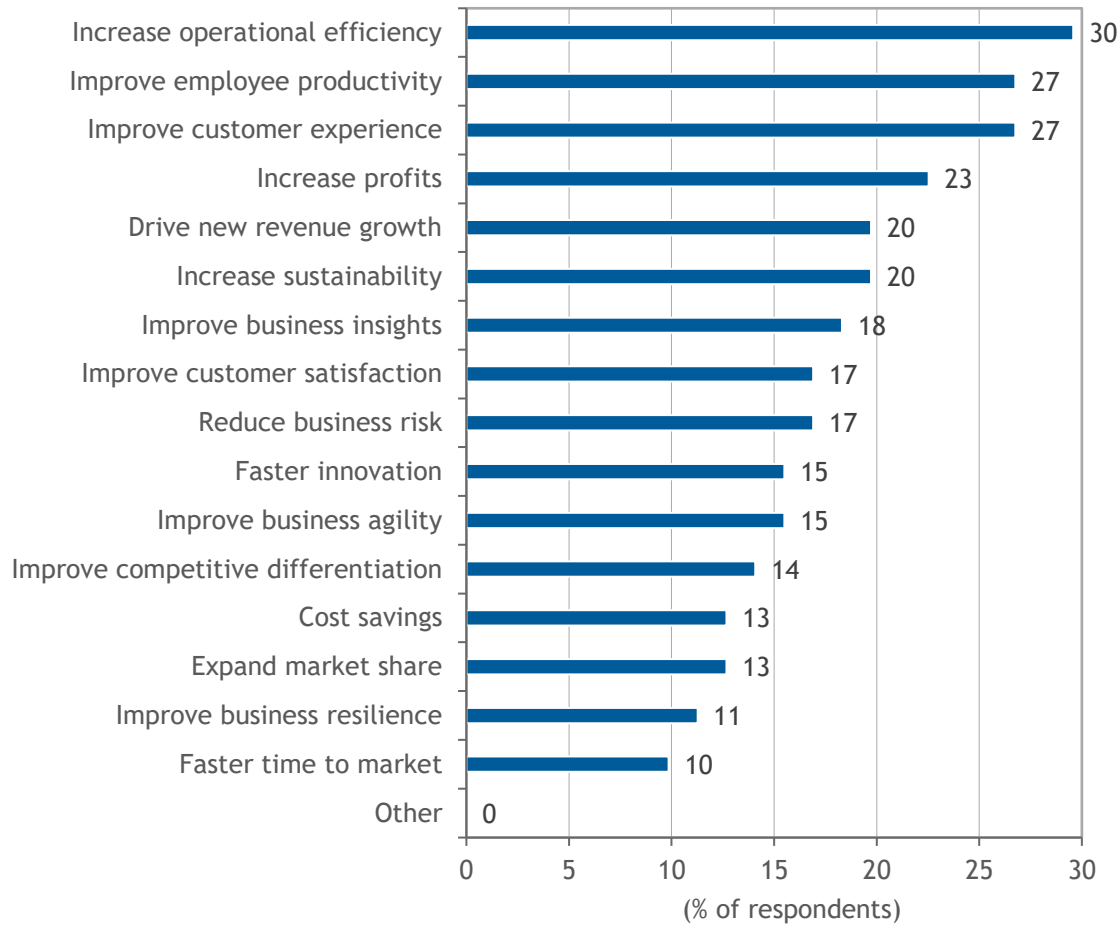
Source: IDC's *SaaSPath Survey*, 2025

The Role of AI, Analytics, and Extensibility

Innovation and agility are being fueled by generative AI (GenAI) and extensibility frameworks. IDC's research found that more than half of SMBs (51.5%) are already leveraging GenAI, and another 42.8% plan to do so within the next year. Figure 2 highlights the top outcomes SMBs hope to achieve by leveraging GenAI.

FIGURE 2: **Top SMB Business Outcomes for GenAI Use**

Q Which are the most important business outcomes that your organization wants to achieve by leveraging generative AI in your [app category] application. Select up to 3.



n = 71

Source: IDC's SaaSPath, 2025

AI agents are also a new avenue that SMBs are currently experimenting with and one that is growing in significance. IDC's October 2025 *Future Enterprise Resiliency and Spending Survey, Wave 8*, found that 40% of organizations are still evaluating and piloting the use of AI agents. In the same survey, 28% of organizations said their cloud ERP partner will help them use agents across their business processes, while 13% cited their IT consulting and SI partners. And with 33–

34% of organizations in the survey believing GenAI and AI agents are critical for their business intelligence and analytics environments, partners can expect to be busy helping SMBs modernize their systems with AI.

Digital workspaces are also expanding. In IDC's 2025 *SMB Survey*, 21% said they are enhancing collaboration and productivity for distributed teams. Extensibility is a game changer for SMBs. APIs, low-code/no-code platforms, and partner-developed extensions allow SMBs to customize and extend their ERP systems quickly and efficiently across the organization. This flexibility is critical for staying ahead in a dynamic market.

Partner Ecosystem: Driving Customer Success

IDC's 2025 *SaaSPath Survey* found that SMBs leverage partners for new features, functions, and workflows (58.3%), integrations and plug-ins (55.5%), and change management and project management (53.8%). Industry-specific expertise was also in demand, with 44.5% of SMBs seeking verticalized solutions and customizations.

Professional services vendors — systems integrators and consultants — are pivotal in successful application and ERP deployments. According to IDC's 2025 *SaaSPath Survey*, nearly 70% of SMBs engage partners for application implementation, and over half do so for ERP systems. These specialists bring technical know-how and project management skills to ensure smooth transitions and maximize ROI.

AI continues to expand in its role as more organizations seek out partners to take their technology underpinning to a new level. This new level helps them focus on technical performance, including prediction accuracy, processing speed, and error rates; operational efficiency with more automated workflows; reduced manual processes; and increased adoption and usage of AI across their organizations.

Benefits

Unlocking new levels of business agility and sustainable growth requires SMBs to utilize a modern ERP system that is in the cloud and driven by partner innovation. In IDC's December 2024 *Future Enterprise Resiliency and Spending Survey, Wave 11*, the top factors for modernizing enterprise applications were preparing for greater use of AI in the business (41%) and reducing IT operating costs (35%).

IDC's 2025 *SaaSPath Survey* underscores the need for AI-enabled, modernized ERP systems. SMBs reported the following benefits from modernizing to a new cloud ERP system with integrated AI:

- » 34% found AI now supports better, faster decision-making
- » 32% optimized processes
- » 29% improved customer experience and employee experience
- » 27% improved agility (the ability to think, understand, and move quickly)
- » 27% found AI enabled more automation, reducing manual processing

IDC's 2025 *Worldwide Small and Medium-Sized Business Survey* found that 74% of SMBs purchased their software from a partner. These partners helped the SMB navigate complex technology choices, providing expert advice, product selection, industry expertise, and integration services. Such assistance was especially beneficial for those with limited IT resources. In addition, partners can offer customization, integration, and innovation (e.g., AI agents), tailoring solutions to

fit business needs, connecting disparate systems, and ensuring new software is compatible with existing software. Partners also provide ongoing support, training, and education. Many offer managed services to handle day-to-day IT operations, application management, security, and cloud services, enabling the SMB to focus on its core business. SMBs find that as their tech stacks become more complex, they need the assistance of a partner to remain competitive and resilient in the digital AI world.

Trends

SMBs can benefit from the following trends:

- » **AI-driven personalization and predictive analytics:** AI-enabled ERP systems can deliver personalized user experiences and predictive insights, which are especially critical to SMBs that want to scale by attracting and retaining a loyal customer base. AI-powered dashboards adapt to user roles, while machine learning models forecast inventory needs, cash flow, and customer demand. GenAI tools can even rewrite project plans or marketing content based on historical performance and business goals. These are all tools that SMBs can leverage to better satisfy customer demand.
- » **Agentic AI:** ERP systems are undergoing a fundamental transformation from static, reactive platforms to event-driven, agentic ecosystems. Agentic AI introduces autonomous, goal-driven agents capable of executing complex workflows across finance, supply chain, and HR that learn over time without constant human input. These agents act as digital operators by taking actions such as initiating procurement, reconciling accounts, and adjusting production schedules based on real-time triggers. Agentic AI can also collaborate across systems, with an AI agent in a CRM system communicating with an ERP agent to complete tasks such as confirming inventory, negotiating delivery timelines, and adjusting pricing. This "agent to agent" model redefines cross-application integration, which is critical for medium-sized businesses that view this as one of the top influencing factors in technology purchase decisions.
- » **Composable and low-code ERP platforms:** ERP systems are becoming more modular and customizable, thanks to low-code and composable architectures. This allows SMBs to build tailored ERP environments using tools such as microservices and drag-and-drop interfaces, which is crucial for companies with complex tech stacks or legacy systems — often the case for SMBs. Low-code ERP tools empower business users (not just developers) to create intelligent workflows, automate approvals, and integrate AI-driven insights. This democratization of ERP customization will prove transformative for SMB operations.
- » **Cloud ERP and edge computing integration:** Cloud ERP adoption continues to surge, and now, these ERP systems are integrated with edge computing to enable real-time data processing closer to where it is generated. This improves speed, security, and reliability, proving advantageous for SMBs that may have distributed teams or global operations.
- » **IT help:** IDC's 2025 *Small and Medium-Sized Business Survey* finds that 63% of small businesses lack a full-time IT employee, and among those that do, 86% report having only one. Partners can fill this gap by providing expert advice, product selection, and integration services. In addition, partners offer customization, integration, ongoing support, training, and education, and many provide managed services for day-to-day IT operations, application management, security, cloud services, industry and local market support, and innovation aspects.

Considering SAP

SAP, headquartered in Walldorf, Germany, is a global leader in enterprise software with over five decades of experience, offering innovative technologies that empower businesses across industries. SAP provides an extensive suite of software products, including AI-enabled ERP solutions, integrating key business functions like finance, sales, procurement, and manufacturing into a unified platform.

Within SAP's ERP portfolio, SAP Business One stands as a global, affordable, and integrated ERP solution designed to give small and midsize businesses complete visibility and control over their operations. By centralizing critical business data into a unified system, it enables companies to take swift, informed actions supported by real-time insights and analytics. According to SAP, the solution is used daily by more than 83,000 customers worldwide to streamline processes, enhance decision-making, and support business growth.

Built with flexibility at its core, SAP Business One offers deployment options both on-premises and in the cloud operated by SAP partners. It runs seamlessly on SAP HANA or Microsoft SQL Server, ensuring performance and scalability for organizations of varying sizes and industries including consumer products, retail, industrial machinery and components, wholesale distribution, and professional services. The solution supports 28 languages and 50 country-specific versions and is backed by a global ecosystem of over 850 partners, making it a good fit for companies expanding internationally or operating across multiple regions.

The system's robust ERP foundation covers all essential business functions, including financial management, sales and customer relationship management, purchasing, inventory, production, project management, and reporting. SAP Business One automates core accounting tasks, manages banking and reconciliation, supports multicurrency transactions, and offers extensive financial reporting. This integration of financial processes with sales and purchasing enhances overall transaction speed, cash flow visibility, and control. It simplifies fixed asset management and provides tools for budgeting and planning, maintaining accuracy and compliance.

SAP Business One also empowers organizations to strengthen customer relationships through an integrated approach to sales, service, and marketing. It supports opportunity tracking from the first contact to deal closing, enables efficient service contract and warranty management, and includes tools to design and analyze marketing campaigns.

Procurement is optimized with robust purchasing and inventory controls, including vendor quote management, purchase order processing, and goods receipt handling. It ensures accurate master data and audit-ready records, seamlessly integrating with accounts payable. Real-time synchronization between warehouse and accounting enhances efficiency, supports material planning, and informs vendor negotiations with precise reporting.

For companies managing physical products, SAP Business One provides rich capabilities to optimize inventory, costing, production, and warehouse operations. Businesses can track stock levels and transfers in real time, maintain detailed bills of materials, automate or manually manage production orders, and monitor pricing strategies. Tools for bin-location management, cycle counting, and goods receipt and issue tracking support operational accuracy and minimize inefficiencies in warehouse logistics.

SAP Business One Analytics are embedded throughout SAP Business One Web client, with sophisticated filtering, appealing visualization capabilities for deriving and presenting the data businesses need in every object list view, and user-defined query tools that make it easy for users to design contextual, data-driven insights. Overview dashboards, linked views, and customizable analytics support faster, more confident decision-making across the organization.

A key differentiator of SAP Business One is its readiness for AI and automation. The solution integrates with SAP AI services such as SAP Document AI for automated invoice processing and SAP Build Process Automation for eliminating repetitive and error-prone tasks. In addition, AI Foundation on SAP BTP enables developers to build intelligent and AI-driven extensions.

SAP Business One has always been a partner-driven business, including development of over 500 partner extensions utilizing its robust APIs. Businesses can expand their solutions as they grow and adapt, effectively addressing their unique industry or country-specific requirements. This collaborative approach extends to the adoption of cutting-edge AI services and the development of new extensions using GenAI to bring additional value to customers.

SAP Business One provides businesses with a modern, integrated, and scalable ERP platform that drives efficiency, clarity, and growth.

Challenges

The AI digital world has opened a land of opportunity for SMBs. However, a lack of clear visibility and systems integration is a major pain point for many SMBs. Silos, antiquated manual processes, and disconnected data can slow progress.

While SAP's innovations are well received by the market, widespread adoption will depend upon its ability to simplify migration, reduce technical barriers, and deliver out-of-the-box value. SAP's partners ecosystem can help address any concerns here as well as multiply the value of this model.

The future has arrived, and the pace of innovation will continue to speed up. The biggest challenge for SMBs is to choose the right technologies and partnerships to be competitive and resilient.

Conclusion

SMBs are embracing modernization, cloud deployment, AI integration, and partner-driven innovation to achieve business agility, scalability, and growth. The combination of advanced technology and strategic partnerships is enabling organizations to unlock new levels of efficiency, productivity, and innovation. By prioritizing these strategies, SMBs are positioning themselves for long-term success in a rapidly changing digital landscape.

Modern cloud ERP platforms and a vibrant partner ecosystem focused on the best possible outcomes are not just "nice to haves" — they're essential for SMBs to thrive. The future belongs to those who are bold enough to transform, agile enough to adapt, and smart enough to leverage the right technology and partnerships.

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About the Analyst



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Mickey North Rizza is group vice-president for IDC's Enterprise Software. She leads the Enterprise Applications and Strategies research service along with a team of analysts responsible for IDC's coverage of next generation of enterprise applications including digital commerce, employee experience, enterprise asset management and smart facilities, ERP, financial applications, HCM and payroll applications, procurement, professional services automation and related project-based solutions software, supply chain automation, and talent acquisition and strategies.

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