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A CLOUD-HOSTED ERP SOLUTION

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A cloud-hosted erp solution – seven must-answer questions before making the move

This paper will give you an understanding of how a move from an on-premises ERP solution to a cloud-based one might affect your business, and it will introduce you to the basics of what you need to do to get the most out of the cloud transformation.

Introduction

Whitepapers, trade and business news stories, IT specialists and other usually solid information sources often talk about moving ERP to the cloud as a strategy.

It is in fact a tool or enabler for 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 then spend on other services that help move your business forward.

What is the business case for moving your ERP solution to the cloud? When should you make the move? Which kind of cloud offer should you use? What will it take to bring the solution to the cloud? All these questions (and many more) have become relevant as the

cloud transformation of complex software including ERP has be-come a viable option for many companies. This paper will take you through seven important considerations that should be analysed, discussed and decided upon as part of your process. Thinking about the following seven issues will help you as you form an opinion on whether to move your ERP solution to the cloud, and how to do it in the way that makes the most sense for your business.

What is your strategy for a cloud solution?

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, for example, come in the form of new functionality or automatic upgrades. Indirect value, on the other hand, might be the simplification of support processes or the possibility to achieve better data-storage security.

Cost factors to consider are, for example, that you may need to train 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 come in the form of a new, more attractive license model.

THE BOTTOM LINE

ERP can provide much needed structure and visibility during a period of rapid growth. Make a business case comparing the costs, business pains and business benefits of your current on-premises solution with those of a cloud solution.

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

Are there any legal, data security and network, or internal control 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 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 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 (government and advisory websites for example). However, as you will need to check with your auditing company (see the tip below), 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 processing data with other companies with needs similar to your company.

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 (both are difficult to obtain and concern providers' internal controls).

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 processing of data respectively.

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 organisation to obtain. Crosscheck the Cloud Security Alliance's (CSA) comprehensive list with your IT auditors and/or security department. CSA is a member-driven organisation, chartered with promoting the use of best practices for providing security assurance within cloud computing.

TIP – Look for a hosting provider with relevant certifications.

What are the financial ramifications?

In 80 percent of cases, financial considerations are a key driver in the choice of ERP on-premises vs a cloud-hosted. This is largely due to the hype around the ostensibly simplified and minimised costs associated with cloud solutions.

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 the costs, business pains and business benefits of your current on-premises solution with those of a cloud solution. If you would like to receive a checklist of the specific entities that contribute to costs, pains and benefits, send an email to info@anegis.com

TIP - Make a business case comparing costs, pains and benefits.

What technical issues should be considered with regard to a cloud solution?

When companies discuss a possible cloud-hosted ERP solution, many technical questions related to security, architecture and scalability arise. The table below summarises some general considerations related to security.

SECURITY TYPE	DOES IT IMPROVE THE LEVEL OF SECURITY?	NOTE
Access (technical)	Yes	Rarely utilised as it becomes cumbersome with many logins
Access (physical)	Yes	Data is stored in a data center and can be spread on many different physical volumes, in order to minimise risk
Access (backup/restore)	Yes	The physical media can be taken out of the backup/restore process. In addition, restoring lost data (in a fire, for example) does not require repurchasing of hardware
Data storage and controls	Yes	See question number 2
Data	No	Same as on-premises solution
Functional modules	No	Same as on-premises 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. It is critical to do a thorough analysis of the consequences of your choice between a SaaS and private cloud-hosted solution.

TIP - The Software-as-a-Service (SaaS) vs. private cloud solution discussion is a must.
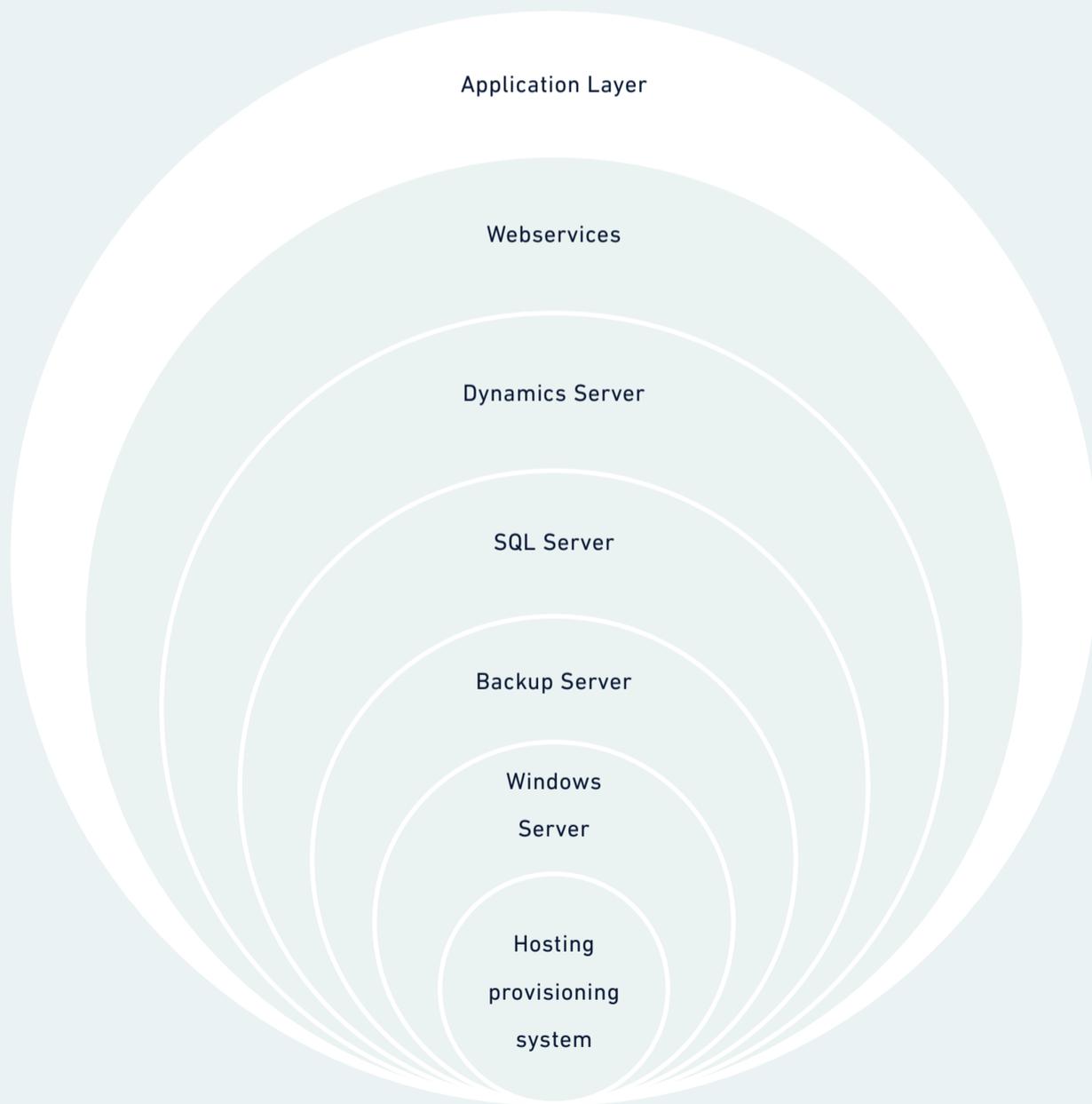
How will a cloud solution affect my personnel?

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 Microsoft Dynamics systems demands comprehensive knowledge within the following areas.

Application Layer

Webservices

Dynamics Server

SQL Server

Backup Server

Windows

Server

Hosting

provisioning

system

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.

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

- Handle the difficult support and maintenance tasks and outsource the easy ones
- Handle the easy support and maintenance tasks and outsource the difficult ones
- Handle both

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

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, however, 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

A 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.

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

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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 clue as to your business application 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 sce-

nario, the cloud-hosting center subcontracts to the support center making the support center your sole contract 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.

TIP - Incorporate reasonable conditions for service charges in the contract.

DO NOT TAKE THE BENEFITS
OF CLOUD-BASED ERP FOR GRANTED

A cloud-based ERP offers many potential benefits. 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-premises ERP solution, is a must.

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At ANEGIS, we help international organisations optimise, streamline and harmonise processes every day. If your company is considering making the move to a cloud-based ERP solution, we can help you with workshops, guidance and a framework for building a business case that will help you get the best possible return on your investment. To talk about how we can assist you, contact us at: **info@anegis.com**

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