

# The Answer Company | White Paper

## Determine if Cloud ERP Lies in the Future

Cloud ERP is ready but you might not be. It's all about the Risk-Adjustment Cost-Benefit.

**THIS IS A PREVIEW**

Prepared by:



THE ANSWER COMPANY

## 101: Cloud-based ERP

### What's in this Section:

- Market overview
- Key benefits
- Risks and rewards

### Cloud-based ERP is reaching an inflection point

#### How it got here:

ERP was born in the 1970s out of the former materials resource planning systems of the 1960s, with companies such as Oracle, JD Edwards, Lawson, and Baan emerging. It was not until the 1980s, however, that the technology took off with modern client-server architecture for financial and human resources management.

In the 1990s, its popularity grew with bolt-ons for CRM, supply chain, and warehouse management applications. Third-party solution providers carved a niche for themselves, with accounting firms playing a prevalent role in financial system implementations and independent software vendors providing point applications, integration, and customization.

The 2000s brought about market consolidation with a series of acquisitions by major players. Oracle, SAP, Microsoft, Infor, and Sage emerged as leaders.

The most recent evolution of ERP has seen further consolidation, as well as new delivery models and the leap to the cloud. Smaller vendors have now emerged with competitive cloud-based offerings that address customers' cost and availability concerns.

#### Where it's going:

As pureplay SaaS vendors establish their place in the market, further consolidation can be expected. Vendors will enhance their cloud-based offerings and take them from post-beta to fully functional. Further customizations and enhancements will be possible from SaaS-based solutions.

Vendors also understand that SaaS isn't for everyone. Deployment models are one way they will continue to differentiate themselves, with some vendors choosing to compete on breadth and others on depth of expertise in public, private, and hosted cloud offerings. A key value proposition of emerging cloud-based ERP solutions is their industry focus. This is important in reaching segments for which traditional ERP is too heavy and customization too expensive.

With hosted and SaaS ERP, IT's role is not necessarily eliminated, but rather, changed. The emphasis shifts from infrastructure and software management to vendor management and business analysis. Skill sets must be re-evaluated to ensure IT can adequately make the shift.

## Cloud ERP provides four key benefits

Cloud is no longer considered to be a magic silver bullet, always a cheaper deployment option, mysterious/untested technology, and certainly not something to fear.

**Cloud ERP is emerging as a rapidly growing application segment.** IT professionals voice various benefits, including ease of deployment, relatively low cost of maintenance, and quick time-to-market.

The costs of cloud ERP make sense. **The key challenge for IT professionals is assessing the relative risk.**

The top four criteria for Cloud-based ERP are now:

- Uptime and reliability
- Security
- Business efficiency
- Implementation time

*Info-Tech Insight:* Although upfront cost-saving is usually a factor for those looking at cloud-based deployments, it is rarely cited as the main criterion.

## Recognize the Risks and Rewards of Cloud ERP

Cloud is about risk and reward. Consider both sides and balance the opposing forces to successfully evaluate cloud-based ERP deployments.

Cloud-based ERP deployments have the potential to drive both IT value and business value. **Evaluate benefits in light of the potential risks.**

There is a lot of talk about privacy, security, and reliability. The reality of these risks is debatable. Cloud introduces an added element of risk in terms of data portability. Obtaining references and best practices was challenging given the relative newness of ERP deployments in the cloud compared to On Premise solutions, however this has changed in recent years.

The rewards that cloud provides are real and organizations have been quick to adopt it. The benefits of cloud-based ERP vary from SaaS, Proprietary Cloud, and White Label deployments, but most offer increased scalability, accessibility from multiple devices and locations, and better use of business and IT resources.



**The rewards that cloud provides are real and organizations have been quick to adopt it.** The benefits of cloud-based ERP vary from *SaaS, Proprietary Cloud, and White Label* deployments, but most offer increased scalability, accessibility from multiple devices and locations, and better use of business and IT resources.

*Info-Tech Insight:* Whether security, privacy, and reliability are risks or rewards fully depends on how confident the organization is in its ability to manage them internally.

### Understand the Potential Benefits of Cloud ERP

Ease of deployment and maintenance, and support for modern technologies like mobile top the list, with certain benefits bringing more value to the business itself while others benefit the IT department specifically.

When focusing on the Business Value a Cloud ERP can bring, accessibility is a significant advantage with cloud making it easier for business unit managers and field employees to access information from any location on any device. Downtime is also typically reduced as a result of seamless upgrades and more reliable hardware.

Regarding scalability with growth, recruiting new hires, particularly Gen Y-ers, may be easier with mobile-enabled, web-based technology. Training these new hires on cloud-based systems may also be easier given their often sleeker user interfaces.

Improved efficiency is a significant benefit to the business with product updates released immediately, allowing users to quickly take advantage of value-driving functionality. Cloud-based ERP is typically designed with new technology and usability is top of mind.

Looking specifically at the value to the IT department, accessibility is also a factor as IT does not have to worry about managing downtime for system updates and maintenance. Plus, additional firewall configuration and security investments are not required to support remote workers or mobile devices.

As the business grows and more compute power is required, the business can easily access it without any additional hardware investments, providing scalability for the IT department as well. Installing new modules is also less painful, with activations requiring only a click of a button.

This obviously leads to an increase in efficiency for IT, with easier maintenance allowing them to refocus their efforts. Reduction in complexity of everyday tasks provides IT with time to complete more projects and the security & reliability improvements allow IT to become less reactive.

*Info-Tech insight:* Business is strong for all types of cloud deployments, while IT value is less compelling for internal private clouds due to increased management responsibilities and the need for deep cloud expertise in-house.

## Know When to Adopt and When to Bypass Cloud ERP

Use the following guidelines to determine if your organization will benefit from the cloud, or if you should stick to a more traditional delivery model.

Adopt a cloud-based ERP platform if:

- ✓ **Standard processes** – If the business has standard, repeatable processes then it can benefit greatly from the cost savings that cloud provides, as the need for expensive customizations is greatly minimized.
- ✓ **Lean IT operations** – Organizations with lean IT or no formal IT departments supporting them will find SaaS ERP particularly appealing. Those with IT that can support the day-to-day but are not prepared for disaster recovery should also consider cloud ERP, either hosted or SaaS-based.
- ✓ **Mobile workforce** – Telecommuting is becoming more common, as is the requirement for data to be readily available for those on the road. Cloud is a good way for this functionality to be provided.

Bypass a cloud-based ERP if:

- x **Highly regulated industry** – Although there is no hard evidence that says cloud-based solutions are not able to support security or compliance needs, in certain industries such as banking or insurance, cloud is not the norm and may be a tough sell for IT.
- x **Unreliable network** – If the business regularly faces network outages or remote employees have unreliable internet connections, a cloud-based solution may not be the best option. IT would have to face many complaints from disgruntled workers unable to access data.
- x **Un-savvy workforce** – Organizations that prefer to be late adopters of technology may face strong resistance to taking their software to the cloud. Some employees may not like the idea of using a browser to connect to the system.

*Info-Tech Insight:* Knowing when to choose a cloud ERP deployment comes down to two main factors: knowing the level of complexity required by business and knowing the available IT resources that can be dedicated to support and manage ERP.

# The Answer Company | White Paper

We hope you enjoyed this preview excerpt from *Determine if Cloud ERP Lies in the Future*. [Click here](#) to download the complete White Paper, including:

- Recognize the Four Different Flavours of ERP
- How to Use Risk-Adjusted Cost Benefit
- Determine Cloud ERP's fit for your Organization
- Anticipate the Challenge of Cloud ERP

[DOWNLOAD NOW](#)

