EXECUTIVE SUMMARY

Choose your cloud vendor, deployment model, and application wisely. SaaS and cloud applications have moved into the mainstream of enterprise IT strategy. What started with applications in highly contained functions like sales force automation (SFA) and talent management is now spreading to a broad set of enterprise applications including enterprise resource planning (ERP), an area long thought to be outside the envelope for enterprise IT cloud deployment. The availability of flexible cloud deployment models, which range from public cloud to private cloud and even hybrid deployment models that combine both, has captured the interest of businesses of all sizes. Recent IDC surveys show an increasing interest in choosing to operate ERP in the cloud.

Companies are under pressure from the economy; changing technology; changing customer, employee, and partner expectations; and the need to compete in an increasingly complex connected global economy. To adequately respond to these pressures, businesses are looking to use technology as the lever for and the underpinning of new, innovative approaches to business. The cloud is a critical part of that strategy for most businesses and supports other key technologies like mobility, decision support systems, and collaboration/social systems.

By moving ERP systems to the cloud, companies can gain an assortment of technological and business benefits. Enterprise IT is embracing cloud-based ERP for many reasons, including:

- Availability of more robust, feature-rich ERP cloud applications from established and trusted enterprise software vendors
- Ease of deployment
- Pay for only what you use
- Need to shift IT investments from the capital budget to the operating budget to closer align business benefits with cash outflow
- Free valuable resources from maintaining legacy software and infrastructure to focus on higher-value and innovation-driven activities
- Quicker deployments leading to faster time to value and freeing up resources for more strategic initiatives
- More flexible and scalable solutions to provide long-term support for growth and expansion
- As more enterprise applications reside in the cloud, having a cloud-based ERP system can simplify integration and eliminate data silos

December 2013, IDC #244611
Businesses are realizing that the cloud is the future of enterprise software and offers many attractive business benefits. Among the most compelling are:

- More modern user experiences (UXs) that increase productivity and employee satisfaction
- Embedded analytics to support more effective real-time business decisions
- Embedded social collaboration tools to increase collaboration and productivity
- Pervasive mobile access to application services
- Ease of finding and sharing information to support collaborative decision making and increase productivity
- User self-service to simplify provisioning and system administration
- Ability to more effectively tie back-office systems into the front office to support the company's customer experience strategy
- Eliminating data and people silos to make more effective business decisions more quickly
- Improve and shorten the financial close process through better access to data and embedded collaboration
- Balance the company's financial needs between capital and operating budgets

For midsize companies on a fast growth path, there can be additional benefits from making an informed and strategic decision when it comes to ERP systems. Often these companies choose something that is scaled down too much instead of choosing a fully mature, enterprise-class ERP system. While such a system might fit today, it won't keep up with the rapid change that occurs in growing businesses. In effect, businesses are required to go through two implementation processes, which they could have avoided by selecting a system with the flexibility, scalability, and headroom to accommodate their growth.

**SaaS and the Cloud**

Cloud computing and software as a service (SaaS) are disrupting the way businesses deploy and use enterprise software, as well as opening up new ways to create business value and competitive advantage. SaaS, which has been around since the late 1990s, has evolved rapidly and is becoming the standard for many IT organizations for delivering new applications. By definition, SaaS is a turnkey service, with application, presentation, and data tiers and all associated services in a single service that can be accessed and provisioned over the Internet. Traditional models based on perpetual licensed applications deployed on-premises or hosted in third-party datacenters still make up a large percentage of the software used by businesses today but are being replaced by cloud-based applications on a regular basis.

Before we take a deeper look at cloud applications though, it's useful to standardize the discussion with a clear set of criteria for exactly what fits under the cloud application "umbrella." IDC's criteria for cloud, which are used throughout this white paper, are as follows:

- Shared, standard service that is either public or private
- Solution-packaged turnkey offering that integrates required resources
- Self-service provisioning and administration (may require some onboarding support)
- Elastic scaling that is dynamic and fine grained to optimize performance
- Use-based pricing that supports service metering (but private cloud may not charge back)
- Accessible via the Internet
- Standard user interface (UI) technologies
- Published service interface/API based on Web services or other common Internet API technology

Traditional enterprise software, particularly ERP applications, was most often deployed in integrated suites in the past, either in on-premises datacenters or in third-party-hosted facilities. But with tougher economic conditions, a growing need to leverage technology as a competitive advantage, and higher cloud acceptance in the enterprise in general, traditional models are changing. Many organizations have moved to a hybrid IT model with both cloud and on-premises applications, often with key newer software assets delivered as SaaS. When purchasing new software today, companies—especially large enterprises—most often are looking for best-of-breed modular software that is cloud based and modern and that can add the maximum amount of value to the business in the minimum amount of time.

Initially, when SaaS applications were offered as an alternative to on-premises deployments, which was over 14 years ago, they were not readily accepted by IT organizations. SaaS applications were most successful at first in contained organizational/functional areas where the line-of-business (LOB) buyer controlled the budget and could make the decision independent of IT or at least with little IT involvement. SFA and talent management, for example, were early successes using this LOB approach. Slowly over time though, SaaS and cloud computing have moved into the mainstream of IT operations and are increasingly becoming preferred alternatives to on-premises deployments. In fact, over 60% of companies surveyed by IDC reported that they were already using or had firm plans to use cloud services (IDC’s CloudTrack Survey, October 2013, n = 1,109). The same survey showed that 31% of qualified companies reported that they want to have a broadly implemented cloud-first strategy that is proactively managed and is clearly driving business innovation while improving IT operational efficiency in the next 24 months. In addition, the surveyed companies responded consistently regardless of geographic region.
This newfound mainstream acceptance of cloud also led many companies to look beyond departmental applications like SFA and talent management to collaboration, marketing, customer service, and even core applications like financials/accounting and supply chain. Figure 1 shows the increase of cloud-based application types across multiple deployment models.

**FIGURE 1**

**Percentage Change in the Use of Applications in Five Deployment Categories Over the Next 24 Months**

<table>
<thead>
<tr>
<th>Application Type</th>
<th>Conventional Deployment</th>
<th>Private Cloud</th>
<th>Public Cloud</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM applications (call center/contact center)</td>
<td>-6.5%</td>
<td>3.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>CRM applications (marketing automation/sales automation)</td>
<td>-6.8%</td>
<td>4.3%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Enterprise resource planning (financial/accounting applications)</td>
<td>-6.8%</td>
<td>5.1%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Enterprise resource planning (human resource applications)</td>
<td>-7.0%</td>
<td>1.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Supply chain and logistics</td>
<td>-5.5%</td>
<td>2.5%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Conventional deployment</td>
<td>-8.0%</td>
<td>4.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Private cloud</td>
<td>-6.0%</td>
<td>2.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Public cloud</td>
<td>-4.0%</td>
<td>0.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

n = 1,109

Source: IDC’s *CloudTrack Survey*, October 2013
As Figure 1 illustrates, there is rapidly increasing interest in a broad set of applications across all the cloud deployment models. ERP financials is strong in private and public cloud while rapidly decreasing in conventional onsite deployments. When companies in IDC’s recent *CloudTrack Survey* were asked about the use of specific applications in the public cloud, they reported increased use across several application types, including ERP. Figure 2 shows the most used applications in the public cloud.

**FIGURE 2**

**Most Used Applications in the Public Cloud (% of Respondents)**

![Graph showing most used applications in the public cloud]

n = 1,109

Source: IDC’s *CloudTrack Survey*, October 2013

**The Cloud Business Advantage**

Businesses are under extreme pressure to change from a variety of economic issues as well as new technologies that create significant business opportunities. Since the 2008 global recession, the economy has forced companies to do much more with a lot less, and that need to be increasingly productive with a shrinking workforce is leading companies to look for new ways of work that go beyond what automation can yield. The "consumerization of IT" trend has changed the pace of
innovation and has moved the source of innovation away from the enterprise and created new expectations for technology from employees, customers, and partners. Underlying most of the changes is the Internet, combined with the rapid increase in number and capability of mobile devices, growing focus on using the massive amounts of data to support more effective decision making, and new ways of networking and collaborating that are spilling over from the personal social Web.

Employees are clamoring to work differently and with tools that look and function like their personal Web experiences. The need to work collaboratively and to bring people and data together in a work context is challenging traditional ERP systems. Customers are looking for better, more individualized experiences from brands they interact with on a recurring basis. The concept of customer experience starts to expand what was considered "customer facing" to include back-office functions that must function effectively or risk creating a negative experience. Activities like correctly invoicing customers on time or shipping the correct product when expected are crucial to ensuring that the customer experience meets customer expectations. Even partners are looking for a new, higher level of connected relationship that leverages modern Web technologies.

Companies are struggling to find new ways to stay competitive and increase productivity in this changing environment while dealing with the system challenges to support new activities that are created by outdated and inflexible technologies. For several reasons, ERP cloud-based systems can help close the technology gap. Modern ERP cloud-based systems have an updated user experience, embedded collaborative capabilities, and embedded analytics to support real-time decision making – a critical activity in today's fast-paced business environment.

Collaboration is a big part of the new way work gets done in business. Having the right tools to facilitate collaborative activities is a high priority for most companies today. IDC's Social Business Survey, conducted in February 2013 (n = 701), showed that 79% of businesses have already deployed some type of enterprise social network (ESN). Social collaborative tools, or enterprise social networks, are essential tools for creating a collaborative environment for employees and are most effective when embedded inside ERP applications at the workflow level. Some ERP cloud-based systems now have embedded ESN capabilities. Building collaborative enterprise processes extends across all business functions. In customer service, it's essential for representatives to collaborate in real time with sales, shipping, and finance to resolve customer issues and ensure a positive customer experience. In the back office, there is almost no more collaborative process than the monthly, quarterly, and year-end close processes that consume considerable time from a variety of resources. An ESN is extremely valuable in streamlining the close process.

There are many reasons why enterprise cloud applications add extra value and benefit. Cloud deployments can make resources available for core business activities instead of application management. The systems tend to be more modern and include the key features listed previously as well as embedded decision support. They also tend to be more flexible, more easily adapted to changing business requirements, and more scalable.
ERP Cloud

It may be surprising to some that companies are moving core ERP software to public and private clouds. Small and midsize companies have deployed public ERP cloud suites for some time, but in large enterprises, this is a recent development that is gaining significant momentum, most notably as a two-tier ERP strategy for subsidiaries where the financial consolidation is still done at the corporate level via traditional on-premises ERP suites.

The choice of public, private, or hybrid cloud is a strategic business decision and should be examined closely. There are benefits, costs, and risks with each model as well as regulatory and compliance issues that vary by industry. For more details on these benefits and risks, see the Challenges and Opportunities for Cloud Applications section.

When companies look at the cloud, there are many factors that influence the decision to move all or some of their applications to the public cloud. Figure 3 highlights the top 5 drivers.

FIGURE 3

Top 5 Reasons for Moving to the Public Cloud (% of Respondents)

<table>
<thead>
<tr>
<th>Reason</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Get access to the newest functionality faster</td>
<td>41.3%</td>
</tr>
<tr>
<td>Increase revenue by enabling us to build new revenue-generating products and services faster</td>
<td>40.5%</td>
</tr>
<tr>
<td>Improve resource utilization</td>
<td>40.4%</td>
</tr>
<tr>
<td>Reduce the total size of IT budget</td>
<td>40.3%</td>
</tr>
<tr>
<td>Give business units more direct control over sourcing their own IT solutions</td>
<td>39.0%</td>
</tr>
</tbody>
</table>

n = 1,109

Source: IDC's CloudTrack Survey, October 2013
While these drivers apply generally across companies of all sizes, there are some distinct differences between enterprises and midsize companies in the way they buy and deploy an ERP cloud solution and in the drivers and benefits.

**ERP Cloud in Large Enterprises**

Large companies have used a wide set of software products for many years, so it’s no surprise that ERP, generally deployed on-premises or hosted, is the norm. These systems range from internally developed solutions to fully integrated suites provided by third-party vendors. The solutions also vary greatly in age, capabilities, and level of complexity. Many IT organizations are already operating in a hybrid (mix of cloud and on-premises) model, having deployed one or more of the more specific solutions like sales force automation or talent management in the cloud. So why are companies embracing ERP cloud now? There are several reasons, including:

- Availability of more robust, feature-rich ERP cloud applications (best of breed) from established and trusted enterprise software vendors
- Ease of deployment
- Availability of more affordable and manageable upgrades
- Pay for only what you use
- Allows shifting IT investments from the capital budget to the operating budget in a tight economic environment
- Increasing costs of maintaining on-premises solutions and customizations
- Subsidiaries or acquired companies quickly integrating financials into the corporate rollup and financial close
- Quicker deployments leading to faster time to value and freeing up resources for more strategic initiatives
- More modern user experiences
- Embedded analytics
- Embedded social collaboration and networking tools
- Ease of sharing information
- User self-service
- Simplify overall IT environment
- Standardize on specific platform
- More flexible and scalable
Rather than a complete replacement strategy, many enterprises elect to move module by module, organization by organization, or subsidiary by subsidiary over time, operating in a hybrid environment for an undetermined period. This approach allows companies greater flexibility in prioritizing the business areas that will yield the greatest business benefits first while continuing to use some systems that are adequate for their current business needs. The exact mix of hybrid applications, which applications are moved and in what order, varies by industry and by individual company.

An example scenario might make this clearer. Take a large retail company that is already running in a hybrid environment. The company is running a legacy on-premises ERP, a mix of on-premises and cloud retail vertical applications, and has already moved talent management, a customer community platform, social media monitoring and response, and customer service solutions to the cloud. The company has a few business issues that could provide the incentive to move financials to the cloud as well. The company has acquired three different competitors’ operations over the past two and a half years and is now running four different financial systems, all on-premises in its own datacenter. For the monthly/quarterly/annual close process, the company manually consolidates the output of the three acquired systems in its current core financials, greatly lengthening the time for closing and increasing both complexity and opportunity for error. The company could convert the three acquired business units to the legacy on-premises core system, but the system was implemented over seven years ago, and while it is functionally current, it has an outdated UI, it doesn’t have any collaborative capabilities, and a large number of IT staff are needed to maintain the system and its required infrastructure.

In situations like this, the most effective decision might be to move all the acquired business units and corporate to a new cloud-based financial system. This eliminates the close problems while yielding many additional business benefits. The new system, if selected, could provide a modern UI and UX; it could add embedded collaboration capabilities to facilitate faster close processes and a more collaborative work environment. A consolidated and integrated cloud system would help eliminate errors from antiquated manual processes and could help eliminate the data silos created by the older, unintegrated systems among the operating units. The move away from on-premises could free up IT resources to focus on higher-value opportunities. And perhaps most importantly, the new system could provide modern analytics that are distributed inside the system workflow to facilitate better, more timely, and more accurate business decisions. The company would continue to use other systems on-premises, integrate them into the new cloud financials, and, when appropriate for the business, move the other systems to the cloud as well, operating in a hybrid model for as long as it made sense for the business.

**ERP Cloud in Midsize Organizations**

The situation for midsize organizations is somewhat different from the situation for large enterprises. Not that the business needs are particularly different; in fact, midsize organizations have all of the same needs of large enterprises but in a severely resource-constrained environment. In a global, connected economy, almost every business must be able to compete on new levels. Technology is the great equalizer for many of these businesses, and cloud is proving transformative for many of them.
In general, midsize companies approach the process of selecting and implementing a new ERP system from a very different perspective than large enterprises. Many midsize companies don’t have complete, integrated systems but instead have a mixed assortment of point solutions. Midsize companies also often have some applications already in the cloud, much like enterprises, although those systems are often operated in a silo. Over the past 10 years, these businesses, when faced with new competitive and economic pressure and the need to gain better business visibility, have made the decision to deploy full cloud-based ERP systems rather than replace current systems module by module as is the current norm for larger enterprises.

In selecting an ERP system, many midsize companies would see great advantage from deploying a complete, integrated ERP cloud-based system. In particular, the following benefits are often the most important to a midsize company:

- Ease and speed of implementation
- No need to purchase expensive hardware and software to support the new systems and no need to allocate dedicated personnel to maintain the infrastructure once it is in operation
- Lower cost barriers to entry; implementation costs are lower and deploying a pay-as-you-go/subscription model ERP system frees up scarce capital for more critical business investments
- Complete, integrated system that provides best practice business processes “out of the box” to streamline and optimize operations
- Better management/executive decision support and control by eliminating data silos and providing more effective analytics and reporting tools

As businesses are scaling up, there can be additional benefits from making an informed and strategic decision when it comes to ERP systems. Many midsize companies are on a strong growth path, but instead of choosing a fully mature, enterprise-class ERP system, they choose something that is scaled down too much. While such a system might fit today, it won’t keep up with the rapid change that occurs in a growing business. In effect, businesses are required to go through two implementation processes, which they could have avoided by selecting a system with the flexibility, scalability, and headroom to accommodate their growth. This is especially important for finance organizations that can find themselves doing two accounting conversions/migrations instead of only one. By selecting an enterprise-class ERP cloud-based system, finance organizations can avoid two accounting migrations and get a solution that provides many other capabilities to meet future needs.
CHALLENGES AND OPPORTUNITIES FOR CLOUD APPLICATIONS

Moving to ERP cloud-based systems not only has many benefits but also is accompanied by some challenges that need to be addressed. Depending on a company’s business goals, there are also opportunities to optimize the value of the cloud deployment in several ways. When choosing an ERP cloud-based system, companies need to make key decisions and evaluate specific criteria. In particular, companies have several elements to consider when choosing a deployment model, even after they have selected a cloud option over on-premises. There are also lingering reservations and concerns around the public cloud in general among enterprises (see Figure 4).

FIGURE 4

Top 6 Inhibitors for Considering Public Cloud Services (% of Respondents)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security concerns</td>
<td>49.0%</td>
</tr>
<tr>
<td>Regulatory or compliance issues</td>
<td>35.3%</td>
</tr>
<tr>
<td>Reliability concerns in terms of service availability</td>
<td>32.9%</td>
</tr>
<tr>
<td>Concerns cloud cannot support the operational/performance requirements of critical applications</td>
<td>32.3%</td>
</tr>
<tr>
<td>IT governance issues, including challenges related to defining standard services and SLAs</td>
<td>31.0%</td>
</tr>
<tr>
<td>Immaturity of cloud – it is a new technology</td>
<td>30.7%</td>
</tr>
</tbody>
</table>

n = 1,109

Source: IDC’s CloudTrack Survey, October 2013

In each of the deployment models, there are advantages and trade-offs, which each business has to examine and evaluate in the context of business goals, regulatory requirements, risks, and needs. Table 1 presents some of the factors to consider for each model.
<table>
<thead>
<tr>
<th>Factor</th>
<th>Advantage</th>
<th>Trade-Off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public cloud vendor datacenters tend to have higher security qualifications/certifications than private datacenters</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>For many businesses, there is an advantage in shifting budget from capital expenses to operating expenses (this is not always true though, depending on a business's financial plan, capital position, and so forth)</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Are elastic and can scale on demand without the business having to purchase new hardware or reserve capacity, which gives the business the capability to deal with demand spikes very effectively and efficiently</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Provide the ability to shift resources away from datacenter and non-value-add infrastructure operation/maintenance to projects that are strategic to the business and provide greater business value</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>More granular billing and tracking capabilities, pay for only what you use</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Access can be granted from anywhere</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Greater protection from hardware failures</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Although a secure connection is used, your data still &quot;travels&quot; over the Internet</td>
<td>✔ ✔</td>
<td></td>
</tr>
<tr>
<td>When deployed in a virtualized cloud environment versus multitenant cloud, it offers greater data security, privacy, and control since the virtualized environment isolates company information even though the physical resources are shared</td>
<td>✔ ✔</td>
<td></td>
</tr>
<tr>
<td>Depending on the vendor, you don't know where your data resides physically; this may be a regulatory issue in some geographies</td>
<td>✔ ✔</td>
<td></td>
</tr>
<tr>
<td>You depend on the expertise and quality of the vendor and its ecosystem, which could be a positive or negative depending on your vendor selection</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Generally, the public cloud vendor offers greater redundancy and location diversity, which offers greater disaster protection</td>
<td>✔ ✔</td>
<td></td>
</tr>
<tr>
<td>Applications in the public cloud tend to be configurable to different degrees depending on the vendor and the vendor's platform but generally are less customizable</td>
<td>Potentially ✔ ✔</td>
<td></td>
</tr>
<tr>
<td>Modern cloud apps are built on robust platform as a service (PaaS) that will support custom extensions and features</td>
<td>✔ ✔</td>
<td></td>
</tr>
<tr>
<td>You are always on the latest release of the software</td>
<td>✔ ✔</td>
<td></td>
</tr>
<tr>
<td>You generally have no or little control over the timing of upgrades</td>
<td>✔ ✔</td>
<td></td>
</tr>
<tr>
<td>A virtualized cloud environment gives you a lot more control over upgrade rollouts versus multitenant models</td>
<td>✔ ✔</td>
<td></td>
</tr>
</tbody>
</table>
### Private

<table>
<thead>
<tr>
<th>Factor</th>
<th>Advantage</th>
<th>Trade-Off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offers the highest level of control since you are operating in your own datacenter and on your own hardware and infrastructure (unless you pay a third party to host for you, which still gives you the same level of operational control, just not physical control)</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Requires the outlay of capital resources to acquire and set up the datacenters, applications, and so forth</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Requires you to staff and operate the infrastructure and datacenters or pay a third party to do so on your behalf</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Gives you the highest level of control over privacy and security issues</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>To manage the control and security, you have to provide the expertise yourself (and today the top talent often goes to cloud vendors, which can afford to pay a premium for mission-critical skills)</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Is less elastic or requires a lot of expensive overhead to keep reserve capacity to protect you against demand spikes</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Offers the highest level of customization</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>The price of customizations is that you will need to deal with them yourself if and when you upgrade</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Is not upgraded with the same frequency as a public or a virtual private application, so it often lags in current features/functionality and new technological capabilities</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

### Hybrid

<table>
<thead>
<tr>
<th>Factor</th>
<th>Advantage</th>
<th>Trade-Off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher degree of complexity that must be managed</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>In general, shares the advantages and trade-offs of both public cloud and private cloud</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

Source: IDC, 2013

Hybrid can be a transitional stage as a company executes on a long-term strategy to shift from one model to another (e.g., on-premises to public cloud) or a permanent operating state. This is the most common model in the enterprise today.

In addition to these challenges, opportunities, risks, and needs, there are two more issues that companies should examine when making cloud-related decisions: the maturity of the ecosystem around a vendor and its offering and the maturity of the application and the supporting technology, infrastructure, and operations.
Ecosystem Maturity

For on-premises/traditional applications, it has always been important to associate with a vendor that has a complete ecosystem around its products. This requirement does not go away in the other models discussed in this white paper; in fact, it might be more important going forward. It's essential to answer the following questions: How much expertise is available from systems integrators, consultants, and value-added resellers (VARs) to help implement, configure, train, and operate the new system? Is the vendor platform known? Is there expertise to support software extensions, customizations, and custom application needs? A robust ecosystem is a good indication of the health of the solution and the vendor.

System Maturity

In addition to the ecosystem, companies need to look at the solution itself. Many cloud applications are on fairly new releases, so care must be exercised to make sure there is a good fit from a function and feature standpoint. The more mature a product, the more likely that it includes the necessary functionality. Beyond maturity though, does the system use modern technology and meet modern standards? The other type of maturity is based on lineage. Is the application/solution based on long-proven features and best-in-class workflow, processes, and functions while adding modern UX and other critical modern technology? This is a good blend of new and modern with proven and feature rich.

CONCLUSION

There is much to think about when evaluating the potential move to a cloud model, especially for core systems like ERP. More companies are moving to some type of cloud model for a variety of enterprise applications. Cloud models offer many benefits, and each model has its challenges and risks. Each business is different, and when choosing a vendor, a deployment model, and an application, companies must weigh all of the potential benefits, challenges, and risks carefully to find the optimal solution for their business situation.

While applications outside the core ERP functional areas were generally the first on the market and the first to gain widespread adoption, this is changing. Over the past few years and for a variety of reasons ranging from economic pressures to product availability and maturity, more enterprise IT organizations are looking to ERP in the cloud as the next area to benefit from the shift. ERP cloud is proving to be more flexible, more adaptable, and more modern – key reasons in tough competitive environments. The flexibility of cloud deployment models, ranging from public to private to hybrid, offers the ability to craft a deployment and licensing strategy that provides the benefits of ERP cloud but in ways that can be tailored for each industry's regulatory and compliance needs as well as the diversity of geographic regulatory requirements.

Some factors to consider when evaluating an ERP cloud-based solution are:

- Modern UX
- Embedded contextual analytics
- Embedded enterprise social network/collaboration tools
Multiple/flexible deployment options and the ability to move between the options as business needs dictate

Unified cloud platform with the ability to do custom extensions and integrations

Open standards

Ease of sharing information

Ease of integration

Dynamic scaling (up and down)

Metering

Ecosystem maturity

System maturity and lineage

ERP in the cloud is the future of enterprise software and offers many attractive business benefits. Among the most compelling are:

- Ease of deployment, lowering costs of implementation, and reducing overall business disruption
- Flexibility to choose the best deployment model for the company's business needs
- Ability to get a modern UX, which can increase productivity and employee satisfaction
- Ability to put in place systems that support collaboration and decisions inside the workflow and in real time
- Ability to more effectively tie back-office systems into the front office to support the company's customer experience strategy
- Balance the company's financial needs between capital and operating budgets
- As more enterprise applications reside in the cloud, having an ERP cloud-based system can simplify integration and eliminate data silos

A business that wants to stay competitive and realize maximum value from its systems would do well to take a look at ERP cloud-based systems and examine how they might fit into a strategy for modernizing IT and maximizing business value and competitive advantage from all enterprise systems. This evaluation is an essential activity for a modern, growing business in a changing business world.
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