



# The SME Guide to Cloud ERP

How to Choose Between Public, Private and Hybrid Cloud ERP

# Introduction

## What's inside?

- ▶ ERP Deployment Options
- ▶ How to Choose the Right Deployment Model
- ▶ Finding the Right ERP for Your Business

Selecting a new ERP software can be overwhelming. Finding the right fit is no easy task. Which software has the functionality you need? Do you go with an industry vertical solution? Or a well-known name, like SAP Business One or NetSuite? The list of questions goes on.

And while functionality is certainly important, the deployment model should be given equal consideration.

At the core, the model you choose dictates how and where the system is deployed. But it also impacts how your users interact with the system, how much control you have and how much you need to rely on your internal IT resources.

We're talking about a mission critical system that will run your entire business, so it's important to get this decision right. We understand it's not a simple, straightforward evaluation. That's why we've created this guide.

We'll answer your questions about each deployment model and highlight key impacts to consider. Then we'll dig into the other factors that influence your decision – your business workflows and preferred level of data control. When you reach the end, you'll have a strong framework to help you decide which option is right for your business.

# ERP Deployment Options

“Demand for cloud-based ERP applications **continues to grow** because of their ability to access and analyze massive amounts of data in near real-time.”

ERP software has been around for ages, but it's transformed rapidly over the years. Once only accessible to large manufacturing companies, ERP has crossed both industry and size barriers.

Today, ERP is completely within reach for small to mid-size companies in virtually any industry, from manufacturing, to distribution and pure service-based organizations. And cloud options have made ERP even more accessible – lowering the cost and removing IT overhead.

‘The cloud’ isn't just one singular approach to data storage. You have options based on your needs.

Each cloud approach comes with pros and cons. And while it might be easy to choose a public cloud solution like MailChimp for your email marketing platform, it's not quite as straightforward for ERP. This is your core business system – housing financials, operations, etc. – so you want to consider all possible impacts before jumping in.

How do you know which deployment model is right for you? The first step is understanding your options. We'll focus our attention on cloud models – public, private and hybrid – as they're the most popular for businesses today. But we'll also briefly discuss the more traditional on-premise model and where it makes sense.



## ERP Deployment Models




- ▶ On-premise – housed in your building
- ▶ Private cloud – the bridge between on-premise and public cloud
- ▶ Public cloud – multi-tenant, SaaS
- ▶ Hybrid – the best of both worlds

Cloud ERP  
generally costs  
about **30% less**  
than on-premise  
in the first year.

## The Shift to Cloud

The move to the cloud has changed the game for SMEs (small to mid-size enterprises). Put simply, cloud solutions remove the common barriers that smaller organizations face, making ERP a possibility.

-  **Lower up-front costs** – On-premise ERP implementations typically come with a significant up-front cost. Today's subscription-based cloud solutions spread out the cost, making ERP more affordable for smaller companies.
-  **Fast time to value** – Cloud solutions can be implemented relatively quickly, without the time to source and setup hardware or train IT staff.
-  **Accessibility** – Get real-time access to your data, anywhere, anytime on any device.

-  **Scalability** – Start with core functionality and grow your system as your business needs change, without adding more hardware to maintain performance.
-  **Security** – Whether you choose public or private cloud, your provider typically offers security levels and backup protocols that are far better than what you can deliver on your own (without significant added cost).
-  **Data redundancy** – In an on-premise installation, if your hardware fails, you could spend an awful lot of time and money transferring data to a new server (not to mention the downtime). With a public or private cloud solution, your provider will have redundancy built-in, giving you reliable access to your data even in the event of a failure.

An experienced internal IT team is a must-have to successfully run an on-premise ERP solution.

## On-premise ERP

An **on-premise ERP** solution is installed and maintained on a local server, within the walls of your building. Your users access the system as a desktop application on your local network.

### The Bright Side

- ▶ You can dictate the data security and disaster recovery measures that make sense for your business.
- ▶ On-premise can be more cost-effective if you have to meet high standards, contractual obligations or government legislation for data management.
- ▶ You have total flexibility to customize the software as needed.
- ▶ If you're in a remote location with unreliable internet service, on-premise could be a better fit.

Fewer companies are choosing on-premise ERP, opting for the advantages of cloud. But if you want total control of your system and your data, an on-premise solution might make sense.

### The Dark Side

- ▶ Your IT team is responsible for managing the entire ERP environment – data security, backups, server maintenance and supporting infrastructure. Carefully consider the level of data security and disaster recovery capabilities that you can achieve on your own compared to an experienced cloud provider.
- ▶ The up-front cost can be prohibitive for some companies (license costs, servers, networking and storage).
- ▶ Major customization (e.g. changes to the code) can leave you locked into an older version or add cost to future upgrades. Our recommendation – customize only when necessary and work with an experienced ERP partner to ensure it's done correctly.

**Private cloud ERP** bridges the gap between on-premise and public cloud.

## Private Cloud ERP

A private cloud ERP solution gives you the benefits of on-premise, combined with the benefits of cloud. You have a technical environment that's dedicated to your organization, maintaining high levels of control and flexibility.

### The Bright Side

- ▶ You get high levels of agility, scalability and efficiency comparable to public cloud.
- ▶ Your data is secure in an environment dedicated to your company, with lower chances of a data corruption event.
- ▶ You have complete flexibility to adapt and customize your ERP system.
- ▶ You can upgrade on your own timeline, rather than on the ERP vendor's schedule.
- ▶ Your hosting provider handles all maintenance, backups and infrastructure, giving you peace of mind without the IT overhead.

But you off-load the heavy lifting on the IT side to a third-party that provides application hosting, storage and resources to your users via the internet. Often, your ERP implementation partner will also be your hosting provider.

### The Dark Side

- ▶ Accessing your ERP system through a VPN can be a drawback for some users (like your sales team on the road). Keep in mind that most ERP solutions have mobile apps designed for these use cases.
- ▶ It's easy to fall into version lock, especially if you have heavy customizations.
- ▶ If you choose a solution that uses perpetual licensing, you'll still have the up-front license costs. Be sure to consider your license costs, maintenance fees and the per-user, per-month hosting fee in your total cost of ownership calculations.

Companies that use public cloud ERP can **save up to \$100K / year** in combined energy savings, and reduced need for hardware maintenance and infrastructure.

## Public Cloud ERP

What most people think of when they hear 'cloud' is public cloud, where a third-party provides application hosting, storage and other resources to users via a web browser. Public cloud is a multi-tenant model, meaning more than one company's system is running in the same technical environment.

### The Bright Side

- ▶ Subscription licensing gives you a predictable cost that can be counted as an operating expense, rather than a fixed asset.
- ▶ You're always running the latest version of the software, with automatic updates.
- ▶ You can easily scale up or down as needed – simply add or remove subscriptions.
- ▶ You have anywhere access to your system with a web browser and internet connection.
- ▶ Your ERP vendor provides high levels of data security, redundancy and availability without the IT effort on your part.

What does that mean for your system? Your data is kept separate, but you share the physical infrastructure and ERP application with other customers.

### The Dark Side

- ▶ Security is always a top concern with public cloud. While some companies worry their data is less secure, keep in mind data breaches are rare. Ask your ERP vendor for details on their security protocols to ensure you understand exactly what you're getting.
- ▶ While you can make certain customizations to your instance of the application, you won't be able to change the underlying code. So, if you need heavy customization, a public cloud solution may not be the best fit.

By 2020, 90% of organizations will use a hybrid IT approach.

## Hybrid Cloud ERP

**Hybrid cloud** is a combination of public and private cloud (and sometimes on-premise components). You can leverage functionality in both a desktop and web environment, keeping functionality and data where it's best suited.

Do a quick inventory of your current tools and systems – you're likely already using a hybrid approach.

Consider Microsoft Office 365 as the most common example. You run the software on your computer but use Office 365 public cloud for email and file storage. You can access the same applications in a web browser when you need to do "just one more thing for work" from the hotel on your beach vacation. Your files are stored by Microsoft in the public cloud, but you can access a local copy on your computer, even when you're disconnected.

When it comes to ERP, a hybrid cloud solution allows you to adapt the delivery model based on user needs. It truly is the best of both worlds.

### The Bright Side

- ▶ You get the flexibility, scalability and cost-effectiveness of public cloud, with the security of private cloud for critical data.
- ▶ You can respond faster to business needs, leveraging best-of-breed public cloud solutions that act as a layer on top of your ERP system.

### The Dark Side

- ▶ A hybrid approach relies most heavily on integrations between systems to give you a complete solution. This isn't a bad thing, but be aware that each integration can add cost and complexity. Working with an experienced ERP partner will be critical to your success.



# How to Choose the Right Deployment Model

Today, many companies jump to the conclusion that 'true cloud' (public SaaS model) is a must-have. And it makes sense for a lot of businesses.

But choosing an ERP solution isn't one-size-fits-all. Your business structure, industry compliance standards and user requirements all factor in.

Armed with a solid understanding of the different deployment options, it's time to think about which model works best for your business.

Would a public cloud system meet your customization needs? How would an on-premise or private cloud solution impact your users' day-to-day? How much control do you want over your data? And do you have the IT resources to support that?



## Your Business Workflows

### What do your users need?

Your ERP system touches all areas of your business, so you need to consider the processes and workflows of every department. This doesn't just mean looking at the functionality your teams need. It's equally important to consider the way they consume data and interact with the system.

Think about the users across your organization. What's the user role? What kind of processing power do they need to work effectively? Do they need mobile access?

Accounting is typically the 'heavy user' group. They spend the bulk of their day in your ERP system, processing a high volume of transactions. They'll likely be most efficient using a rich application (either desktop or browser) that allows for rapid data entry and review of large amounts of information. The same might apply to your purchasing team.

Your sales team likely wants a simple, easy-to-use interface to quickly update contact information, track activity as they're making calls and add new opportunities to their pipeline. If they're on the road, browser access or a mobile app is probably preferred.

The same applies to field service users who are on customer sites. They'll want a quick easy way to add time, materials or expenses to the job as they're doing the work. For them, the phone in their pocket will likely win the day.

And let's not forget your management team. They'll want easy access to a browser dashboard that gives a good overview of the business. They might also want a live link of data from Excel so they can do in-depth analysis without having to login to your ERP system.

The key here is that the data from all users is feeding into your ERP system, even though the interface is tailored to their role.



## How much flexibility do you need to modify and customize?

Today's ERP solutions are well equipped to handle standard business processes out-of-the-box. But what about those that are unique to your business? Not all ERP systems are equally equipped to handle these special situations.

Take a quick inventory of the workflows across your business. How many fall into the 'unique' category and may require additional configuration or integration with other systems? Are these mission critical processes? Is there opportunity to adjust your workflow to use standard functionality?

The answers to these questions can have a significant impact on your choice of cloud model. If you can address your needs with standard functionality, integrations or customization that doesn't change the software's code, public cloud will suit just fine.

If you need heavy customization (fundamentally changing the way the system functions), private or hybrid cloud might be a better fit.

For example, you might require direct integration with shop floor hardware, like automated high-volume pick and pack equipment in the warehouse, or manufacturing equipment that provides performance or quality control data that's tracked in your ERP. Integrating this type of equipment can potentially be more straightforward with a private cloud or hybrid ERP environment.

Long story short, the more flexibility you need to adapt the solution, the more likely that a private or hybrid approach is a better fit. If your business is more straightforward, a public cloud ERP solution may be more attractive to you, provided the other criteria we've discussed lines up appropriately for you.





## Control of Systems and Data

Public cloud ERP systems have many advantages. But the lack of control can be seen as a drawback for some companies. Every company has a different perspective on this, but you should give serious thought to how much control you want to have over your ERP system.

For businesses that deal with sensitive data, the answer will be clear. For others, it might be more of a grey area. Truthfully, sometimes it comes down to the personalities in your business – the highly risk averse just may not be comfortable with public cloud.

We encourage you to think about the control you want now, but also the impact of that decision in five or 10 years. Our goal here is to get you thinking about the factors that influence your decision and the impacts of your final choice. There are pros and cons to every option – it's all about going in with your eyes open.

### **How can you get your data, in what format and at what cost?**

ERP data involves a series of complex relationships between master data (e.g. customers, vendors, chart of accounts, etc.) and transactional data (e.g. purchasing, sales, service, production and so on). When it comes to accessing your ERP data, there are two situations to consider.

#### *Reporting from your ERP system*

Options for reporting on your ERP data tend to be fairly consistent, whether you're in a public cloud, private cloud or even an on-premise platform. If you have other systems that you need to report data from in conjunction with your ERP, it can be a little trickier with a public cloud system. It's not impossible, but expect that your partner may have to make some additional provisions to connect the data sources.

## How do you know when it's time to replace your ERP system?

Watch for these 4 signs ›

### *Accessing your data if you migrate to a new ERP system in the future*

When selecting a new ERP solution, you should always understand your exit options. This should only occur if you outgrow your solution, or if it simply doesn't meet your needs as expected (it's rare, but unfortunately it does happen).

In the case of public cloud, your data is housed in a multi-tenant environment. You can expect to have your data exported as a series of spreadsheets.

While some critics will say this is a bad thing, the reality is that you'll typically use spreadsheets to import data into your new system anyway. It's rare (and not recommended) to pull data straight from one system into another.

In the case of private cloud ERP, you have a few options. You can export data into spreadsheets, take a copy of the ERP database or get copies of the full "virtual machines" (the servers) that are running your ERP system. Not only do you have fast access to your data, but you can also move your existing solution to another private cloud provider with minimal fuss.

The major difference between the two is that a private cloud solution gives you the option to change hosting providers. With public cloud, the software and hosting platform can't be uncoupled, so you take one with the other.

Whether you choose public or private cloud, always read the small print in your contract. You should understand exactly how you'll obtain your data should you migrate to another system in the future.



### Do you have flexibility to change hosting providers?

With a public cloud solution, your system will be hosted in the ERP publisher's datacenter until you move away from the solution. Remember, this is the core system that runs your business. So, before signing any contracts, **do your research** to make sure you're confident that the ERP provider will be around for the long-term and is a good fit for both your current and future needs.

By comparison, a private cloud solution offers more flexibility. If you aren't happy with your hosting provider, for one reason or another, you have the option to move your system. You retain the software and all your data, so you can move to a different datacenter at any time.

### Where is the data located? Does it matter for your business?

Depending on your business, you might be required to maintain your data within Canada. This may or may not be possible with public cloud solutions depending on where their datacenters are located. Also keep in mind that the US Patriot Act can allow the US government to access data on servers outside of their borders if the data center is owned by a US-based company.

In our experience, this isn't a strict requirement for very many businesses. But some companies still appreciate the peace of mind knowing where their data is housed.



## Do you want control over the timing of upgrades to new versions?

Staying current on the latest version of your software is recommended for many reasons. You get access to new features, functionality, security upgrades and bug fixes. But you may want control over when the upgrade happens.

With public cloud ERP, you'll be given advance notice of an upcoming upgrade. You're then responsible for testing any customizations and ensuring integrations are still working properly during the testing window. This won't typically be an issue. But there is the rare case where the upgrade window overlaps with a busy period in your business, making it tough to fit in testing on top of everything else. Most providers will give you the option to adjust the upgrade window, but that usually comes with an added cost.

A private cloud solution, on the other hand, offers the flexibility to decide when it makes sense to upgrade. You can schedule it around the ebb and flow of your business to avoid

interference with peak periods. Since you're choosing the upgrade window, it's easier to allocate adequate time for testing.

With total control over upgrades, comes additional responsibility. Because upgrades take time and effort, it's easy to put them off. And before you know it, you're three or four versions behind the latest release. The bigger the gap between the latest version and the one you're running, the bigger the effort will be to upgrade.

So, work with your team to come up with an upgrade plan. How often will you upgrade? Only when there's new functionality you want to use? Or will you upgrade more frequently to stay current with fixes and other features?

It's not just the big changes in functionality that impact your day-to-day. Most releases include small enhancements that can have a big impact on efficiency and productivity.



# Finding the Right ERP for Your Business

Understanding your options for ERP deployment models is step one. That's why we created this guide – to answer your questions about ERP deployment options and give you a roadmap to pick the best one for your needs.

With your preferred cloud ERP model (or on-premise if it suits you) top of mind, narrowing down the solutions you want to evaluate will be much easier.

If you'd like help finding the right cloud ERP model, **let's connect**. We're here to help!

Want help  
with your ERP  
selection?


Grab our guide for  
a start to finish  
roadmap.

[Download now >](#)

## Our ERP Solutions

	Public Cloud	Private Cloud	On-premise	Hybrid
	<b>ORACLE NETSUITE</b>	<b>SAP</b> Business One®	<b>SAP</b> Business One®	Software combo designed just for you
Cost-effectiveness	Best	Better	Good	Case-by-case
Business processes	Core processes, standardized	All processes	All processes	All processes
Customization	Within set boundaries	Completely open	Completely open	Open with some boundaries
Maintenance	Done by vendor	Done by partner and customer	Done by customer	Done by vendor and customer
Innovation pace	Frequent updates, done by vendor	Updates done by customer at their pace (often annual)	Updates done by customer at their pace (often annual)	Frequent updates on core functionality, the rest done at customer pace





We sell, implement and support best-in-class ERP software for small and mid-size businesses. We believe putting people first is the best way to make technology work for them. It's a conviction that sets us apart.

The shift to a new ERP system can be daunting and disruptive. But it doesn't have to be. We ease the inevitable uncertainty that comes with an ERP project, helping you transition with the highest level of empathy, consideration and fit.

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