CLOUD-BASED ERP GAINS TRACTION

More and more companies are turning to cloud-based financial management systems to replace their legacy ERP systems

BY ANKUSH KUMAR

With an aim of bringing efficiency and boosting flexibility, a majority of enterprises have moved their applications or infrastructure to the cloud. According to Gartner, by 2018, at least 30 percent of service-centric companies will move the majority of their ERP applications to the cloud. The research firm also says that by the next year, 70 percent of organizations adopting hybrid ERP will fail to improve cost-benefit outcomes unless their cloud applications provide differentiating functionality. This is an indication of how more and more companies are turning to cloud-based financial management systems to replace legacy ERP systems says Ajay Kumar, Director Sales Consulting - ERP at Oracle India. "ERP on the cloud helps organizations saving the money on IT maintenance and hardware. Employees can also use their time to work on technology driven innovations."

Current adoption of ERP solutions are basically of certain modules like HCM, HRMS, procurement solutions, sales and distribution etc. Most of the critical and core functionalities are still on-premise. However as time progresses and as business, internal IT organizations, customers, service providers, vendors mature, we will see increased adoption.

On-premise or cloud-based ERP software?

With innovations in the enterprise application space, cloud computing is no longer a hype, but, is being considered as a valuable transformation. While considering an enterprise application, there are a couple of critical factors to bear in mind such as cost, security, customization, implementation, etc says Shyamala Jayaraman, Senior Vice President – ERP Solution, Ramco Systems. "Most organizations have different approaches when it comes to ERP adoption. There are companies who prefer to retain most of their core ERP on-premise, having a minimal number of applications on cloud. This is usually witnessed among large organizations where a legacy system is already in place. Other organizations prefer to slim down their core ERP and move a large amount of applications like HCM, Procurement, Travel & Expenses, on the cloud. On the other hand, some organizations push the entire ERP on the cloud," says Jayaraman.

Every organization, hence, needs to evaluate its core ERP system and analyze how other cloud applications can be integrated with the core system. In order to reap benefits to the fullest, organizations must strategize their ERP requirements, and keep themselves in pace with cloud-based technologies.

Roadblock in adopting cloud-based ERP

It is believed that the early ERP adopters, particularly large enterprises in manufacturing and distribution industries and energy are paying the penalty of a decade or more of excessive customization. According to Evan Quinn, Director of Marketing, QAD, there are certain roadblocks that companies must evaluate while considering whether or not to implement a cloud ERP system.
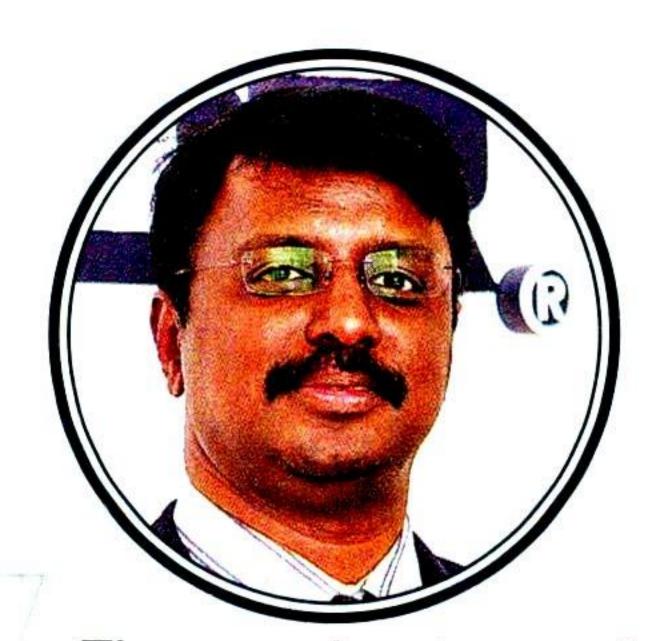
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Senior VP – ERP Solution, Ramco Systems

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Since cloud ERP systems are used via the Internet, companies must consider the reliability of the Internet connection at each facility where the ERP will be used. Therefore bandwidth remains a key. Security has been a worry for companies that consider implementing cloud ERP. Executives must decide whether or not they feel comfortable relying on the cloud company for security.

Ironically, however, many cloud ERP and related cloud service providers now offer tighter security than what is available from internal IT. The reason is the internet and mobile – the old days of on-premise literally meaning "inside the 4 walls" running on private networks is gone for most organizations. The old security argument against cloud is now far less of a concern than in the past. The other factor as per Quinn is that some of the companies, though less than in the past, feel uncomfortable having another company managing their ERP. Business continuity is another key factor as when critical business systems like ERP go down, it literally can bring a

company to a half. Some enterprises have done a great job internally of developing business continuity capabilities. Then again, so have some cloud ERP vendors.

Key benefits

"The growing momentum of cloud-based ERP solutions is well documented, and many companies are beginning to realise that it can mean higher reliability and lower management costs than on-premises deployments," says Anish Kanaran, Channel Director - Middle East, Africa & India, Epicor Software. The speed and ease of cloud-based deployments stand in stark contrast to the somewhat daunting memories of early ERP deployment. He was of the view that, cloud-based ERP solutions eliminate many of the barriers that keep companies from implementing or upgrading their ERP system—more importantly it enables them to focus on growing their business instead of managing software.

Sangram Kadam, AVP and Head -

Oracle and Manufacturing IBU (India and South Asia), KPIT Technologies sees a very bright future for cloud-based ERP in India. "India is witnessing increased adoption of cloud across big as well as small enterprises. Several initiatives including Government of India's flagship 'Make in India' program, which is encouraging global companies to set up shop in the country, will create more demand for cloud-based ERP services to bring operational efficiency."

He further added that the need for legacy modernization has also resulted in tremendous uptake of the different cloud computing services. "Few years back, only the CIO's office would run the cloud. The adoption has now become more pervasive and more and more business leaders are driving ERP cloud initiatives in their areas of operations. For example, CFOs are using 'everything-as-a-service' for their planning, budgeting, accounting and other functions and logistics heads are running supply chain as a service."