ENTERPRISING MOVES FOR CLOUD ERP

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Enterprises need modern business solutions for modern business needs—and they're not getting them from legacy on-premise providers.

Despite mainstream adoption of cloud solutions to manage business functions such as Human Capital Management (HCM) or Customer Relationship Management (CRM) or productivity tools such as email, Enterprise Resource Planning (ERP) has, to date, been much slower to transition to the cloud at enterprise level.

Such is the mission-critical nature of ERP systems, the systems on which organizations actually run their business, that there has been a lingering wariness about making the move to the cloud. While many of the fears expressed around areas such as latency, reliability and security are unfounded, the potential for bottom-line damage to an organization of an ERP outage is so great as to sustain those concerns.

The situation has not been helped by the laggardly progress—or in some cases total lack of progress—made by the legacy ERP providers in creating viable cloud offerings for their existing enterprise customers. These suppliers, whose products typically pre-date the Internet, have enjoyed a lock on their installed base, customers who have spent millions of dollars trying to install systems that are unwieldy, inflexible and not fit for purpose in the fast-moving global digital economy.

But today, a number of drivers are coming together as a perfect storm to encourage enterprise-level adoption of cloud ERP solutions. This trend can be seen clearly in the declining revenues of those legacy, on-premise players, compared to the soaring growth rates of cloud pureplays, such as NetSuite, as CIOs rethink their approach to ERP in the age of omnichannel and digital business.

Faster Time to Demonstrable Value

The economic case for the cloud has been made in other functional areas and is well-rehearsed. In the legacy ERP market, enterprise implementations were hugely costly, with budget and time overruns expected by CIOs and CFOs who were resigned to soaring charges by major systems integrators just to get the software into some kind of working order.

Once up-and-running, such on-premise implementations demand IT resources, hardware spend and data center operating costs, while the day-to-day task of 'keeping the lights on' prevented the IT team from focusing on business innovation. The systems themselves are rigid and locked into the business processes at the time of implementation, unable to adapt quickly to changes in market conditions or new opportunities for growth.

In the cloud, organizations move from a CapEx to an OpEx model, reducing spend by as much as 30 percent compared to on-premise systems. That's the kind of economic benefit that no organization can afford to leave on the table at a time when increased competition is putting pressure on margins across all business sectors.

Alongside the commercial value is the time freed-up for IT to look beyond the 'keeping the lights on' aspect of its role and towards being able to deliver innovation and to work with the business on the kind of strategic projects that will grow the bottom line. With ERP systems now running in the cloud and hosted in a service provider's datacenter, the internal IT resource can carve out a more productive role for itself.

The Need to Upgrade

The challenge of upgrading legacy on-premise software is one that no CIO ever approached with enthusiasm. The traditional routine of the IT team spending a weekend going through an organization with computer disks and upgrading systems is a laborious, expensive and time-consuming process, a problem that increases inevitably the bigger the enterprise in question.

It's also likely the case that the on-premise systems in question have been customized throughout their life, making concern about losing those customizations during an upgrade a serious consideration and a deterrent to upgrading at all for fear of ending up with broken customizations. That in turn leads to a scenario where organizations are running increasingly obsolete ERP systems that should be empowering the business, but are, in fact, holding it back.

On top of this, the ageing ERP system, that doesn't now support your current and future business needs, is incurring the kind of maintenance and support charges that the legacy providers are now reliant upon to prop

up their business models. That may suit them, but doesn't deliver value to the buy-side end user. That has to change.

With cloud ERP, the pain points are taken away. Upgrades happen seamlessly and overnight and without manual intervention by the IT team. The end user switches on his or her computer and finds the latest release of the application. Rather than a disruptive and expensive upgrade process, in the cloud it just happens.

The End of Life Scenario

For many organizations, the prospect of taking out an existing ERP system and introducing a more modern alternative is too daunting to embark upon through choice, regardless of the benefits that would accrue. No one, as the saying goes, opts for elective heart surgery and a traditional ERP switch-out is akin to major surgery on the heart of the enterprise.

But the reality today is that many of the ERP systems that were installed in the pre-Internet era are now at end-of-life stage. Their suppliers are living off maintenance and support revenues or have been acquired by larger firms. Innovation and enhancements have ceased. The heartbeat of the organization is on life support and only just ticking over. The systems themselves were designed with a whole different way of doing business in mind.

For enterprises in such a situation, the decision to move off the legacy system may rapidly be taken out of their hands. Whatever the case, the aging nature of the on-premise enterprise ERP landscape is forcing a re-evaluation of options.

Greater Levels of Security and Reliability

Security concerns have long been cited as the number one reason not to move to the cloud. That's been the case with CRM and HCM and other business areas that have seen higher adoption rates than the ERP sector. But in reality, moving to the cloud will increase the security and reliability of the enterprise, not threaten them.

Cloud solutions providers live or die on the levels of security, data integrity and reliability of service levels that they can deliver. As such, the investment in infrastructure, data centers and security far surpasses the levels that even the largest enterprises can boast. The growing out of data centers in global regions addresses data sovereignty concerns, meets regulatory requirements and improves latency.

The New Way of Business

In the digital economy, new market opportunities can appear alarmingly fast, as can new competitive threats. Enterprises need to be able to operate in real-time, adapting quickly to meet both new challenges and fresh opportunities.

The modular nature of cloud ERP solutions enables organizations to move quickly to react to these. The agility and flexibility of cloud ERP is fitted to the digital economy, while cloud solutions can easily scale up to meet demand as it grows.

This is essential in a global economy where the commercial footprint of enterprise businesses expands through organic growth or acquisition. As enterprises enter new global markets or new business sectors or make acquisitions, a new instance of cloud ERP applications can be spun out. Often these will take the form of a two-tier ERP strategy, where the existing on-premise ERP solution remains in place at headquarters, complemented by localized instances of cloud ERP. Enterprise workforces are now global and need to be remotely connected all the time. Cloud ERP solutions empower the collaborative and mobile nature of today's enterprise organizations.

Those Who've Made the Move

As noted above, there are an increasing number of enterprise operations that have adopted cloud ERP solutions, such as American Express Global Business Travel (GBT), a joint venture between American Express and an investor group led by private investment firm Certares that was established in June 2014. The firm chose NetSuite OneWorld to support global financial operations across 140 countries.

Meanwhile, HP Software has deployed NetSuite OneWorld for business management across 15 countries with one single unified instance of NetSuite OneWorld to run mission-critical business processes including order-to-cash, revenue recognition, multi-currency, intercompany transactions and multi-country taxation compliance.

Such enterprises demonstrate that while cloud ERP adoption has been slower than other areas of the cloud industry to date, the question now is when, not if.

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