

# MOVING TO THE CLOUD

Moving to new heights - an analysis of the good and the bad when  
moving ERP into the Cloud.

*eBook*

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## Introduction

Considering moving to the Cloud and a little confused by the options available or if Cloud is even the right option for your business? Let's see if we can shed some light on the options available and help you make the right choice.

A lot of people are talking about "the Cloud" – but this is not of itself a good enough reason to go into the Cloud. Given our recent experience with Cloud we can see the great benefits for customers but Cloud is not for everyone – do your homework before making a long term decision to move your ERP system and any other infrastructure into the Cloud.



## Chapter 1. Hardware Infrastructure – What does your existing hardware infrastructure look like and when does it reach end of life?

Software is evolving at a rapid pace therefore more powerful and up to date hardware is



required to keep

pace. Server infrastructure is usually replaced every three years. If your hardware is three years old (or

considerable replacement costs – not only for hardware but also the associated services, operating system and database costs. To take the true costs of server infrastructure into account we should compare the full cost of new servers and the associated upkeep with the monthly cost of a Cloud solution.

## Chapter 2. Cost

One of the key reasons for considering a Cloud based ERP solution is the lower total cost of ownership. This might be stating the obvious but put the numbers into a spreadsheet and work out a



5 year plan for On-Premise Vs Cloud. Take the monthly Cloud costs and work out the total cost over 60 months. Don't forget that with any ERP solution (Cloud or On-Premise) you will need to factor in services, implementation and on-going training for your ERP solution. Also factor in the costs associated with additional users. All businesses want to grow and as you grow you will require additional users. Adding in all these costs will give you a five year view of the Cloud vs On-Premise solution.

## Chapter 3. Internet access



Cloud needs good internet access – it is as simple as that. If you are in a region that does not get reliable, fast internet access then Cloud ERP is going to be problematic. Internet access, speed and reliability will definitely improve across the world as we all become more dependent on internet access for day to day transactions (with or without Cloud ERP).

## Chapter 4. Cashflow

Cited as one of the major reasons for considering Cloud solutions – you can limit your upfront investment in software, hardware and infrastructure by purchasing a monthly pay as you go Cloud plan which includes software, server, infrastructure, back-up and support services. An On-Premise purchase will require an upfront investment in hardware and software. Once again consider the cash flow implications over one, three and five years by comparing our On-Premise vs Cloud solution pricing.

## Chapter 5. Security

People are sometimes nervous of Cloud solutions because of the security



access. If you are purchasing your Cloud solution from a reputable vendor then your data will be secure. Data security is paramount. If you are one of the many SME's with weak network security for your existing data (even if it is On-Premise) moving to the Cloud will actually improve your network security.

## Chapter 6. Growth Plans



Your business wants to grow and with growth there are certain complications – cash flow is usually cited as the number one issue for high growth companies. Other issues include constant changes to IT infrastructure and software as user numbers grow. Yet another advantage of Cloud in high growth companies is the ability to quickly and simply add additional users as the business grows. A Cloud solution can be especially useful and provide a quick return on investment for companies that grow multi-nationally. Opening a new office is made that much easier if you can quickly get access to your ERP software without the need to set-up new servers and infrastructure. As discussed earlier high growth companies should map out their costs associated with adding additional users into the Cloud to ensure future monthly costs are understood and anticipated.

## Chapter 7. Geography

Geography can have several impacts on the Cloud vs On-Premise decision. Points to consider must include the fact that - remote geographical regions do not always have

access to fast, reliable internet. If you are planning to grow into new geographical areas, having the ability to simply call your ERP provider and request the addition of new users makes a lot of sense. Take the headache out of geographical growth by taking advantage of the services of your ERP Cloud solution provider. One call and your server, infrastructure and back-ups for new office are efficiently put in place.

### Chapter 8. Implementation

Don't forget we are talking about ERP software. ERP software needs configuration. Some Cloud based applications (MS Office etc.) might not need a lot of configuration but when it comes to an ERP solution there is going to be some configuration and set-up required. Depending on the size of your company and the complexity of the business the configuration times might vary greatly. Even at the entry level for ERP you will require forms edited, data converted, reports configured for your solution. So don't forget to factor in implementation pricing estimates when comparing Cloud vs On-Premise pricing for your ERP solution. There is not a massive difference in Cloud vs On-Premise implementation timeframes for ERP. With a Cloud based solution it will be easier to add additional users (without the need for new hardware – because this requirement is taken care of by your ERP Cloud provider). But at the end of the day your ERP solution will still require set-up, configuration and data conversion – whether you are in the Cloud or On-Premise. As stated earlier the total number of days required for configuration of any ERP solution and is dependent on several factors including:

- a. The size of your business.
- b. The complexity of your business requirements.

- c. Number of users to be trained.
- d. 3rd party product requirements.
- e. Integration and development requirements.
- f. Internal project management.
- g. Number of companies and business units to be implemented.
- h. Reporting requirements.
- i. Data conversion requirements.

### Chapter 9. Contracts



What term does your ERP Cloud provider want you to commit to and what are the associated terms? Some Cloud ERP providers will want you to commit to a minimum period. The suggestion is that you review not only the minimum period but also:

- a. Payment terms - monthly payment in advance, quarterly or annually
- b. Potential CPI or other price increases
- c. Pricing for additional users – on the ERP software, database and any other requirements
- d. Contractual terms
- e. Data ownership – who owns your data?
- f. Exit clauses – if you want to exit your ERP Cloud agreement how do you extract your data and how do you get access to historical data when you are no longer paying your ERP Cloud provider?
- g. Uptime guarantees.
- h. Security guarantees.
- i. Where will your data be hosted?

### Chapter 10. Data protection.

We touched briefly on the subject of data protection when we discussed contracts. Never underestimate the importance of your

ERP data. Your accounts receivable data, financial data and intellectual property will be operating in the Cloud – make sure your Cloud provider has the required security measures in place to protect your data. There are two schools of thought – The first says it is your data and IP (Intellectual Property) – don't risk it in the Cloud. The second says that a carefully selected ERP Cloud provider will have better security than what the average SME can provide with their own On-Premise security solution. So keep your data and IP security top of mind when comparing Cloud vs. On-Premise solutions.

### Chapter 11. 3rd party products

What third party products are you integrating to your Cloud based ERP solution? Your selection of 3<sup>rd</sup> party products and their ability to operate in the Cloud and be integrated to your Cloud ERP solution should be considered. Examples of third party solutions includes warehouse management software, reporting solutions and expense management software.

### Chapter 12. MS Office integration



If your ERP solution is in the Cloud you will most likely want your Office suite in the Cloud also. These

days there is tight integration between an ERP solution and Office suite – for reporting, presentations and mail merge.

### Chapter 13. Office space, location and IT server room?

Is there current pressure on your internal resources? Cloud solutions reduce the

reliance on your own server, infrastructure and server room. Consider the positive impact this may have on your business.

### Chapter 14. Upgrades.

Ask four people what a Cloud ERP System is and you will get four different answers. Without getting too technical let's explore the option of a standard "out the box" Cloud Solution Vs. Customer specific Cloud deployment. Many will agree that one of the major benefits of a cloud ERP solution is that a SME will reduce costs through a standard "out the box" solution. However an "out the box" (no major integration or development) solution may not functionally match your requirements. A customer specific solution may be the answer "you" require. So if you are considering an "out the box" Cloud ERP Solution ensure it is the right functional fit for your business. Some "out the box" Cloud ERP Solutions allow some customer specific development and integration work however this is restrictive compared to a Customer Specific ERP Cloud Solution. An example would be automatic updates and upgrades will not be available. This will increase your costs.

### Chapter 15. Support and IT resource

Whether your ERP solution is On-Premise or in the Cloud you will be relying on your provider for

support, training and on-going development. The benefit of a Cloud solution is that you can now combine your server, hardware and



infrastructure support with your ERP support. This will reduce your dependence on internal IT skills and additional vendor support.

### Chapter 16. Tax implications



An On-Premise purchase can have very different tax implications to a monthly Cloud based purchase. A certified accountant can give you tax advice on the advantages and disadvantages of the capex vs opex argument.

### Chapter 17. True Cloud and development of your ERP System

Ask four people what Cloud is and you are likely to get four different answers. Without getting too technical with the definition of Cloud let's explore the option of a standard Cloud vs bespoke Cloud deployment. Many would argue that the benefit of Cloud is that a customer can reduce costs through a standard deployment of ERP – easy to implement, easy to upgrade. Even if you are using a highly configured version of ERP this assumes that you are using a standard “out the box” ERP system – no major integration or development. Some Cloud ERP solutions can still allow customer specific development and integration work but this might mean that some Cloud options (like automatic updates and upgrades) will not be available. This will increase your costs.

### Conclusion

Cloud or On-Premise is not an easy decision. Many factors have to be considered and there is no right or wrong answer for any one business. Look at your business requirements

and specific requirements and circumstances before deciding which option is right for your business.

### About Leverage

Leverage Technologies is an ERP and Business Management Solution provider supporting more than 180 SAP Business One and SAGE customers. With offices in NSW, QLD and Victoria the team at Leverage can offer implementation and support across multiple industries and locations in Australia. With a strong customer focus and one of the most experienced consultancy & implementation teams in Australia, the team at Leverage is friendly and easy to deal with and will help your businesses get the job done – on time, every time.