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# Business Transformation with Cloud ERP

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Cloud computing and software as a service (SaaS) are powerful forces to help organizations improve operations and achieve greater business agility. To make informed decisions and leverage your ERP investment, it is important to understand the impact of cloud computing and the role of professional services in this new world.

This white paper is part one of a series sponsored by NetSuite and written by Michael Kringsman, a well-known cloud and ERP thought leader. This first white paper discusses transforming your business using cloud-based ERP. The second explores the important role of professional services when implementing cloud ERP. And the third white paper offers suggestions to encourage ERP adoption, an important foundation to create business transformation that endures.

These white papers present an independent view to help you understand ERP-related professional services in the cloud.

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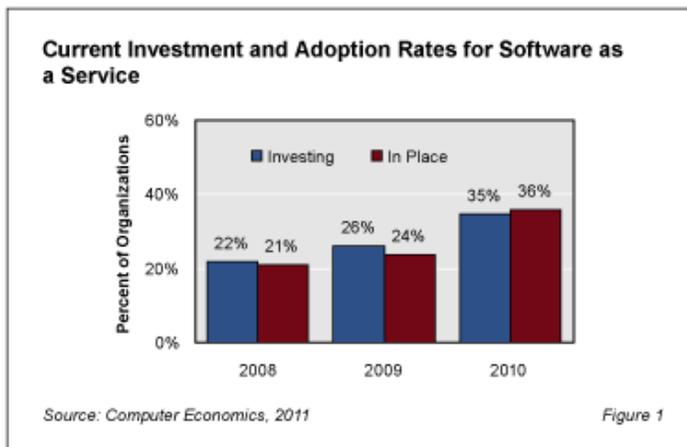
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## Business Transformation

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Enterprise resource planning (ERP) promises to help organizations improve efficiency and productivity across almost every department and business function. Great things happen to business processes when an entire organization shares a single system that always contains accurate, up-to-date information. By combining ERP with cloud computing, you can realize all these benefits more quickly while lowering IT infrastructure costs.

As shown in the following chart from [Computer Economics](#), these benefits are driving significant and growing investment in the cloud:



Although ERP is a mature software category, cloud software has significant differences compared with traditional, on-premise ERP. The ability to access information from anywhere, combined with lack of hardware infrastructure requirements, has important and positive implications when implementing cloud-based ERP.

The following diagram illustrates five key benefits of cloud ERP:



The journey to cloud ERP begins with defining your business goals and specifying the improvements you seek. For some organizations, cloud ERP offers a mean to consolidate geographically dispersed business units onto a single system; for others, gaining visibility into manufacturing or finance operations may be priorities. Often, ERP provides a means to reduce or eliminate manual data entry and spreadsheets that create error-prone results and cause inefficiency.

Another benefit of cloud ERP, especially in today's global economy, is the ability to get subsidiaries up and running quickly, without additional IT staff in the remote location. Using the cloud to link remote locations to the ERP system used in a main office, often called "two-tier" ERP, creates a powerful opportunity for many organizations.

Simplified implementation is an important aspect of cloud ERP, especially when compared with on-premise alternatives. The focus on configuring cloud software through configuration settings reduces implementation time and cost and makes the entire implementation process easier.

Although this saves time and reduces costs, it does not lessen the need to establish clear goals and metrics prior to performing the implementation.

Perhaps you want to make a process more efficient, introduce workforce mobility, improve analytics, or reduce IT costs and capital expenditures (CAPEX) associated with your computing infrastructure. Regardless of your specific company situation, first define a clear picture of the improvements you seek, then select the right software, and then engage a suitable implementation partner.

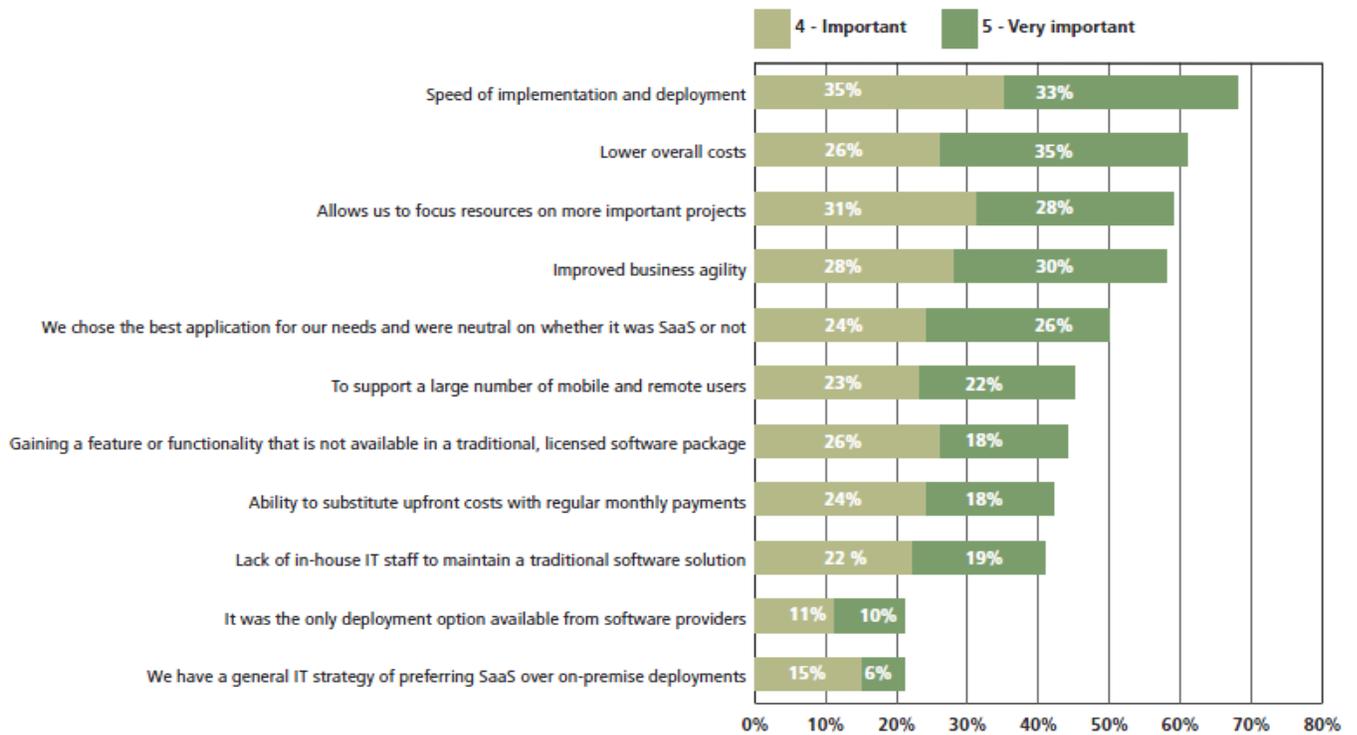
## Why Implementation Matters

After purchasing a new ERP system, it must be implemented – that is, configured to work in your organization. This process of implementation is the bridge between new ERP software and a go-live point, where it can be used to perform real work.

Historically, long implementation times associated with on-premise ERP projects have been a source of frustration to enterprise buyers. For this reason, efficiency and speed are crucial to ensuring a successful deployment.

This historical context explains why analyst firm, Forrester Research, found that businesses choose cloud computing to reduce implementation time, with other benefits such as lower costs. This following chart [summarizes](#) these results:

### Reasons Businesses Choose the Cloud



Source: Forrsights Software Survey, Q4 2010, Forrester Research, Inc., November 2010. Base: 534 North American and European enterprise and SMB software decision makers.

## Professional Services

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Focus your implementation on business fit rather than hardware infrastructure.

Professional services play an essential role in virtually all ERP implementations because the software itself is so flexible. During implementation, the professional services provider configures the software to meet the specific needs of your organization. Although setting up financials and the chart of accounts are basic steps that almost every company requires, many organizations seek additional configurations such as the ability to handle transactions in multiple currencies, consolidation across subsidiaries, and so on. An external professional services vendor will help narrow down your business needs and then configure the software accordingly.

The other white papers in this series explain how cloud-based professional services differ from services in the on-premise world.

### Business process improvement

By itself, ERP software consists of generic best practices and a data repository. During implementation, the services provider sets up (or configures) the software to meet the business goals you established at the outset. Unlike on-premise ERP projects, cloud solutions do not require installing the software or purchasing additional hardware infrastructure, freeing your IT team to focus on achieving proper “fit” between your business goals and software capabilities.

Professional services fulfill several important tasks during the ERP lifecycle:

- Helping you identify clear goals and objectives
- Configuring the system to meet those goals
- Serving as a trusted advisor throughout the entire implementation process

Since small- and mid-sized organizations usually do not possess in-house staff with the experience to perform the full range of configuration needed to achieve ERP success, external assistance is important. Beyond explaining software capabilities and performing technical configuration, the professional services provider should guide you to make optimal decisions about business goals, system planning, configuration, and ongoing maintenance.

### Business agility

ERP is a significant purchase that will likely have a multi-year lifespan in your organization. During this time, your company will evolve in response to changing strategies, external regulations, expansion, and other factors. As change is inevitable, it is essential to select an ERP system that will remain easy to configure months and years after the initial implementation.

The ability to re-configure the ERP software easily will help your organization develop *agility* in response to changing business needs. If the system is difficult to change, it will gradually become less useful and more expensive to operate over time. For this reason, agility should be a primary concern for all ERP buyers.

Ease of implementation is a key differentiator between cloud ERP and traditional on-premise systems; in cloud systems, adapting the system to meet your needs is done through configuration settings. In practice, this allows you to modify the software quickly, in response to changing business goals, acquisitions, new regulations, and similar circumstances.

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Spend the effort required to find and select the right professional services partner.

### Simplified implementation

Although technical setup is important, the business advice and guidance that experienced consultants can offer is more valuable than configuration knowledge alone; ERP success results when experienced business judgment guides technical configuration. As trusted advisor, consultants will support your team to ensure that technical configuration facilitates your company's business goals. This collaborative process is essential to create efficient processes, but it is also important to establish a training program so employees learn how to use the new system in the course of their daily work.

## Cloud Considerations

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Organizations choose cloud computing for a variety of reasons, including lower implementation costs; these savings occur in four areas:

- Cloud ERP runs in a browser, so no servers are required and essentially any standard desktop computer will work for users. Because cloud computing requires no specialized hardware infrastructure, this is an automatic cost savings when compared to on-premise alternatives.
- Cloud deployments typically follow an interactive approach with relatively small implementations when compared with on-premise products. This approach reduces risk and helps drive efficient implementations.
- Cloud computing does not require an extensive hardware or software infrastructure, so labor costs associated with ongoing technical administration are also reduced.
- With cloud computing, there are generally no support and maintenance fees such as those typically required with on-premise software.

In addition to potential cost reductions on implementation, there are other significant benefits to cloud computing. The flexibility and simplicity inherent in cloud-based systems enable the enterprise to adopt new ways of work that previously were expensive or difficult to attain. These workforce benefits include seamless mobility with wireless devices, embedded analytics, and the ability to serve a globally distributed organization with great ease.

Although the cloud makes implementation easier, buyers must still select a professional services partner that possesses the experience to take full advantage of the opportunities that the cloud offers.

### Selecting a professional services partner

Differences between on-premise and cloud products have important implications for choosing a professional services provider. Therefore, consider this checklist when choosing external consultants to assist with your cloud implementation:

1. **Demonstrated expertise in the product you are buying.** Find a provider with deep knowledge in the specific product you plan to buy. Ask the service provider for a list of engagements with your proposed product – including the particular modules you are considering.
2. **Expertise in your specific vertical.** Seek service providers with clear experience in your particular industry and market segment. Ask for references in your industry, with companies that have similar characteristics, such as revenues, number of employees, and so on. If you are a small machine shop, for example, don't hire a services provider that specializes in implementing software for multinational manufacturers.
3. **Complementary solutions.** Some implementers have such deep expertise in specific vertical segments that they develop specialized software add-ons that could benefit you. Implementers that have developed vertical solutions often have sophisticated knowledge of that market and great technical expertise.
4. **Global implementation expertise.** Cloud ERP can go global quickly, so select a partner with international experience, if relevant to your company. Your services partner should have experience with remote training, international support, and accounting and regulatory issues in your overseas markets.
5. **Cloud integration skill.** Ensure your professional services team knows how to leverage "cloud-to-cloud" integrations using web services. Cloud integrations can save time and money, so use them when possible.
6. **Hire a company you like and trust.** Your ERP implementation is one step in a long-term relationship between you, the software vendor, and the services provider. In the end, credentials don't mean anything unless you trust the person sitting across the table. Trust builds confidence and creates durable relationships that will endure over time. Do business with companies that place your success at the top of their list.

## About the Author

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Michael Kringsman, CEO of consulting and research firm Asuret, wrote this document. Michael is a recognized, international authority on creating IT project success and related CIO issues. One of the most respected enterprise software bloggers, he has written almost 1000 posts enterprise software, cloud, CRM, ERP and alignment between IT and lines of business. In addition, he has written thought leadership reports for major analyst firm, IDC, on project portfolio management, CRM, social business, and cloud computing. Michael has been quoted or mentioned over 500 times in important blogs, newspapers, television, trade publications, presentations, academic dissertations, and other media. He has also been quoted in almost 20 books. Michael has worked with companies such as SAP, IBM, Lotus, and many others to create consulting tools, methodologies, and implementation strategies related to project and business transformation success. He has presented to Harvard, University College London, Babson College, Boston University, and Suffolk University. Michael is a social media expert who has almost 10,000 followers on Twitter; he frequently speaks at industry conferences and events and often receives VIP invitations to enterprise software vendor events.

Lisbeth Shaw contributed to research and editing of this document.