

When we speak of ERP, there are two types. One can be classified as the heavy duty ERP services that are intensive and require a big amount of hardware and constant monitoring such as billing, accounting and so on. The others are the fringe entities such as HR. These fringe ERP systems are already on cloud and seem to be doing well indeed.

Here is a graphical break-up of various types of ERP software used today.

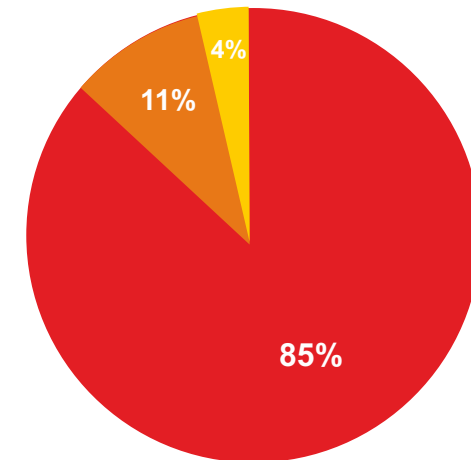
Type of ERP Software

Cloud computing

– The good and the bad

Cloud computing was supposed to take off in a big way when it hit markets around the late 90's. The fact of the matter is that it still hasn't seen the success that you would equate with a Microsoft Excel or such accounting programs.

There are a key set of reasons for this. To begin with, we really need to know the basis of strong points of a cloud-based operating system in comparison to the traditional hardware software link up.



- On- premise ERP (traditional)
- Cloud ERP (hosted and managed off-site)
- Software as aService (SaaS)

Source: Panorama consulting,s 2014 ERP Report
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Cloud-based ERP solutions do not constitute any significant part of the marketing pie and there are specific set of reasons for this. Despite these issues it does show promise and here are the reasons why.

Cost

It is the need of every business, be it small or big, to optimize their business process for maximum utilization. One of the key areas that they focus on is the expense they have to bear for automation and software purchases. Considering that cloud-based applications are modeled around subscriptions, they are relatively cheaper than tradition models of ERP. These subscription models generally include the hosting and the support expenses which in the case of traditional systems can run up hefty bills.

Since it is usually done by a vendor, cloud-based services require these vendors to maintain, upgrade and service these tools as and when required by the company with accordance to its growth. These vendors free up most of the work that the in-house IT team would be scrambling around to perform allowing them to focus on core issues. In effect, a cloud integration and sustenance model works relatively cheaper on the wallet of a business.

Scalability

One of the biggest and by far the most aggressive plus point of a cloud-based ERP solution is the ability to scale up towards newer goals and the flexibility to do it. Since cloud-based systems can be accessed through web browsers by end users, the cumbersome issue of software upgrades, along with the resulting hardware back-up, is non-existent here.

Any business that is growing at a rapid pace can be bogged down by the failure of the technical aspects of their business. This can be a massive issue and can lead to loss of business. Cloud computing companies offer add-on services which are available online and can be purchased directly. This is a convenient format. The flexibility to upgrade is an in-built one and can be done on the go. These two features have converted many hardcore in-house ERP devout companies to take up cloud -based ERP platforms.

Operational deployment

With cloud-based ERP solutions, upgrading a system or business process is an easy task and does not require a massive shift as in traditional operating models. Since all the processes are assigned to specific cloud algorithms, it is fairly simple and straight forward. This is a big shift from the older processes and has been a significant reason for migration. It not just reduces time consumed; it cuts down on costs

and does not have any down time attached to it. All this leads to an increase in output and productivity.

Now looking at the various reasons for the apprehensions regarding cloud-based ERP solutions, there are some which have been the Achilles heel for cloud computing and some which require organizational changes. These issues have and will keep surfacing as long as the cloud computing process is relevant and hence, cloud computing organizations need to deal with them on a project wise basis rather than look at it from a broader angle.

Data and safety risk

The biggest and by far, one of the most troublesome issues that cloud-based ERP solutions have to deal with is the security concern that comes along with it. Most major businesses get cold feet when they think of moving towards a cloud-based platform due to the significant security risks that are involved. Since it is a third party undertaking, the trust factor becomes a major point of concern. Trusting a third party with big amounts of data that are vital to the day to day functions of the business is not easy, especially when industrial espionage and hacking is highly prevalent today.

Some major players in the industry such as Salesforce and SAP have invested heavily in developing state-of-the art safety technology to ensure that there are no compromises made where security is

concerned. These systems are in -fact far superior to the ones that traditional systems use, but even so, the bug of security flaws has gotten entrenched into the popular opinion of cloud-based computing.

With some security laws that are prevalent in developed countries, it is feared that they are too stringent for cloud-based applications. That is far from the truth and has been typified by many major companies trusting cloud vendors with sensitive intellectual data. We believe that today with the advancements that have been made in the security standards for cloud-based ERP systems, the risk factor that most companies argue on is due to unfamiliarity with the process rather than a real risk.

Limited functionality as against legacy systems

Traditional ERP systems have had the time and the resources to advance according to the need of businesses. This time has to be invested in cloud-based ERP systems and as of now, they deal with basic functions such as costing, accounting and other such.

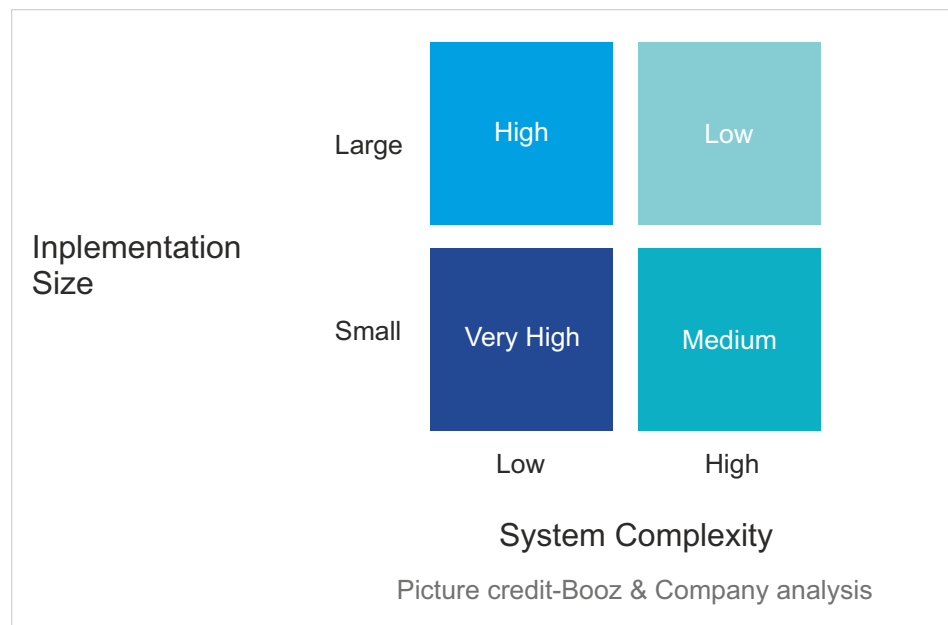
They are surely moving towards building up better systems for more complicated processes such as data -based forecasting, production management and so on.

Cloud-based ERP solutions are in the nascent stage as of now and indeed require a period of growth and stabilization to be at par with the massive legacy systems that run business today, which have become

advanced not merely because of the need, but because of a lack of an alternative.

Conclusion

We would like to showcase a chart that accurately shows the success rate that small and large businesses will see when they implement or migrate towards a cloud-based ERP solution.



So what does the future hold for cloud-based ERP solutions? We really need to watch and see. The plus and minus points that we have focused on earlier are merely technical and ideological issues that require an analytic and case-to-case approach to evaluate. It cannot be denied that cloud-based ERP solutions are a good and safe bet for small and medium businesses and it is the larger businesses that need to be instilled with a sense of confidence with this process today.

When smaller companies utilize cloud-based ERP systems, they move forward by the inclusion of standardization of processes, lowering of costs and up scalability which allow them to progress faster. These can be the same for bigger businesses albeit they are ready to focus a certain amount of trust and understanding of the process.

Credite:

http://www.strategyand.pwc.com/media/file/Strategyand_ERP-in-the-Cloud.pdf

<http://cloudtweaks.com/2014/06/future-cloud-based-erp/>

<http://panorama-consulting.com/what-is-the-surprising-future-of-cloud-erp/>

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