Clearing
the ERP Clouds

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The SMB Dilemma

In today's always-on, hyper-connected world, the right technology solutions are essential to improving customer engagement, increasing employee productivity, and creating innovation and differentiation, which are all vital to building and sustaining economic value.

This is particularly true when it comes to managing core business processes, including accounting, financial management, inventory management and human resources. Having the right solution in place to automate core financial functions will save you time and money, and help support business growth objectives.

Many small and medium businesses (SMBs) recognize how critical the right enterprise resource planning (ERP) solution is to achieving successful business outcomes. They want to take advantage of modern ERP solutions to gain flexibility and visibility, improve controls and realize the full potential of the business.

But for many SMBs, limited IT resources and budgets are the norm. This makes keeping pace with technology requirements an uphill battle.

IMPORTANCE OF TECHNOLOGY

Technology solutions help us to significantly improve business outcomes — **35%**

Technology solutions help us run the business better — **41%**

Technology solutions help support basic business needs, but don't have a significant impact on business outcomes — **20%**

Technology solutions fail to deliver the business results we need more often than not — **4%**

PERCENTAGE OF RESPONDENTS

Source: 2014 SMB Routes to Market Study, SMB Group

Charting a Course in the ERP Clouds

Cloud-based enterprise resource planning (ERP) promises to help SMBs take advantage of modern technology solutions with less cost and complexity, and more flexibility, than traditional on-premise deployments.
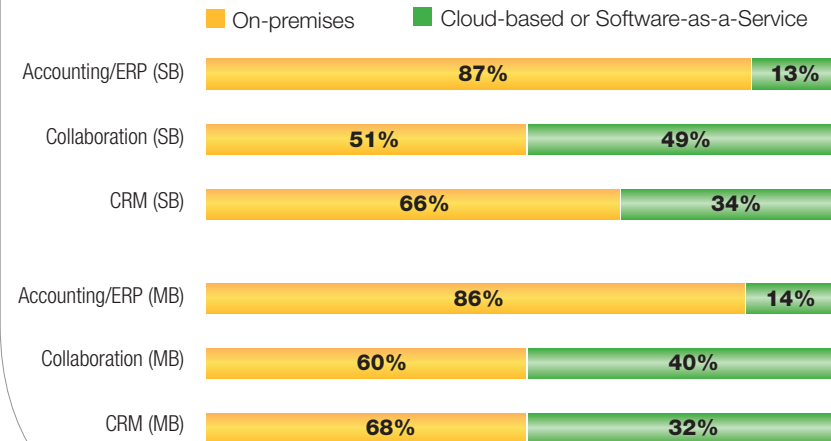
But adoption of cloud ERP has lagged in comparison to areas such as CRM, collaboration and marketing. Businesses have been more hesitant to trust cloud vendors with core transactional systems than with other applications.

As more SMBs see the benefit of cloud in other areas, however, they are increasingly considering "the cloud" for ERP as well. The evolution of private and hybrid clouds, in addition to public, software-as-a-service (SaaS), is spurring cloud ERP adoption. Finally, the list of vendors that offer SMBs cloud ERP solutions keeps growing.

However, more choice can create more confusion. How can you determine which cloud ERP route is right for your business?
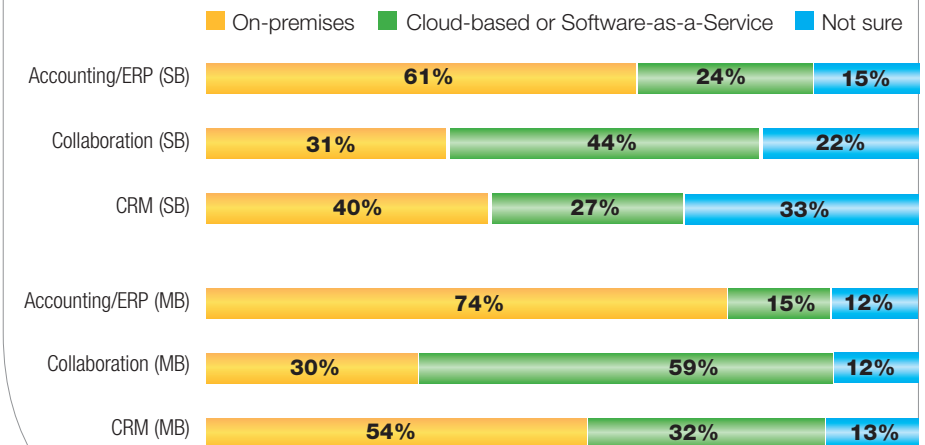
This eBook will help you better understand different types of cloud ERP models, determine which model will best align to your company's strategy, workloads, performance and security needs, and how to evaluate different cloud ERP solutions.

PURCHASES/UPGRADES: Planned for next 12 months

Legend: On-premises | Cloud-based or Software-as-a-Service

Category	On-premises	Cloud-based or Software-as-a-Service
Accounting/ERP (SB)	87%	13%
Collaboration (SB)	51%	49%
CRM (SB)	66%	34%
Accounting/ERP (MB)	86%	14%
Collaboration (MB)	60%	40%
CRM (MB)	68%	32%

Q) Do you currently use on-premises software OR a cloud-based/Software-as-a-Service (SaaS) solution for the following?

PURCHASES/UPGRADES: Last 24 months

Legend: On-premises | Cloud-based or Software-as-a-Service | Not sure

Category	On-premises	Cloud-based or Software-as-a-Service	Not sure
Accounting/ERP (SB)	61%	24%	15%
Collaboration (SB)	31%	44%	22%
CRM (SB)	40%	27%	33%
Accounting/ERP (MB)	74%	15%	12%
Collaboration (MB)	30%	59%	12%
CRM (MB)	54%	32%	13%

Q) At this time, do you think your company will choose to purchase and use an on-premises software application or a cloud-based/Software-as-a-Service solution for the following?

What Exactly Are Cloud Computing and Cloud ERP?

**The term "cloud computing" still confuses many people.
This isn't surprising, as different vendors define it in different ways.**

However, there is general agreement in the industry about the basics:

- Cloud environments are built with virtualization and load-balancing technology that allow applications to be deployed and managed across multiple servers and database resources. This enables businesses to easily scale resources up or down as needs change.

- Cloud computing provides access to software, server, storage and other computing resources that businesses provision—and users access—over the Internet or a private network via a browser.

- Cloud data resources reside in the cloud, instead of on individual devices, easing management and security concerns.

- Most cloud vendors take a layered security approach, which includes encryption, key management, strong access controls, and security intelligence to further increase data security.

ERP software that is deployed and run in a cloud environment is classified as cloud ERP.

The Cloud ERP Value Proposition

The technology underlying the architecture of cloud ERP solutions provides SMBs with many benefits over traditional client-server models, including agility, efficiency and financial advantages. Source: 2014 SMB Mobile Solutions Study, SMB Group

For instance, in a world where 59% of SMBs view mobile solutions as critical to their business, one of cloud ERP's biggest benefits is to make it easy for people to use the solution any time, anywhere and on any device.

Users can easily self-provision and use cloud ERP from a web browser, on Apple and Android mobile devices, or on Windows, Mac or Linux desktop platforms—without expensive, complex VPN and remote access software.

This flexibility makes it easier for businesses to manage bring your own device (BYOD) programs, which 59% of SMBs now support, while protecting business and customer data.

As the Internet of Things (IoT) takes shape, cloud ERP technology will provide the same ease of access for sensors, beacons and other devices with which your ERP system may need to interact.

BENEFITS OF CLOUD ERP

✓ **Improved user access:** Users have anytime, anywhere, any-device access around the globe via an Internet connection.

✓ **Real-time, consistent visibility:** All users access and input data into a centralized data store, which puts consistent, updated information at everyone's fingertips.

✓ **Flexibility:** You can easily scale resources up or down as needed without making a major investment decision.

✓ **Stay current:** Updates are part of the cloud ERP service contract, which makes it easier to take advantage of new capabilities.

✓ **More responsive service and support:** Cloud vendors provide more detailed information about service levels—and they are more motivated to provide better support so you'll renew.

✓ **Faster time-to-solution value:** When using public cloud models, you don't have to buy and deploy infrastructure, so you can be up and running with cloud ERP more quickly.

✓ **Minimized financial risks:** You can reduce upfront capital spending on technology infrastructure, and the option of subscription software licensing further reduces financial risk.

✓ **Economies of skill:** Vendors can deploy, manage and run the cloud ERP solution, so you don't have to. You can focus more of your employees on growth and profit initiatives.

Different Types of Cloud ERP Deployments

Clouds come in various shapes and sizes. Understanding their differences can help you determine which type of cloud ERP deployment is best suited to your business goals, workloads, resources and security requirements. A consensus on the many types of cloud ERP is still hard to come by, but here are the cloud variants you're most likely to encounter when evaluating ERP solutions and deployment alternatives. However, the lines between different cloud models are blurring, so examine each individual cloud ERP offering closely.

Public Cloud / SaaS

- "Do it for me"
- A service provider hosts, manages and makes cloud ERP available to you via the Internet.
- Many customer deployments are run on shared, virtualized (i.e., multi-tenant) resources.
- Pricing is typically subscription based; you just pay for the service.

Hybrid Cloud

- Blended approach
- This approach consists of both public and private cloud resources.
- You can run some resources behind your firewall and others in the public cloud, and you can request a "burst" when you need additional capacity.

Private Cloud

- "Do it yourself"
- Services and infrastructure run on your private network (in your own or a third-party data center).
- Privately purchased, shared virtualized resources of the cloud ERP solution are used solely by your company.
- Resources are managed by your internal IT staff.

Trade–offs Between Cloud ERP Models

Public Cloud/SaaS

- Lower cost, less flexibility
- Efficiencies of the shared model often make this the most cost-effective option.
- Pricing is typically subscription based.
- Because resources are shared, some regard it as less secure.
- This option is favored for standardized workloads, many users, development and test environments, and collaborative processes.

Hybrid Cloud

- More flexibility, added complexity
- Some resources run in the public cloud, others in a private cloud.
- The hybrid cloud offers additional flexibility, but adds integration and management complexities.
- This option is favored when you want to use a public cloud/SaaS app, but security requirements dictate you keep some resources/data within your firewall; or if you need "burst" capacity for peak times or have different needs for different data types/users.

Private Cloud

- Higher cost, more control
- You purchase and maintain the software and infrastructure.
- A private cloud is costly to build and manage.
- This option is favored when control and security are top priorities; your industry requires strict privacy controls; you have resources with appropriate cloud expertise; or you need deep application customization.

Beware of faux cloud ERP! Some vendors host legacy client-server ERP on a server, providing users with access to connect via remote terminal software (instead of a web browser). These applications lack virtualization, load balancing and other technologies that provide the scalability, hardware and management benefits that true cloud solutions offer. Therefore, we don't consider this to be cloud ERP.

Security:
The Elephant in the Cloud

Security is the number-one concern for SMBs considering using the public cloud for ERP, so the topic deserves some attention.

It's only natural to wonder how safe your corporate jewels—financial, supplier and customer data—will be in the hands of a third-party provider. People also worry—and rightly so—about how they will get their data back from that third party if and when they terminate a contract.

Concerns about security spur some SMBs to turn to private cloud or on-premises ERP deployment instead of a public cloud option, figuring their data will be safer.

But in reality, this is often not the case. In many situations, public cloud providers can deliver better security and data protection than the typical SMB IT shop could muster for a private cloud. Although this is not always the case, it's often true because reputable cloud ERP providers:

- "Bet their business" on providing secure cloud ERP solutions to hundreds or thousands of customers; a major outage or breach can put them out of business

- Have intentionally built redundancy, security and data protection into their cloud ERP solution

- Typically have stronger virtual and physical security measures in place than the average SMB and participate in SAS 70 Type II audits to validate these measures

- Can hire specialized IT staff with in-depth security expertise because they can spread their skills over many paying customers

Finding the Best–Fit Cloud ERP for Your Business

As with any business decision, a thorough self-assessment of key business goals, resources, requirements and other considerations important to your company is critical when you evaluate cloud ERP alternatives. Every organization is unique, but here are some key factors to consider:

Solution needs

Internal and business expertise

Business goals

Access to external resources
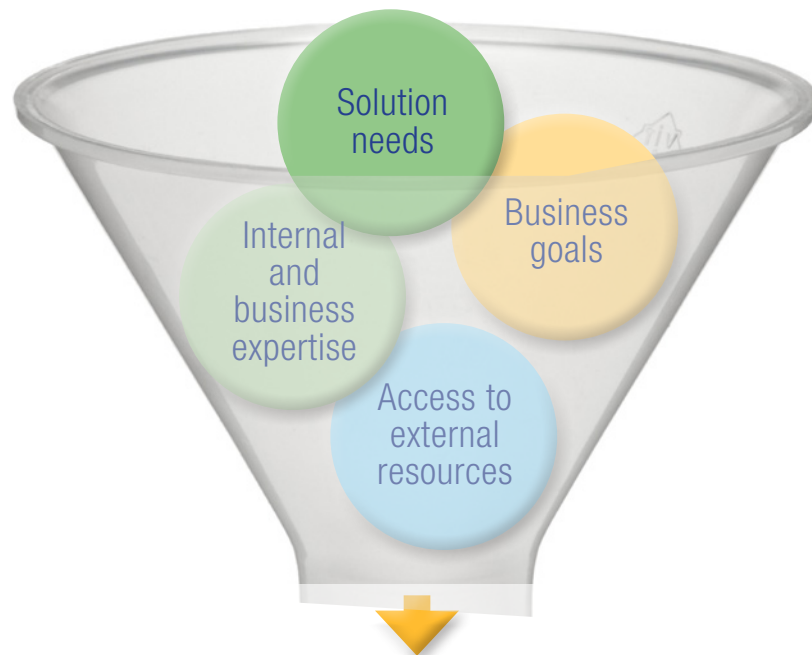
**BEST-FIT CLOUD ERP DEPLOYMENT MODEL
BEST-FIT CLOUD ERP SOLUTION**

✓ **What business goals are driving your cloud ERP search?** Better cost management, improved productivity and operational flexibility, more control and better decision-making are common goals. Be clear about top priorities and how you will measure success.

✓ **What internal and external resources are available?** Assess budget, internal IT expertise and business management expertise available in the company as well as what external resources you'll need.

✓ **What solution capabilities are must-haves?** These capabilities range from core areas (such as financial management, distribution management, customer management and project accounting) to discrete functionality (such as multi-currency or multi-country support, reporting and analytics, mobile access and integration with other applications).

✓ **What external factors should be considered?** These factors include external regulatory requirements as well as customer, supplier and/or partner requirements.

✓ **What are your customization requirements?** Shared, multi-tenant applications are a good fit when customization requirements are low. Dedicated, private cloud ERP offers more flexibility to tailor the solution for unique needs.

✓ **What levels of performance and uptime does your business require?** How about problem resolution response times? If you choose a private or hybrid cloud ERP, how much responsibility do you want your internal IT staff to assume?

Evaluating Cloud ERP Providers as Partners

With almost all cloud ERP vendors vying for SMB customers, you have a growing number of choices when it comes to selecting a cloud ERP vendor and solution.

Although having more choices can make the selection process more time consuming, it also puts you in the driver's seat as you evaluate options.

Vendor websites, reviews, articles and analyst reports can help you narrow the playing field early on, and trusted local advisors and consultants can help you create a solid short list.

When you start interacting with cloud ERP providers and their partners one-on-one, remember that those who take the time to really understand your needs before they start pushing their solution are more likely to become true partners to your business, not just vendors. Strong presales support also helps speed and smooth deployment.

Vendors that are easy to do business with will be much easier to work with once you are a customer. Does the vendor:

◄ Offer easy access to clear product information?

◄ Have live representatives available to answer your questions?

◄ Supply transparent pricing jnformation?

◄ Offer realistic demos and/or trials?

◄ Provide comprehensive and comprehensible contracts that clearly spell out details such as contract length, terms, service levels, data protection and security, who owns the business data, and what happens to the data should you terminate the contract?

◄ Provide you with references for customers that have similar requirements and can speak with you about their experiences?

Beware of Faux Cloud ERP!

Some ERP vendors host their legacy client-server applications in a remote environment and market that as "cloud computing." But, these applications were never designed to be delivered and used via the Internet. They often lack virtualization, load balancing and other technologies that provide the scalability, hardware and management benefits that true cloud solutions offer, as well as a browser-based UI. This results in a significant reduction of benefits when compared to applications designed and built from the ground up to be run as cloud-based services.

HOW TO DETERMINE IF A VENDOR IS SIMPLY HOSTING A LEGACY CLIENT-SERVER ERP APPLICATION IN THE CLOUD:

Pricing model and cost savings. Hosted legacy ERP systems usually come up short when it comes to long-term savings. While customers save on infrastructure costs, they don't reap the full benefits of pay-as-you-go subscription pricing that true cloud ERP solutions offer. Legacy cloud ERP vendors typically require that customers pay for the software license upfront, instead of on a subscription basis.

Licensing. Most legacy ERP pricing models are based on the number of users or clients, not on the "service" the customer consumes. This makes it difficult and costly to add or remove users as needed. Limited flexibility and access hampers information sharing and can prevent you from reaping the full value of the solution.

Requirements for remote terminal technology. In most cases, users must access legacy ERP systems via client-side remote terminal applications (e.g. Citrix XenApp or Windows Terminal Server) that must be installed on each user's device. This adds unnecessary cost complexity. True cloud ERP solutions are born in the cloud and provide users with direct access via a browser.

Mobile. Legacy ERP suites often require users to install applets on phones or tablets to enable mobile apps. Mobile apps may have a different look and feel than what the user sees on the desktop. Again, this can add more cost and complexity.

Virtualization and load balancing. Legacy ERP client-server architecture tends to be monolithic in design, making it difficult to take advantage of virtualization, which enables significant IT cost reductions and the ability to easily scale up or down as computing needs change. In a legacy ERP environment, customers need to buy a system that can handle peak loads, even though most of the time, these resources will go unused.

Integration. Legacy ERP software may use proprietary tools to integrate third party applications. Since ERP solutions need to "talk to" many other applications, maintaining and adding new integrations can become very expensive and complex. In contrast, most true cloud ERP solutions are built using open standards and APIs, reducing integration complexity and cost.

Administration. True cloud ERP enables users to "self-serve" and provision applications. This is not the typical case with legacy ERP solutions.
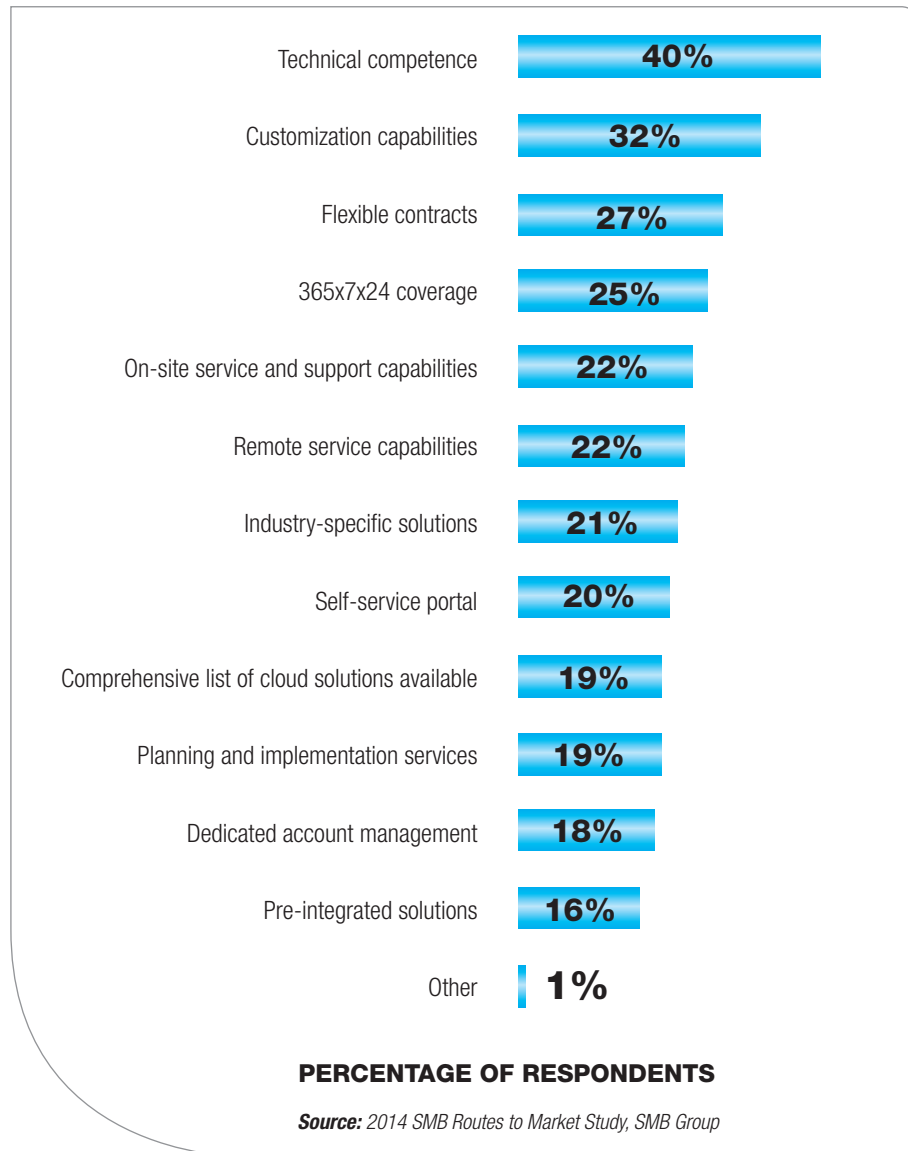
Standards and Security. Legacy client-server systems architecture must play catch up to adapt to the latest Internet standards. Older ERP systems were designed to be run behind your corporate firewall, and may lack the latest security tools required for secure Internet computing.

Get ALL the benefits of the cloud by investing in a true "cloud solution" and avoid faux cloud ERP.

Assessing Cloud ERP Partner Competencies

Overall, how important are the following capabilities to you when selecting a channel from which to buy a cloud solution?

Capability	Percentage
Technical competence	40%
Customization capabilities	32%
Flexible contracts	27%
365x7x24 coverage	25%
On-site service and support capabilities	22%
Remote service capabilities	22%
Industry-specific solutions	21%
Self-service portal	20%
Comprehensive list of cloud solutions available	19%
Planning and implementation services	19%
Dedicated account management	18%
Pre-integrated solutions	16%
Other	1%

PERCENTAGE OF RESPONDENTS

Source: *2014 SMB Routes to Market Study, SMB Group*

Scrutinize the competencies that vendors bring to the table. Technical competence tops the list for many customers. But in our survey, top priorities varied significantly. Map your own internal assessment priorities with vendor strengths in the areas that are most critical to your business.

Select a provider that can validate that it has undergone a successful SAS 70 Type II audit, as this ensures the provider has security, data encryption, regular backups and disaster recovery measures in place to protect its customers.

Have an in-depth conversation with the vendors on your short list so that you thoroughly understand their capabilities and what your options are. For instance, most vendors offer configuration and tailoring options for public cloud ERP deployments but also require customers that need heavy customization to deploy their solution in a private cloud.

Meanwhile, contract length, terms and payment options vary tremendously among cloud ERP vendors. If a vendor doesn't provide the flexibility you want in a standard contract, there is often room to negotiate.

Finally, vendor partners often play a pivotal role in SMB cloud ERP deployment, management and support, so be sure to vet their credentials in any key areas as well.

Evaluating Cloud ERP Solution Capabilities

Like Goldilocks, most of us want something that's just right. If you underbuy cloud ERP, the solution will quickly fall short of your needs. If you overbuy, you will end up paying for things you don't need.

Therefore, we favor solutions that you can deploy in an incremental, yet integrated, approach. You should be able to buy the core functionality you need today, and then seamlessly integrate additional modules as needed.

For instance, if you're moving up from a small business accounting solution, you may want to start with financial management and then add customer management functionality over time. Look for solutions that facilitate adoption at the pace your business needs—not the pace of the vendor.

Regardless of where you start, make sure the solution's reporting capabilities are adequate. After all, getting better insights from your ERP system is critical to improving business outcomes.

And, because no one vendor can ever provide everything your company will need, look at each vendor's third-party solution providers and integration solutions. How easy is it to add on the type of applications your business needs?

Finally, ease of use is key to user adoption. Even if a solution technically has everything you need, it won't do the job if people don't want to or can't use it. Make sure all relevant user types can take it for a test drive.

- **Incremental yet integrated modular approach**
- **Reporting and analytics capabilities**
- **Third-party integration**
- **Easy to use**

Summary and Perspectives

The business landscape is evolving rapidly. To stay ahead of the curve and capitalize on these shifts, SMBs need a new, more flexible approach to manage core business processes.

Cloud ERP solutions offer SMBs the means to streamline operations while gaining the flexibility and visibility needed to adapt, sustain and grow the business.

However, SMBs have very diverse business models, goals and requirements, and there is no "one size fits all" cloud ERP choice that's right for all SMBs.

To select the solution best suited to your business, start with a thorough internal assessment of your company's strategy, workloads, performance and security needs. From there, evaluate vendor/partner competencies, solution capabilities and deployment options to determine which alternative will align best with your business.

Business Sustainability and Growth

Control

Visibility

Flexibility

SMB Group
Actionable Market Insight
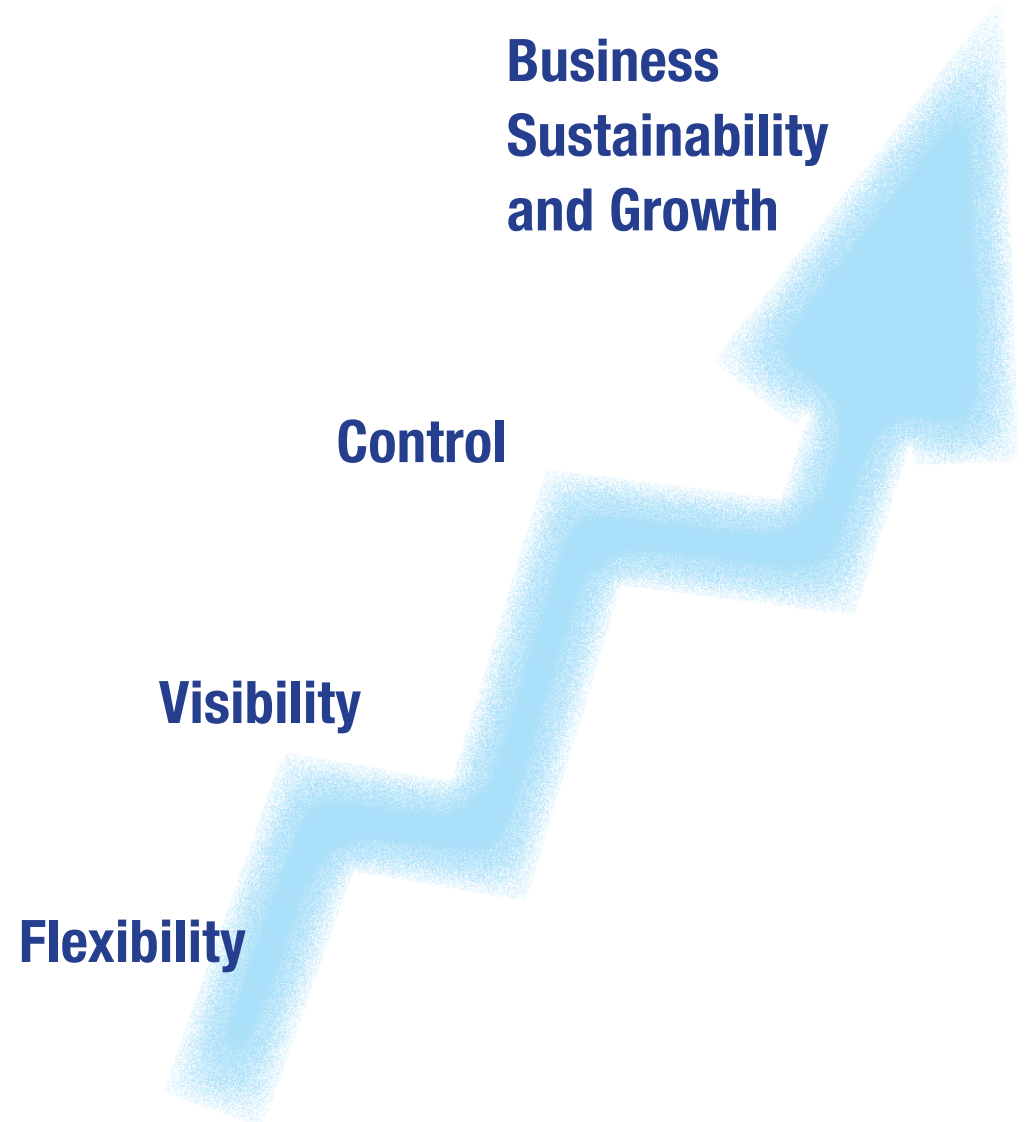
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