Clearing the
ERP Clouds 2017

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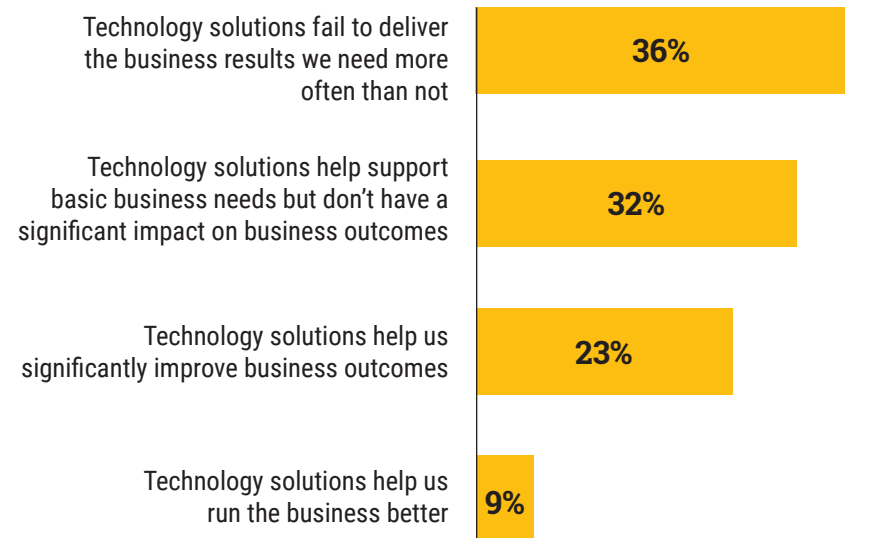# 1 GROWING YOUR BUSINESS IN A CHANGING WORLD

In today's always-on, hyper-connected world, having the right technology solutions is essential to build and sustain economic value and to automate core business functions. Putting the right solutions in creates the foundation to save your business time and money, and to help support your company's growth objectives.

Many small and medium businesses (SMBs) recognize how critical this when true when it comes to managing core business processes, including accounting, financial management, inventory management, customer relationships and human resources.

They want to take advantage of modern enterprise resource planning (ERP) solutions to gain flexibility and visibility, improve controls and realize the full potential of the business.

But budget and resource limitations are the norm for many SMBs—which can make keeping pace with technology requirements an uphill battle.

Importance of Technology to SMBs

Category	Percentage
Technology solutions fail to deliver the business results we need more often than not	36%
Technology solutions help support basic business needs but don't have a significant impact on business outcomes	32%
Technology solutions help us significantly improve business outcomes	23%
Technology solutions help us run the business better	9%

Percentage of Respondents

Sample Size = 750 small and medium business respondents

Source: SMB Group 2017 SMB Routes to Market Study
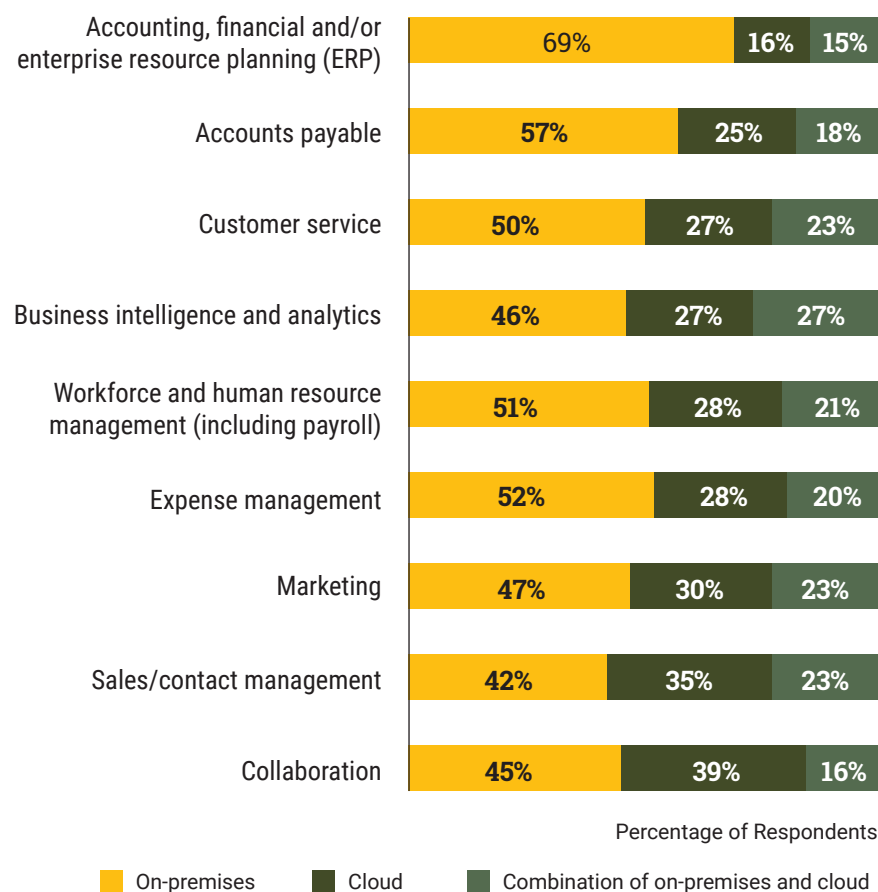
2 CHARTING A COURSE IN THE ERP CLOUDS

Cloud-based ERP solutions can help SMBs bridge this gap. Because cloud ERP is typically offered in a subscription model, they help ease financial obstacles that often get in the way of deploying traditional on-premises ERP.

To date, adoption of cloud ERP has lagged in comparison to areas such as sales and marketing. Many businesses have been more hesitant to trust cloud vendors with core transactional systems than with other applications.

But as SMBs get comfortable using cloud solutions in other areas, adoption of cloud ERP is poised to grow. Other factors likely to spur adoption are that SMBs now have more cloud ERP options, including software-as-a-service (SaaS), public cloud, private cloud and hybrid cloud models, and that more vendors are tailoring cloud ERP solutions to SMB needs and budgets.

How can you determine which cloud ERP route is right for your business? This ebook will help you understand the different types of cloud ERP models; determine which model will best align with your company's strategy, workloads, performance and security needs; and learn how to evaluate different cloud ERP solutions.

Use of and Plans for On-Premises and/or Cloud-Based Solutions

Category	On-premises	Cloud	Combination of on-premises and cloud
Accounting, financial and/or enterprise resource planning (ERP)	69%	16%	15%
Accounts payable	57%	25%	18%
Customer service	50%	27%	23%
Business intelligence and analytics	46%	27%	27%
Workforce and human resource management (including payroll)	51%	28%	21%
Expense management	52%	28%	20%
Marketing	47%	30%	23%
Sales/contact management	42%	35%	23%
Collaboration	45%	39%	16%

Percentage of Respondents

■ On-premises ■ Cloud ■ Combination of on-premises and cloud

Source: SMB Group 2017 SMB Routes to Market Study

3 BRINGING CLOUD COMPUTING INTO FOCUS

The term "cloud computing" can be a fuzzy one for 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.
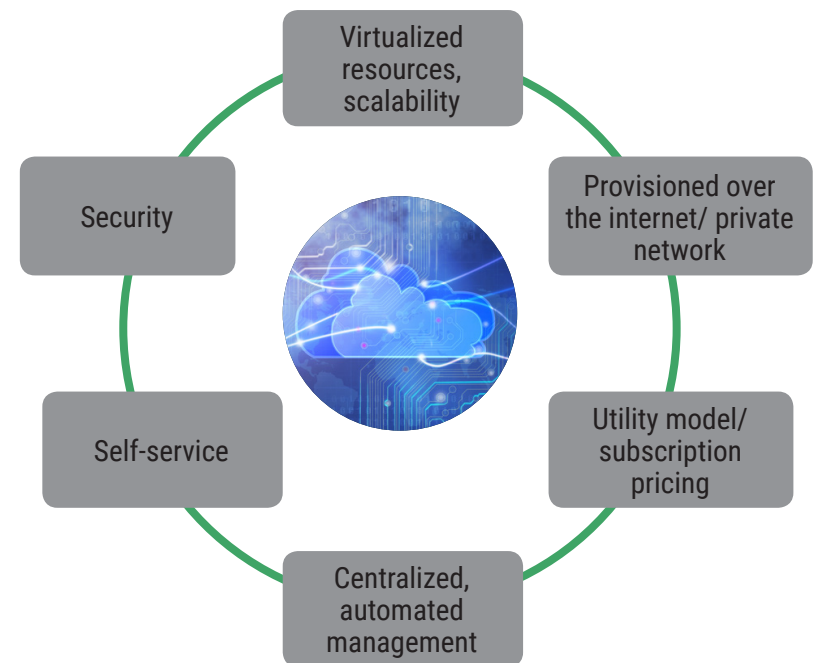
4 THE CLOUD ERP VALUE PROPOSITION

ERP software that is deployed and run in a cloud environment is classified as cloud ERP. The technological architecture of cloud ERP solutions provides the foundation to offer financial, flexibility and agility advantages over traditional client-server models—and can help SMBs overcome some of their biggest hurdles to using technology to move their businesses ahead.

Public cloud ERP vendors buy, run and maintain infrastructure—so you don't have to. In most cases, you can also "rent" the ERP application via a subscription-based licensing model, instead of buying a perpetual license. This reduces up-front capital costs and financial risk. In this model, you can amortize solution costs as a monthly operational expense.

Cloud ERP also provides significant speed and agility benefits. Public ERP vendors can quickly provision a new instance of their solution to help your business become productive more quickly than if it were implementing an on-premises solution, and to scale resources up or down as needs change.

In addition, with a cloud ERP implementation, all of your business-critical information is stored in one database. This give everyone a complete, consistent view of the business, makes it easier to manage workflows, and ensured that you have the right data at your fingertips to make the best decisions for your company.

Top Reasons SMBs Use/Plan to Use Cloud Solutions

Reason	Percentage
More cost effective	51%
Easier/faster to deploy	50%
More flexible	48%
Better security/reliability, etc.	42%
Predictable price	29%
Monthly operational expense vs. up-front capital cost	28%
Less financial risk	27%
Don't have internal IT resources to deploy/manage	22%

Percentage of Respondents

Sample Size = 750 small and medium business respondents

Source: SMB Group 2017 SMB Routes to Market Study

5 KEEPING PACE WITH NEW TECHNOLOGIES

78% of SMBs agree that digital technologies are changing their industries. These technologies can help boost business efficiency and productivity, but they also raise customer expectations about the purchasing, service and engagement levels that businesses provide. To keep pace, SMBs must adapt how they develop, design, market and deliver products and services.

Cloud ERP can provide economies of scale and skill that can help your business to stay ahead of the curve.

For instance:

68%
**of SMBs view mobile solutions as critical to their business**

Cloud ERP enables people to self-provision and use the solution any time, anywhere and on any device—and without expensive, complex VPN and remote access software. This makes it easier to support "bring your own device" (BYOD) programs and to protect business data.
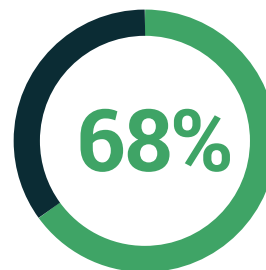
72%
of SMBs take a data-driven approach to decision making

With cloud ERP, all business-critical information is in one database, providing updated, accurate data to decision makers.
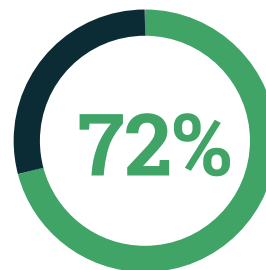
SMB Technology Attitudes
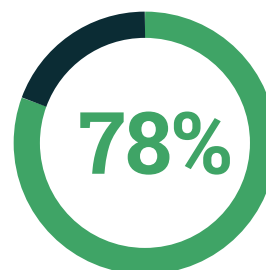
78% Agree/strongly agree that "digital technologies are changing our industry"

68% Agree/strongly agree that "mobile solutions are critical to our business"

72% Agree/strongly agree that "we take a data-driven approach to decision making"

Sample Size = 750 small and medium business respondents

Source: SMB Group 2017 SMB Routes to Market Study

6 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	☁ Hybrid Cloud	🔒 Private Cloud
"DO IT FOR ME"	BLENDED APPROACH	"DO IT YOURSELF"
• A service provider hosts, manages and makes cloud ERP available via the internet.	• This option consists of both public and private cloud resources.	• Services and infrastructure run on your private network (in your own or a third-party data center).
• Many customer deployments are run on shared, virtualized (i.e., multi-tenant) 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.	• Privately purchased, virtualized resources of the cloud ERP solution are used solely by your company.
• Pricing is typically subscription based; you just pay for the service.		• Resources are managed by your internal IT staff.

7 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.
- This option offers additional flexibility, but adds integration and management complexities.
- A hybrid cloud is usually favored when you want to use a public cloud/SaaS app, but security requirements dictate keeping some resources/data within your firewall.
- This option is used to supplement private cloud with public cloud resources for "burst" capacity at peak times.

🔒 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 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.

8 SECURITY: THE ELEPHANT IN THE CLOUD

It's not surprising that more than one-third of SMBs say security is their top technology challenge, according to the SMB Group 2017 SMB Routes to Market Study. Today, most businesses rely on online banking, mobile payments, online sales and other digital technologies to conduct business.

But as technology becomes increasingly interwoven with our businesses, cyber crime continues to escalate and get more sophisticated. This makes security a top concern when evaluating cloud ERP solutions. How safe will your corporate "jewels"—financial, supplier and customer data—be in the hands of a third-party provider? Businesses also worry about how they will get their data back from that third party if or when they terminate a contract.

These concerns spur some SMBs to turn to on-premises or private cloud ERP deployment, figuring their data will be safer there than in a public cloud. But in reality, this is often not the case. In fact, as the SMB Group 2017 SMB Routes to Market Study reported, 42% of SMBs cite better security and reliability as a top reason for choosing a cloud deployment.

Public cloud providers often deliver better security than the typical SMB IT shop could muster for a private cloud because they:

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

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

- Validate virtual and physical security measures with SAS 70 Type II audits

- Can afford to hire specialized IT staff with in-depth security expertise because they can spread their skills over many paying customers
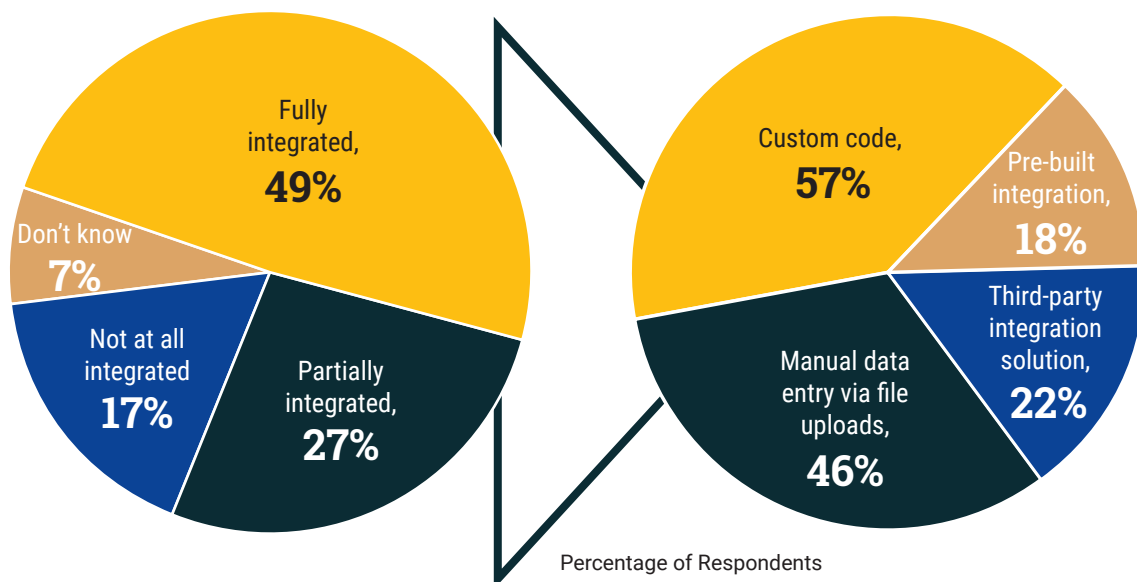
FUTURE-PROOFING YOUR BUSINESS WITH CLOUD ERP

As the pace of digital innovation accelerates, it's difficult to retrofit older, legacy ERP systems—let alone spreadsheets and homegrown applications—to accommodate new requirements. Consequently, many SMBs have yet to fully integrate their key business applications. Those that do integrate typically use clunky data file uploads or rigid custom code.

In contrast, modern cloud ERP solutions are developed using open standards so that they can more flexibly adapt to a business's needs. Built on open standards, most provide open application programming interfaces (APIs) to add and integrate new capabilities—from customer relationship management (CRM) to data visualization—when business needs dictate.

As trending technologies—such as the Internet of Things (IoT), artificial intelligence and machine learning, natural language interfaces and blockchain— mature, this same open foundation will enable integration in a fraction of the time and cost compared to legacy ERP systems.

Level and Methods of Integrating Primary Business Applications

Fully integrated, **49%**

Don't know **7%**

Not at all integrated **17%**

Partially integrated, **27%**

Custom code, **57%**

Pre-built integration, **18%**

Third-party integration solution, **22%**

Manual data entry via file uploads, **46%**

Percentage of Respondents

* Multiple responses allowed

Sample Size = 750 small and medium business respondents

Source: SMB Group 2017 SMB Routes to Market Study

10 FINDING THE BEST-FIT CLOUD ERP FOR YOUR BUSINESS

As with any business decision, start with a thorough self-assessment of key business goals, resources, requirements and other key considerations before you evaluate cloud ERP alternatives. Although every organization is unique, here are some key factors to consider:

What business goals are driving your cloud ERP search? Improving cost management, productivity and operational flexibility, and decision making are common goals. Be clear about top priorities and how you will measure success.

What resources are available? Assess budget, the internal IT and business management expertise available, and what external resources you'll need.

What solution capabilities are must-haves? These can 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 can 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 do 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?

Business Goals

External requirements

Solution needs

IT and business expertise

Available resources
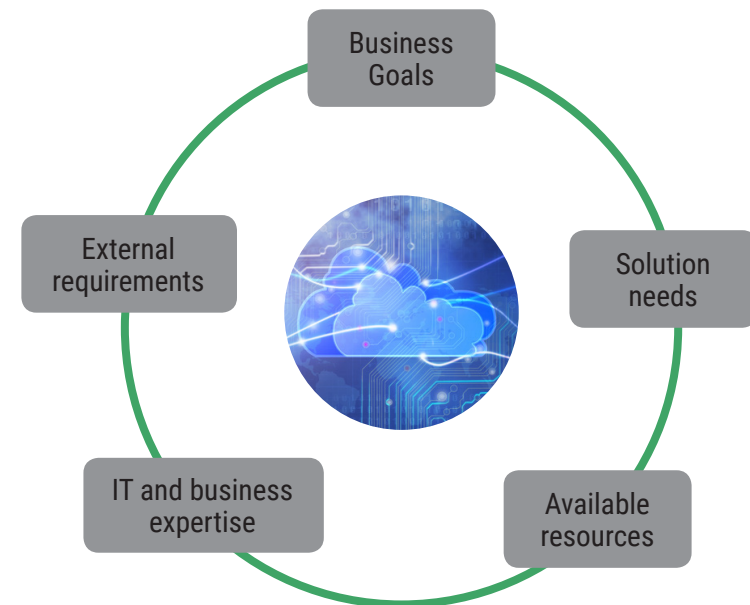
11 EVALUATING CLOUD ERP SOLUTION CAPABILITIES

Incremental yet integrated modular approach

Reporting and analytics capabilities

Third-party integration

Easy to use

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.

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 new applications?

Finally, ease of use is key to user adoption. Even if a solution technically has everything you want, 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.

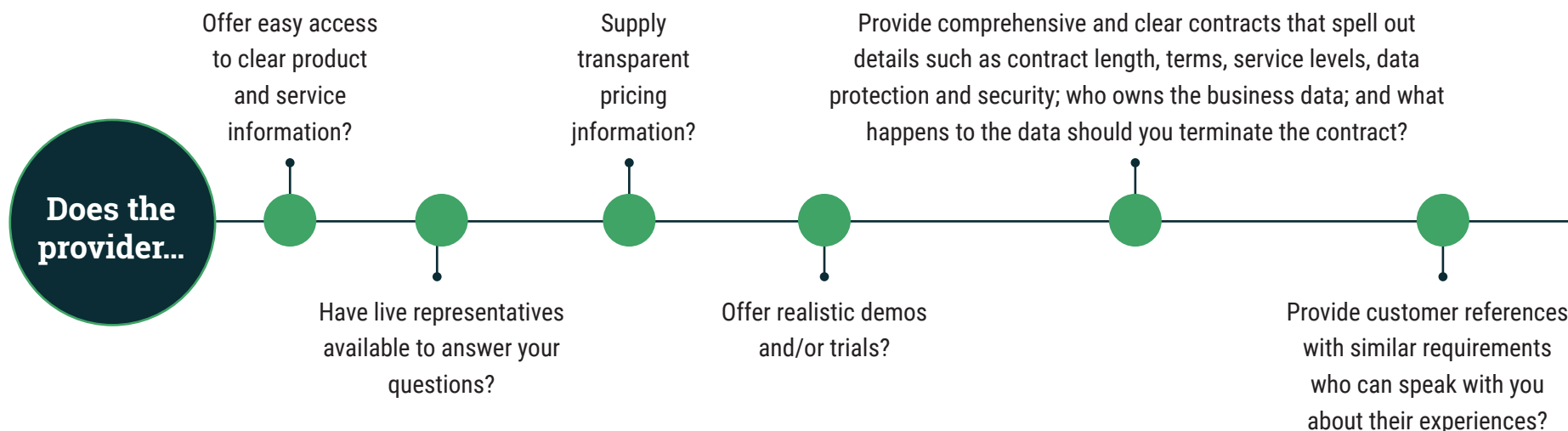# 12 CREATING A SHORT LIST OF CLOUD ERP PROVIDERS

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 provider.

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 your list early on, and trusted local advisors and consultants can help you create a solid short list.

Look for providers with a successfully validated SAS 70 Type II audit. This indicates they have put security, data encryption, regular backups and disaster recovery measures in place to protect your data.

Finally, remember that cloud ERP providers and their partners who take the time to really understand your needs before they start pushing their solution are more likely to become true partners for your business. Strong presales support also helps speed and smooth deployment.

Does the provider...

Offer easy access to clear product and service information?

Have live representatives available to answer your questions?

Supply transparent pricing jnformation?

Offer realistic demos and/or trials?

Provide comprehensive and clear contracts that 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 customer references with similar requirements who can speak with you about their experiences?

13 ASSESSING PROVIDER AND PARTNER COMPETENCIES

The devil is usually in the details, but different details are more or less important to different businesses. Think about what competencies are most important to your business in terms of getting the results you need from your cloud ERP deployment.

Make sure that you thoroughly understand the provider's capabilities and your options. For instance, do you think you'll need substantial customization? Most providers offer configuration and tailoring options for public cloud ERP deployments. If customers need heavy customization, some vendors require them to deploy their solution in a private cloud.

What type of contract do you want? 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.

Most cloud ERP vendors rely on local, regional and national consultants and systems integrators to help serve SMB customers. These partners usually 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.

Competencies SMBs Want from Cloud Providers and Partners

Competency	Percentage
Customization options	37%
Planning and implementation services	35%
Industry-specific solutions	34%
Dedicated account management	33%
Remote service capabilities	31%
On-site service and support capabilities	30%
Self-service portal	29%
Don't have internal IT resources to deploy/manage	29%
365x7x24 coverage	23%

Percentage of Respondents

Sample Size = 750 small and medium business respondents

Source: SMB Group 2017 SMB Routes to Market Study

14 SUMMARY AND PERSPECTIVES

The business and technology 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 and gain the competitive edge that makes or breaks business results.

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.

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