A cloud-hosted ERP solution

Seven must-answer questions before making the move

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INTRODUCTION

Moving ERP to the cloud is often talked about as a strategy. It is not. It is a tool or an enabler for an ERP strategy and potentially for your infrastructure strategy as well.

Nevertheless, a cloud solution can turn your ERP solution on its head – in a good way. It can free up IT costs, which you can spend on other services that can help move your business forward.

Many questions arise when you start considering cloud transformation of your ERP solution:

- What is the business case for moving to the cloud?
- When should we make the move?
- Which kind of cloud offer should we use?
- What will it take to bring the solution to the cloud?

In this ebook, we will help you answer the seven most important questions that should be part of your process.

These seven highly relevant questions will help you form an opinion on whether you should move your ERP solution to the cloud and guide you to when and how to do so it makes most sense for your business.

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1. WHAT ARE YOUR STRATEGIC GOALS FOR A CLOUD SOLUTION? ...

Your management team might see an ERP cloud solution as a strategic option that will minimize IT costs, as a business possibility. as a way to scale your current infrastructure, or as a way to do all of the above.

While a cloud-based ERP solution is not a strategy in and of itself, it can enable many strategic benefits. A cloud-based solution can add direct or indirect business value or improve cost factors as compared to an on-premises solution. Direct business value could come in the form of new functionality or automatic upgrades and indirect value might be the simplification of support processes or the possibility of achieving better data-storage security.

Cost factors to consider are the training of staff if you do not have the skill and certification level needed in an ERP cloud scenario. On the other hand, you may be able to retrain some of your current dedicated IT resources for other tasks. Another cost factor might be a new, more attractive license model.

THE BOTTOM LINE
The move to a cloud-based ERP solution is not a business strategy, but rather, a tool or an enabler for a broader ERP strategy.

Rationales for moving to a cloud-based solution should be linked to your overall ERP strategy.

Whether the cloud solution brings direct value, indirect value, or a cost-reduction, it is important that these benefits support your overall ERP strategy.

2. ARE THERE ANY ISSUES, REGARDING THE PROCESSING OF DATA? ...

In this context, processing refers to the storage, modification, transfer, blocking, and erasure of data. Data can be of all types and not just personal data, as is often thought. Company restrictions are often a mirror of the rules for the country (or union of countries) where the business is headquartered.

For example, Germany's strong federal data protection act is often reflected in the businesses of the country.

When considering a cloud solution, you will need to understand the legal rules relevant to the country in question. It is a good idea to discuss data processing laws with a knowledgeable internal or external partner. The laws can be found in numerous places i.e. government and advisory websites.

However, as you will need to check with your auditing company, it might be a good idea to use this dialog to request specifications for the relevant country or countries. Some of the rules can be quite elaborate; so it is also a good idea to discuss best practices of data processing with other companies with needs similar to your.

Some companies have IT audits, which demand that data is stored in special ways and that access is controlled according to certification standards, such as ISAE 3402 and SSAE 16 which both are difficult to obtain and concern providers' internal controls.

2. ARE THERE ANY ISSUES, REGARDING THE PROCESSING OF DATA?

THE BOTTOM LINE

One of the main issues to evaluate internally is whether, and under which conditions, a company can allow data to leave the building and the country.

These restrictions will originate in any internal policies for the protection of the privacy of the data and in national restrictions regarding the data processing respectively.

Look for a hosting provider with relevant certifications.

A smart move is to use a hosting provider who already has the relevant certifications in place, as some certifications can be very resource-demanding for an organization to obtain.

Crosscheck the Cloud Security Alliance's (CSA) comprehensive list with your IT auditors and/or security department.

CSA is a member-driven organization, chartered with promoting the use of best practices for providing security assurance within cloud computing.

3. WHAT ARE THE FINANCIAL RAMIFICATIONS?

In 80 percent of cases, financial considerations are a key driver in the choice of an ERP on-premise vs a cloud-hosted solution. This is largely due to the hype around a cloud solution's ability to simplify and minimize the costs associated with a hosted solution. Slogans such as "pricelists per user per month", "pay only 2 Cents per GB of storage", "pay as you use", and so on, make C-level business leaders believe there is a simple price structure and low visible cost advantage to pursue.

They ask for a business case, or at least a simulation of what it would cost to move the ERP system to the cloud.

The truth, however, is that there are more cost factors to consider in this scenario than the ones typically shown in the advertisements. In reality, a cloud-based ERP solution can be a game changer where key advantages are hard to measure financially. For example, the mobility of a solution (ERP access from anywhere) can be a major benefit for companies with one warehouse but many different ERP systems in different countries.

THE BOTTOM LINE
While the cost reduction associated with a cloud-hosted ERP system may be presented in an oversimplified manner in many communication channels, the reality is more complex, but certainly worth investigating for your company.

> *Make a business case comparing costs, pains, and benefits.*

Whether it is direct or indirect value or the cost-reduction that a cloud solution brings, it is important that these benefits support your overall ERP strategy.

4. WHAT TECHNICAL ISSUES SHOULD BE CONSIDERED WITH REGARD TO A CLOUD SOLUTION?

ARCHITECTURE

Some companies use the move to a cloud-based ERP solution as an opportunity to integrate the process of separating the ERP system (including the web services related to ERP) from the normal infrastructure.

This can reduce complexity and simplify the maintenance of the existing infrastructure. An indirect benefit of this is that the scalability of the total infrastructure is improved.

SCALABILITY

An ERP cloud solution can improve scalability. The hardware can easily be expanded, meaning data volumes can grow without influence on performance, and infrastructure components can be enhanced in terms of capacity.

THE BOTTOM LINE

By focusing on the right technical issues in the right way, the move to a cloud-based ERP solution can reduce complexity, simplify the maintenance of the existing infrastructure, and make it easier to scale the solution.

> *"The Software-as-a-Service (SaaS) vs. private cloud solution discussion is a must."*

Whether it is direct or indirect value or the cost-reduction that a cloud solution brings, it is important that these benefits support your overall ERP strategy.

5. HOW WILL A CLOUD SOLUTION AFFECT MY EMPLOYEES? ...

There are many issues regarding staffing and knowledge, which you need to contemplate with regard to a cloud-based ERP solution. It makes sense to revisit staffing and daily planning when considering moving to a cloud-based ERP solution.
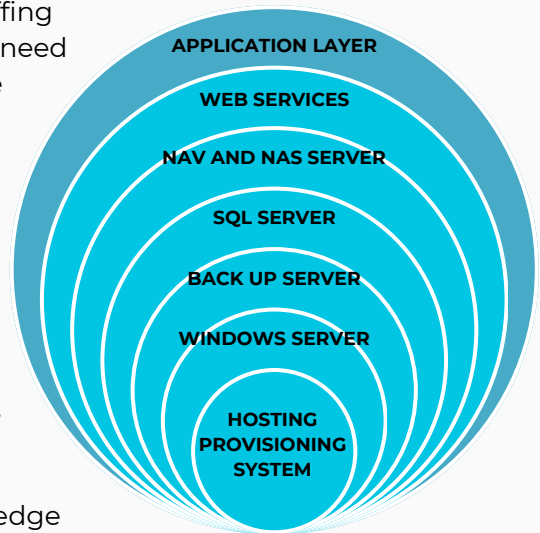
You can, for example, use the external cloud service providers as an extension to your own support and maintenance team. The level of support can range across the full spectrum, from a solution where your company does all the support and maintenance to none at all - and everything in between.

The trick once again is to be clear about your business needs. Are you operating in more than one time zone? Do you have a warehouse with three teams working on shifts? If so, then obviously your support needs are quite different than, say, those of a retail company.

Once you have outlined how staffing satisfies business needs, you will need to consider your level of in-house knowledge.

Keeping an ERP system operational is a knowledge-demanding task.

For example, support and maintenance for a midsize Microsoft Dynamics NAV system, which is not considered a heavy system in terms of technology, demands comprehensive knowledge within the following areas:

APPLICATION LAYER

WEB SERVICES

NAV AND NAS SERVER

SQL SERVER

BACK UP SERVER

WINDOWS SERVER

HOSTING PROVISIONING SYSTEM

5. HOW WILL A CLOUD SOLUTION AFFECT MY EMPLOYEES?

Acquiring and maintaining certified in-house employees in all disciplines is a costly affair. Some of the knowledge areas can be outsourced to the cloud partner's external consultants.

However, the greater benefits are achieved when you take the step of giving the cloud service provider full 24/7 responsibility for the first six layers. Such a move would mean that you would only need to support the business-relevant application layer.

THE BOTTOM LINE
When deciding which services to keep in-house and which to outsource to your cloud partner, the key is to understand which knowledge you want to keep in-house and which you can outsource for greater efficiency.

"The level of difficulty of service tasks can serve as a criterion for outsourcing."

When considering the tasks necessary to fulfill business needs, a good practice is to consider whether your organization wants to:

a) Handle the difficult support and maintenance tasks and outsource the easy ones.
b) Handle the easy support and maintenance tasks and outsource the difficult ones.
c) Handle both.

6. WILL A CLOUD SOLUTION AFFECT MY EXISTING SUPPORT AND MAINTENANCE SYSTEM?

Naturally, this topic is related to whether you currently use external support and, if so, to what degree and how you evaluate your current support partner.

Regardless of how satisfied you are with your current support, making the change to a cloud-based ERP system often changes the support and maintenance system already established. Practical external support and maintenance issues, such as support methodology and how and where to register tickets, become relevant.

THE BOTTOM LINE
BA cloud-based system offers an opportunity to re-evaluate your current external maintenance and support service, but regardless of you satisfaction level with your current provider, it may cause practical changes

"One practical issue related to support for cloud-based ERP comes before all others – language."

If you intend to use an international partner, it might make sense to check your subsidiaries' level of readiness with regard to support and in particular language.

As you might guess, the official language of many international support partners is English.

7. WHAT CRITERIA SHOULD I USE WHEN CHOOSING A HOSTING PARTNER? …

A strong market trend is to avoid generic cloud service providers for business-critical applications. After all, a generic hosting center quite often has no insights as to how your business applications run and therefore will use third parties to support you.

This would not be an issue if the third party in question had direct access to the data center machines, but in 99% of situations, this is not the case.

The customer and the third party typically use a ticket system (ITIL Service Management based) combined with a standard provisioning system as their communication tool.

The result is slow reaction times and information getting lost in broken lines of communication between the three parties, who often end up pointing fingers at one another.

A solution to this issue is to let your support center (if external) pick their preferred hosting center where they guarantee a minimum response time. In this scenario, the cloud-hosting center subcontracts the support center making the support center your sole contract partner.

"Incorporate reasonable conditions for service charges in the contract."

7. WHAT CRITERIA SHOULD I USE WHEN CHOOSING A HOSTING PARTNER?

Customers often choose a cloud solution with fixed monthly fees, which makes sense. Be aware though; some service providers charge for every service ticket and request.

Even corrections of errors that are not necessarily your fault are sometimes charged for time and material used. It can all add up fast. Make sure to build fair guidelines into your Service-Level Agreement.

DO NOT TAKE THE BENEFITS OF CLOUD-BASED ERP FOR GRANTED
A cloud-based ERP offers many potential benefits. On the other hand, assuming that the move to the cloud will automatically reduce costs and improve your business can be more costly than cost-efficient.

A good measure of thought, discussions, and a business case, which analyses the strategic, financial, technical, human resource, and support and maintenance issues related to a cloud-based versus an on-premise ERP solution, is a must.

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