



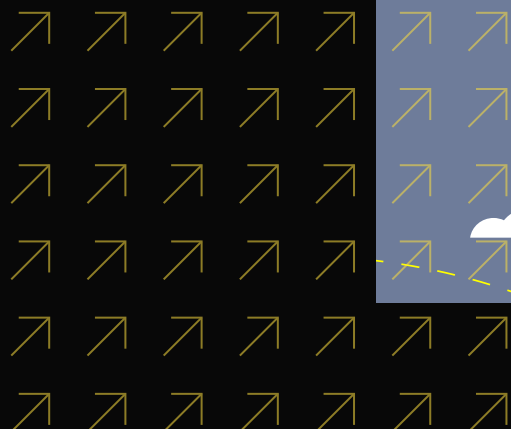
# The CIO's Guide to a Business-First ERP Cloud Strategy

**5** Key Considerations for Success

# Summary

As an IT leader, success or failure hinges on the ability to deliver technology that supports business needs. Current thinking is that the cloud is the path to success, and approaches like “cloud first” and “cloud only” have become realities for many CIOs. Adopting such ERP cloud strategies in reaction to pressures that don’t necessarily support the CEO’s or CFO’s goals for digital transformation and innovation can prove hugely inefficient, cumbersome, and shackling in the longer term, damaging the overall business.

If the belief is that the cloud is the destination that will deliver what the business is demanding, then preparing for the dips and turns that could cause detours on a cloud journey is a necessary pretrip step. **Formulate the cloud strategy** in terms of how it will support digital transformation and innovation. One must ensure that the cloud actions on the business roadmap **accelerate rather than hinder innovation**. Prioritize the roadmap in order to make the right “**first moves.**” And make sure that the enterprise can **survive the secondary effects** of cloud moves.



IT cloud strategies should be based on what the business is driving. Yet the pressure is on CIOs to move applications and infrastructure to the cloud. Vendors are pushing licensees to upgrade or migrate to their own vendor SaaS solutions for applications regardless of the cost and disruption involved and without a solid business case for making such a change.

## Aligning your ERP cloud strategy with a Business-Driven Roadmap can help shape the journey

Many tech leaders face a razing of their data centers in 2020 as they eliminate their physical IT infrastructure. Before the keys to those data centers are handed over fully to a software vendor, CIOs must work back from the target hand-over date to develop a cloud roadmap that not only aligns with the data center shutdown but also supports business goals for digital transformation and innovation.

Even though cloud moves require IT to be agile and flexible, a measured approach must still be taken in mapping out this path. Answering the following questions can help to steer clear of roadblocks on the journey to the cloud:

**Question 1: Can your cloud strategy be stated in terms of how it supports digital transformation and innovation?** Is there an overall cloud strategy and does it cover the use of both public cloud and SaaS? Aligning your cloud strategy with a Business-Driven Roadmap can help shape the journey to the cloud so that investments are secured where they support the business strategy and avoid sinking money into low- or no-value projects. Of course, money will always be an issue that hinders change, so it is critical to find ways to optimize current spend. After that, what cloud initiatives will support the business within specific budget constraints? [See Chapter 1: The Business-Driven Roadmap Imperative.](#)

**Question 2: When plans call for off-loading the data center, what should be done with ERP?** Your first instinct might be to move ERP to the cloud. ERP vendors may also be pressuring licensees to move to their own cloud technology. Several misconceptions about moving ERP to the cloud can derail the cloud journey. Before taking this route, ask whether there is any business value to undergoing a large ERP shift at the same time that other disruptive cloud moves are happening. Are the extra cost, risk, and disruption going to improve the CFO's ability to execute business strategies? [See Chapter 2: The Misconceptions and Realities of ERP in the Cloud.](#)

**Question 3: Are the cloud initiatives on your roadmap going to accelerate or hinder innovation?** Approaching cloud decisions means choosing cloud technologies that accelerate innovation and enable digitalization rather than moving capability to the cloud just for the sake of “being in the cloud.” Better to move capabilities to the cloud in order to support business goals such as growth and improving competitive advantage. Are there plans to move to any SaaS ERP applications? Will moving core capabilities such as manufacturing, transportation, financials, and other tightly integrated, transaction-oriented functions improve the CFO’s ability to execute business strategies? [See Chapter 3: Is Your Cloud Strategy Accelerating or Hindering Innovation?](#)

**Question 4: What cloud moves should be made first?**

When striving for quick wins on a cloud roadmap, two proven actions make a lot of sense. The first is moving and improving IT infrastructure—including a “lift and shift” to an ERP vendor-neutral infrastructure-as-a-services (IaaS) provider. The second is augmenting core/transaction-heavy systems of record (SOR) with systems of engagement (SOE) technologies that enable business growth and create competitive advantage—for example, improving the customer experience. Will initial cloud investments increase the risk of getting locked into a technology stack that doesn’t support business goals for growth and innovation? [See Chapter 4: Fast Track Your Cloud Strategy.](#)

**Question 5: Can ERP continue to work well in the cloud even if it’s not in a cloud-vendor ERP?** With a myriad of cloud options coming on the market at an increasing pace, now is the time for planning to ensure a solid foundation on which to build your cloud applications portfolio over the next 5, 10, or more years. For more insight on moving ERP to the cloud, see [Chapter 5: Five Ways to Leverage ERP in the Cloud Without Necessarily Moving to Cloud ERP.](#)

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# 01

## The Business-Driven IT Roadmap Imperative

Business priorities are changing to growth and innovation. This is shifting IT's mandate from efficiency and standardization to being an open, agile, and customer-engaged organization that enables business-driven outcomes. Complicating this dynamic is an increase in the frequency of vendors introducing new digital technologies, including the cloud. It is opening up new opportunities for the business to determine if—and how—it will innovate. However, investing in innovation is easier said than done.

### The roadmap shows business goals (or business outcomes) as destinations.

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**Many CIOs are unsure about which technologies to invest in** as they prepare to meet future business demands. Constant change in IT offerings can force decisions about whether to keep what they've got or swap out components for new products as cloud technologies evolve. The cost of these changes will add up, but many CIOs don't receive additional budget from their CEOs to make digital and other innovations happen.

Most IT leaders believe they are in control of their IT roadmaps, but many feel pressured to adhere to their software vendors' roadmaps or risk loss of support. Others feel pressured to adopt a general strategy such as "cloud first" without a clear map of how the strategy supports the business. These approaches are not aligned with business transformation or IT's new mission. Vendor-dictated changes can consume a significant portion of the IT budget and resources that could be used to deliver greater business value and innovation.

In order to be responsive to the business, CIOs must choose between two directional strategies: **vendor-dictated** or **business-driven**.

#### What is a Business-Driven Roadmap?

A **Business-Driven Roadmap** is a rolling 3- to 10-year plan that translates an enterprise's business strategy into technology initiatives that enable it to achieve its objectives. A roadmap is business-driven when technology investments are aligned with business goals, priorities, resources, and timing. It is comprised of a primary high-level roadmap showing technology investments that enable business outcomes.

Take the idea of a physical roadmap and apply it to an enterprise: The roadmap shows business goals (or business outcomes) as destinations. It shows the IT strategy as the intended route to get there. It shows individual technology investments or projects as the stops to make along the way. There may be detours along the way, but this journey should start out with a plan.





The key **difference between a Business-Driven Roadmap and other roadmaps** (like vendor-dictated roadmaps) is a business-defined destination. For example, if the roadmap doesn't show how investments move the enterprise toward achieving business goals, it is not business-driven because there is no destination defined. Application and technology roadmaps are also not business-driven if they are built around a vendor's roadmap and goals. Enterprise software vendor's updates should be included when planning a roadmap if they contribute to achieving a business goal. However, the vendor updates don't dictate the route, priority, or timing of a strategy; a Business-Driven Roadmap does.

There is no one-size-fits-all roadmap, and a single view of the roadmap will likely be too limited to show the various application and technology layers involved in how specific IT strategies will be executed. More detailed, supplemental roadmaps (e.g., cloud, as well as functional, technical, infrastructure, security, skills, and others) may be needed to capture details such as the order in which specific new business capabilities will be implemented. Likewise, roadmaps may be used to show how a given strategy will be executed—for example, cloud migration by cloud layer. Each of the roadmap views should reflect the priorities and timing needed to align with the business' goals.

The Business-Driven Roadmap provides a holistic view of the timeline of support needed to deliver and maintain the solutions being planned. It makes visible the changes in support requirements that will occur as a result of following the Business-Driven Roadmap. This will help develop a support roadmap to guide headcount decisions and plan for filling skill gaps. Given a rising wave of retirements among people with enterprise software skills, combined with an acute demand for new digital skills, the competition for resources will remain high.

### **Why Follow a Business-Driven Roadmap?**

If the business were static and the technologies that enable the business were static, there would be no "change journey" to be made. There would be little need to ensure technology is in place to support the changes. The risk of not having a roadmap would be minimal. It's only when the need to "get from here to there" arises that choices must be made about how to make the intended journey so that the right investments are prepared and that those investments are made in time to allow IT to enable the business change. A cloud strategy is such an example: Using a Business-Driven Roadmap highlights needs, gaps, and disconnects between the business objectives and IT's technology plans.

To see more about building the case for breaking away from a vendor-dictated roadmap and moving toward an IT investment plan that is business-driven, see [The Business-Driven Roadmap Imperative](#).

# 02

## The Misconceptions and Realities of ERP in the Cloud

CIOs are facing ongoing pressure from several angles to shift ERP to the cloud. Vendors are pushing their cloud roadmaps. The business is demanding cloud capabilities to achieve growth and gain competitive advantage. Some CIOs feel they are being asked to move to cloud ERP “for cloud’s sake” without a business case that justifies it.

Acronym	Explanation
IaaS	Infrastructure as a Service
PaaS	Platform as a Service
SaaS	ERP delivered via Software as a Service
OCPU	Oracle Computer Unit
SOR	System of Record
SOE	System of Engagement

**There are two parts to the cloud ERP discussion**—hosted Software as a Service (IaaS) and software as a service (SaaS). Hosting ERP infrastructure in the cloud as IaaS can save money and increase enterprise agility and flexibility. Switching “systems of record” (SOR) like ERP to SaaS can be more risky and costly than advertised by the vendor. However, SaaS for “systems of engagement” (SOE) can accelerate innovation.

Refreshing ERP by moving it to SaaS may not be the right move to drive innovation and achieve growth and competitive advantage. As CIOs incorporate cloud technologies into their ERP roadmaps, they should understand the following common misconceptions and realities of moving ERP to the cloud and make the move for business’ sake, not for cloud’s sake.

### 1. COMMON MISCONCEPTION: Shifting my ERP to the cloud as a SaaS suite is better than best-in-class SaaS applications.

#### REALITY

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Operating an ERP suite as-a-service does not eliminate its complexity or improve on the benefits of being tightly integrated. For installed ERP licensees, moving to a SaaS ERP model can be expensive, risky and cause disruption for little, if any, business improvement. The opportunity cost of ripping and replacing suites to SaaS is also huge. Resources could be better spent on best-in-class applications that can modernize your ERP to drive innovation faster.

#### RECOMMENDATION

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Before replacing your ERP suite, evaluate your application strategy and ensure that your requirements can be met by a SaaS ERP suite. Also, SaaS doesn't need to be approached as an "all or nothing" option. Consider where best-in-class SaaS makes the most sense. Assess whether shifting to a "cloud first" approach is appropriate. A hybrid strategy for ERP infrastructure and applications will be the norm for the next several years.



## 2. COMMON MISCONCEPTION: Buying SaaS applications from my current ERP vendor is the best strategy.

### REALITY

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ERP vendors develop products that fit the broadest range of requirements, which means they may not be the best choice for your industry-specific or customized business needs compared to best-in-class alternatives. Also, your ERP vendor's SaaS products typically operate on their proprietary cloud infrastructure, which locks you in to the vendor's cloud infrastructure.

### RECOMMENDATION

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Many alternative SaaS applications are better suited to meet complex business needs than those offered by your ERP vendor. The best strategy is to let your business needs drive application choices. Evaluate the features and functionality of best-in-class technologies in comparison to the ERP vendor's offering to decide what best fits your business. Consider choosing SaaS products that are vendor cloud infrastructure-agnostic.

## 3. COMMON MISCONCEPTION: I should move to my ERP vendor's cloud infrastructure.

### REALITY

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Adopting your ERP vendor's cloud infrastructure could lock you into a platform that limits your choice of products and services. Instead of the best-in-class options for your level of business complexity, you are limited to applications that operate on—or integrate with—the vendor's technology stack. ERP vendor IaaS can also cost more. For example, Oracle's price per Oracle compute unit (OCPU) doesn't reflect the total cost of cloud infrastructure. Once other operational needs of running ERP in the cloud are factored in, it can cost more to operate an ERP vendor's cloud infrastructure.

### RECOMMENDATION

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Consider infrastructure and platform vendors that are ERP vendor-agnostic (e.g., Amazon Web Services or Microsoft Azure) in order to preserve your flexibility and agility, making your enterprise better able to withstand change. Be sure that your choice of cloud technology stack supports your business roadmap because the cost and disruption of reversing course will likely be high. Make sure your IaaS contract includes all of the costs of operating in the cloud.

**The best strategy is to let your business needs drive application choices.**

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#### **4. COMMON MISCONCEPTION: I need to move to my vendor's SaaS ERP or risk losing support.**

##### **REALITY**

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You don't have to move your ERP to SaaS if there is no business value in doing so. The move can be expensive, risky, and disruptive. The ERP vendors' new SaaS platforms are designed to benefit the vendors, not the licensees. The vendors' revenue-generation strategy is to force licensees to their new platforms via planned end of full support dates (rather than improved value). These new SaaS ERP platforms can cost 2-3X of what licensees pay today<sup>1</sup>.

##### **RECOMMENDATION**

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You can take advantage of independent, third-party support options to stay supported. Continue to operate your stable and proven ERP releases while waiting for SaaS ERP to mature, for the cost and risk to decrease, and an ROI to emerge<sup>2</sup>.

#### **5. COMMON MISCONCEPTION: SaaS ERP functionality matches my current ERP.**

##### **REALITY**

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In limited situations, some SaaS ERP modules provide a comparable or good-enough fit. In most cases, SaaS ERP has not yet reached functional parity with your installed ERP. Nor can it replace all of your ERP customizations. If you have customized ERP to support your business, a SaaS ERP product may lack functionality that you need.

##### **RECOMMENDATION**

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Confirm whether the lowest-common-denominator functionality of SaaS ERP is good enough or whether the better route is to keep the customized ERP that meets your business needs today and is capable of meeting your needs for years to come.

#### **6. COMMON MISCONCEPTION: SaaS ERP costs less.**

##### **REALITY**

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Migrating to SaaS ERP is not always a good strategy for reducing costs. For example, Oracle cloud licenses often cost as much as 3x more than internally deployed seats plus maintenance costs<sup>3</sup>.

##### **RECOMMENDATION**

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When estimating the total cost of ownership (TCO) of SaaS ERP, add "rip and replacement" costs, including those for replacing customizations and interfaces. When evaluating IaaS options, include ERP operational costs (e.g., scaling up/down, monitoring, security services) to get a truer picture of TCO.

<sup>1</sup><https://diginomica.com/oracle-cloud-growth-slowdown-spooks-wall-street>

<sup>2</sup><https://news.sap.com/2014/10/sap-committed-innovation-choice-sap-business-suite/>

<sup>3</sup><https://www.forbes.com/sites/jasonbloomberg/2017/07/11/oracles-cloud-strategy-ruthless-or-byzantine/#5b7708cd62d9>

## 7. COMMON MISCONCEPTION: SaaS ERP updates are simple and easy.

### REALITY

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This is true for small or simple deployments where customizations and interfaces are limited. Otherwise, more frequent, immediate upgrades will require more frequent “heavy lifting” upgrade activities – analysis, configuration, testing, and rollouts.

### RECOMMENDATION

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Because upgrade disruption will be almost an ongoing event as you lose control over upgrade timing and execution, review and enhance your upgrade processes and governance to accommodate the change in upgrade ownership and frequency.

## 8. COMMON MISCONCEPTION: I should move all of my ERP to the cloud.

### REALITY

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This is not a smart move for most enterprises. Early adopters have learned that results vary by cloud layer and that a hybrid approach to sourcing their ERP solutions often yields the best of both the cloud and internally deployed worlds. IaaS and PaaS are proving to be the least complex and most cost-effective initial moves. SaaS ERP is still an evolving market with functionality and operational issues that are yet to be addressed. Moving to SaaS ERP doesn't improve most enterprises' ability to operate SOR processes. Nor does it necessarily make an enterprise better able to respond to business needs or help drive innovation.

### RECOMMENDATION

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Don't move to the cloud for the sake of cloud. Let the business drive the move. Instead of moving all of ERP to the cloud, start with the IaaS and PaaS layers. This increases IT flexibility and agility, making the enterprise better able to withstand change. Consider IaaS/PaaS vendors that are ERP vendor-agnostic and that keep you from getting locked into your incumbent ERP vendor's cloud technology stack. Wait for the SaaS ERP market to mature. In the meantime, innovate now with the help of SOE applications that can be integrated with your SORs.

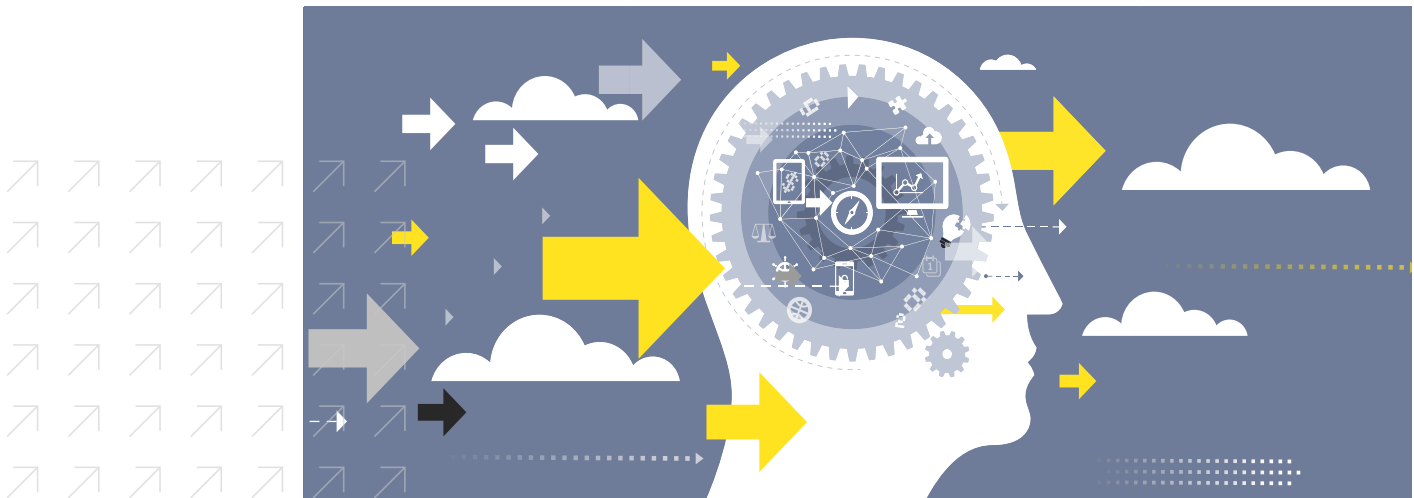
### Making the right move

PaaS and IaaS can be great accelerators for growth and innovation when scoped properly. However, moving to SaaS ERP may not be the right direction for you. Moving your internally deployed ERP to an open, vendor-agnostic cloud infrastructure as IaaS can yield better return, at a lower cost, and with less disruption. In the meantime, innovate now with other SaaS technologies, particularly in SOEs that improve the customer experience. This is a great way to let what the business needs drive your cloud moves to support competitive advantage and growth.

# 03

## Is Your Cloud Strategy Accelerating or Hindering Innovation?

CIOs consider the cloud for a variety of reasons, many of which are forcing them to rethink their application strategies. You are not alone if you are feeling pressure to migrate applications and infrastructure to the cloud. But which cloud moves are the right ones?



One of the most important reasons to move to the cloud is to **enable innovation that drives competitive advantage**. Some cloud strategies accelerate innovation while others delay or inhibit it. For example, moving infrastructure to the cloud can increase an enterprise's ability to change (**flexibility**) and enable IT to change more quickly (**agility**). Adopting SaaS technology where the enterprise interacts with customers or users can increase competitive advantage. Examples of this include using [Qlik](#) to provide associative business intelligence or Salesforce to improve the customer experience. Alternatively, transitioning ERP to the cloud as SaaS is not a good move for most enterprises, because it doesn't create a meaningful improvement to the business, and it consumes resources that could be used to deliver innovation.

Choosing the right cloud strategy is complicated by the fast-paced introduction of new cloud technologies into market. As CIOs make cloud decisions, they should choose cloud technologies that accelerate innovation and enable digitalization rather than moving capability to the cloud just for the sake of "being in the cloud." Move capabilities to the cloud in order to support business goals such as growth and improving competitive advantage. Avoid moving core ERP capabilities such as manufacturing, transportation, and financials to SaaS unless there is value to be gained.

The following are common cloud strategies that can hinder or help accelerate your innovation roadmap.

## Avoid These ERP Cloud Strategies That Can Hinder Innovation

- 1. Migrating ERP to the cloud as SaaS:** This low-value shift of nondifferentiating functionality to a different platform (the cloud) is not a smart move for most enterprises. Because ERP is highly complex, moving it to SaaS can be very expensive and disruptive. SaaS ERP is still an evolving market with functionality and operational issues that are yet to be addressed. Also, there is no business case for most enterprises to make the move because SaaS ERP won't improve most enterprises' ability to operate SOR processes. Investing in SaaS ERP diverts focus and resources from digital initiatives that can make a difference to the business. It does not magically make an enterprise better able to respond to business demands for growth and innovation.
- 2. Following your ERP vendor's cloud roadmap without questioning business value and ROI:** Following a vendor-dictated roadmap diverts resources from business priorities for innovation and can cost more for a poorer fit. For example, Oracle cloud licenses can cost up to as much as 3x more than internally deployed seats plus maintenance costs<sup>4</sup> SAP licensees who switch to SAP Cloud applications will pay, on average, double their current annual maintenance fees according to figures shared by SAP's CFO at an SAP Investor Symposium.<sup>5</sup>
- 3. Following the vendor's roadmap can cause you to miss out on innovation opportunities:** License trade-in programs are an example of this. Trading existing application licenses to avoid an audit or to get a price break might look attractive on the surface but it can lock licensees into the vendor's cloud strategy even though analysis hasn't been done to confirm that it is the right cloud strategy. The ERP vendors' cloud products were developed to fit the broadest range of requirements, which means that they may not be the best choice for industry-specific or customized business needs compared to best-in-class alternatives. In another attempt to lock existing licensees into their cloud roadmaps, ERP vendors are encouraging them to take an initial step of migrating to the vendors' proprietary cloud infrastructure. Beware! ERP vendor SaaS products only operate on the vendor's cloud infrastructure/IaaS, which can lock licensees into a technology platform that hinders the enterprise's ability to support business goals. Once contractually committed to the vendor's roadmap, it is very difficult financially and contractually to change or reverse course.
- 4. Moving applications to the cloud "for cloud's sake:"** Some software applications support the business but are commodity-like in that they don't differentiate the business from its competitors. Examples of this include financial applications and consolidation tools, manufacturing systems, or supply chain execution systems. Moving these types of applications to the cloud "for cloud's sake" won't likely result in any measurable business or technology improvement. Instead, these low- or nonvalue-add cloud projects could hinder your ability to innovate by consuming precious resources and budget that could be better spent on cloud initiatives that matter more to the business.

<sup>4</sup> <https://diginomica.com/2018/03/20/oracle-cloud-growth-slowdown-spooks-wall-street/>

<sup>5</sup> SAP Investor Symposium, NYC, Feb 4, 2014

Also, don't move applications to the cloud "for cost's sake." It is a generally shared myth that moving applications to the cloud will result in cost savings. The migration itself isn't cheap, particularly when customizations and integrations must be rebuilt. The ongoing subscription fees can cost up to 2-3X more than existing license and maintenance fees.

Cloud application projects should only be a part of your cloud strategy if they contribute to business objectives such as growth, create competitive advantage, and innovative capabilities. When adding an application into your cloud roadmap, ask whether there is improvement that will offset the higher cost.

## Use These ERP Cloud Strategies to Accelerate Innovation

If you are like most CIOs, IT dollars are precious. It is critical to allocate the IT budget to cloud investments that will make the most difference to the business. Your cloud strategy should support innovation that enables growth and creates competitive advantage. In other words, your cloud strategy should follow a Business-Driven Roadmap where business goals are the metrics that all IT investments must meet in order to be included on the roadmap. Today, more than ever before, the business is demanding innovation faster than IT can deliver solutions. CIOs must find ways to use their cloud strategy to accelerate innovation. Specific innovation accelerators include:

- 1. Preserve and extend core ERP systems with cloud-based technologies:** Keep your well-functioning ERP system in place and deploy cloud-based capabilities that support user- and customer-facing business processes. Two recent surveys conducted to better understand Oracle and SAP licensees' plans for moving ERP to the cloud showed that 80% and 65% respectively have no plans to move or are undecided about moving to the vendor's SaaS ERP<sup>6</sup>

When ERP is not consuming precious IT resources, the focus can be shifted to systems that support customer/user engagement. These types of systems typically attach to or sit outside of ERP. They are more loosely coupled than ERP, making them less expensive and time-consuming to deploy in the cloud. They can quickly improve the customer/user experience, enable business growth, and create competitive advantage. Although there are a few scenarios where ERP in the cloud makes sense (small-to-midsize organizations or those with minimal complexity), most enterprises are keeping core ERP systems operational while they innovate with cloud around the edges via SOEs.

- 2. Modernize infrastructure to increase IT's ability to change and enable IT to change more quickly:** IT market research firm, IDC, predicts that "65% of organizations will aggressively modernize legacy systems with extensive new technology platform investments through 2023."<sup>7</sup> Most CIOs want their software to run on the best, most modern hardware. This means making sure that the hardware isn't a hindrance. Getting out of the data center business is proving to be the least complex and most cost-effective initial cloud move to support innovation. IaaS and PaaS can hyperscale the business at a lower price. This "lift and shift" of existing perpetual application licenses frees up IT resources and budget while increasing IT's flexibility and agility to handle change. Choose IaaS and PaaS providers that keep you from getting locked into your incumbent ERP vendor's cloud technology stack. Some ERP vendors offer proprietary versions of IaaS and PaaS. However, their offerings are likely not as robust as those available from vendors like Amazon and Microsoft who are heavily investing in infrastructure and platform technologies.

<sup>6</sup><http://bit.ly/2lqUJPG> and <http://bit.ly/2GXblxy>: two Rimini Street, Inc. surveys.

<sup>7</sup><https://www.techrepublic.com/article/idc-digital-transformation-spending-will-eat-up-50-of-it-budgets-by-2023/>

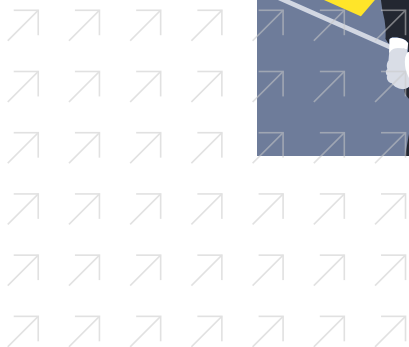
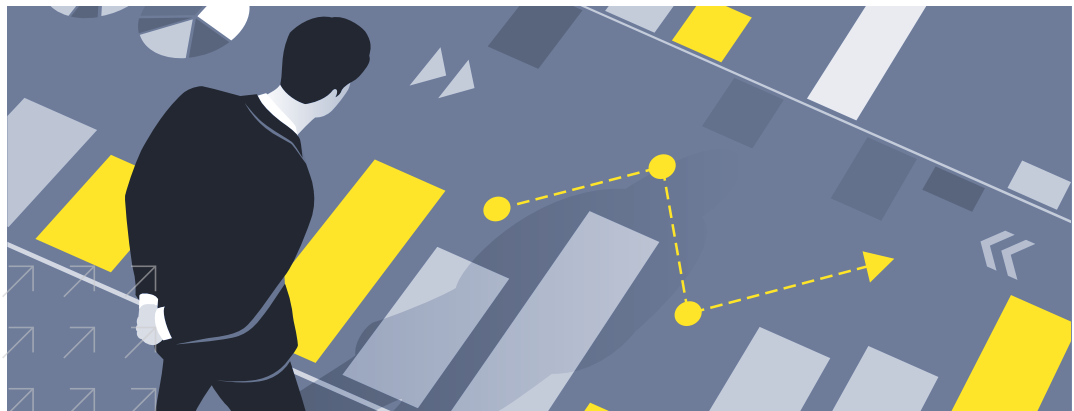
### 3. Migrate to new technologies that better support the digital business model:

Becoming a digital business is a core component of many business' innovation plans. Some existing technologies can't be modernized enough to serve as part of the enterprise's digital platform. For instance, an order fulfillment application designed to support mass production using standard bills of material could be overwhelmed by a business model change to online customizable orders where every order is a custom order that creates a single production request. Another example is when a new technology (such as using drones to monitor equipment for maintenance issues) would break the existing technology architecture (huge volumes of new data exceed existing compute capabilities or break the existing security architecture). In these kinds of scenarios, migrating to a new technology may be necessary to provide a solid platform on which to innovate.

If the new technology is on the critical path to innovation, it may be perceived as a hindrance because it initially slows the roadmap down. However, putting the new technology in place up front can result in downstream acceleration because it opens the door to using solutions that are the best-fit for the business and that can be more rapidly and effectively adopted.

**When built properly**, by putting the business first rather than moving to the cloud for cloud's sake, **your ERP cloud strategy can accelerate growth and innovation**. However, actions such as migrating ERP to the cloud may not be the right strategy. Moving your internally deployed ERP to an open, vendor-agnostic cloud infrastructure such as IaaS can yield a better return, at a lower cost, and with less disruption. In the meantime, innovate now with other cloud technologies, particularly customer- or user-facing systems that improve the customer experience. This is a great way to let what the business needs to drive your cloud moves accelerate innovation.

For more information about ERP cloud strategies that support the business, see ["Getting to the Cloud on Your Terms."](#) This paper discusses how independent, third-party ERP cloud support can help you move critical systems to the cloud when your business is ready, based on your roadmap.



# 04

## Fast-Track Your Cloud Strategy

### Considering a move to the cloud?

CIOs cite a variety of reasons to do so, including cost savings, scalability, and the ability to more quickly deliver/enable initiatives for the business. At the same time, the number of cloud vendors and products—from infrastructure to applications—is exploding. IT market research firm IDC predicts that **digital transformation** spending will consume up to 50% of IT budgets by 2023,<sup>8</sup> with a large chunk of the spend going to cloud technologies. For many CIOs, pressure to migrate to the cloud is forcing premature decisions about which cloud technologies to invest in. Instead of adopting a cloud solution “for technology’s sake,” make sure that it aligns with business demands for growth and innovation; that is, “**for business’ sake.**”

CIOs are striving for quick and cost-effective wins as they move to the cloud. Two initiatives can help fast-track your cloud strategy:

1. **Shifting your IT infrastructure to an open, flexible cloud platform that allows for hyperscaling**
2. **Augmenting core systems (such as ERP) with cloud technologies that enable business growth and create competitive advantage**

*By shifting IT infrastructure to the cloud, you can save on capital and operating expenditures. By paying for computing capacity only as it's needed, you can reduce the costs of underutilized resources. You can also decrease IT hardware maintenance costs because of the decreased reliance on in-house data center hardware.”*

— Bob Violino, Contributing Writer, InfoWorld

These proven strategies provide opportunities for innovation that let you march with confidence to the cloud. They also help you avoid getting locked into an application vendor’s proprietary technology stack and provide you with flexibility for future growth and innovation.

<sup>8</sup><https://www.techrepublic.com/article/idc-digital-transformation-spending-will-eat-up-50-of-it-budgets-by-2023/>



## Shift IT Infrastructure to the Cloud, but Pick Your Platform Carefully

Shifting IT infrastructure to IaaS—often called “lift and shift”—involves moving business applications, customizations, and interfaces to a hosted service. It preserves existing application licenses and custom code investments, giving the same functional fit but at a lower total cost of ownership by keeping the application portfolio intact—just hosting it on a third party’s infrastructure instead of yours. Think of it as keeping everything you built over the years, just running it on faster hardware with lower cost of operations.

**Moving a data center to the cloud** can be the least-complex and most cost-effective cloud strategy. IaaS frees you from owning and maintaining computer hardware, making it easier to keep your infrastructure current. IaaS can also increase your ability to modernize by allowing IT to more flexibly adopt changes, providing the agility to change faster. The timeline to deploy and go live on IaaS can be relatively short when compared to other cloud projects. You may potentially realize at least a 30% savings out of the gate.<sup>9</sup>

Even though IaaS can cost less than operating an internal data center and can support hyperscaling the business at a much lower cost, **using an application vendor’s proprietary IaaS can be problematic**. Instead of supporting best-in-class options for your level of business complexity, you are limited to applications that operate on—or integrate with—the vendor’s technology stack.

An application vendor’s IaaS can also cost more. IaaS sticker-pricing by compute unit may be attractive, but it typically doesn’t reflect secondary pricing components (e.g., storage and other costs) that add to the total cost of cloud infrastructure. Add other operational needs of running an application in the cloud, and it can cost more to operate a vendor’s cloud infrastructure.

Industry analysts consider vendor-neutral IaaS providers like Amazon Web Services (AWS) and Microsoft Azure to be “general-purpose providers capable of supporting a broad range of workloads” while application vendor proprietary solutions such as Oracle’s cloud IaaS are “primarily an infrastructure foundation for its other businesses.”<sup>10</sup> **Using vendor-neutral IaaS minimizes the risk** of getting locked into an ERP vendor’s cloud technology stack.

The “lift and shift” of existing perpetual applications licenses to IaaS reduces the need for certain operations skills (e.g., database, web, and operating system skills) because many of the tasks associated with these skills will be automated in a cloud infrastructure model. Internal operations staff and budget may be freed up for reallocation to high priority business initiatives. When adopting an IaaS approach, review operations and ERP cloud support processes, staffing, skills, and budgets to understand where changes will be required. Conduct a roles/responsibilities assessment to identify the impact of the changes.

**Licensees may potentially realize at least a 30% savings out of the gate.**

<sup>9</sup> <https://www.emergingtechnology.co.nz/blog/how-to-save-a-staggering-30-percent-when-moving-to-iaas>

<sup>10</sup> Gartner: “Magic Quadrant for Cloud Infrastructure as a Service, Worldwide” 16 July 2019

## Augment Existing Enterprise Applications with Cloud Technologies to Enable Business Growth

Most enterprises have made significant investments in implementing highly functional, stable ERP systems, many of which include configurations and customizations that meet specific business needs. When running well, a custom-tailored ERP can serve as a reliable, robust operational platform that allows an enterprise to continue to see ROI for many years to come.

The application vendors' costly ERP maintenance programs typically don't include meaningful innovation, because most of their R&D is currently focused on new platforms and releases. For example, no large future upgrades are planned by SAP and Oracle for their flagship ERP products.


[According to Gartner's 2019 CIO Agenda survey](#), 3% or fewer of the enterprises surveyed see ERP as a game-changer. That priority shift could mean that fewer ERP investments are being included in the [CIO's Business-Driven Roadmap](#). Yet continued reliance on ERP vendor policies and support models force CIOs to spend limited budget, resources, and time toward "keep the lights on" ERP projects that may not drive growth or competitive advantage.

Moving the core functionality found in ERP to a completely new SaaS platform (the cloud) is not a wise move for most enterprises, because most ERP deployments are highly complex, and moving ERP to SaaS can be very expensive and disruptive. SaaS ERP likely won't make most enterprises better able to respond to business demands for growth and innovation. Additionally, SaaS ERP is an evolving solution with functionality and operational issues that are yet to be addressed. The opportunity cost of a full-scale deployment to a less-mature, less-functional cloud solution is delaying or missing out on potential high-yield cloud investments.

Best practice is to focus budget and staff on initiatives that matter to the business. Most enterprises are choosing to preserve their investments in ERP systems while they innovate with cloud technologies around the edges.

### Fast Track

Jump start your cloud strategy by deploying best-fit, cloud-based capabilities that enable business growth and create competitive advantage, including systems that truly engage customers or users. These typically attach to (or sit outside of) ERP, making them less expensive and less time-consuming to deploy in the cloud. This move may involve replacing functionality that was previously force-fit into ERP and added to the complexity of managing applications. Changes to these types of systems occur more frequently and must be delivered more quickly, so addressing them separately from ERP also increases flexibility and agility.



**3% or fewer of the enterprises surveyed see ERP as a game changer.**

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# 05

## Five Ways to Leverage ERP in the Cloud Without Necessarily Moving to Cloud ERP

Everyone is moving to the cloud, no doubt about it. How to take advantage of the cloud is the multimillion dollar question. Get stampeded into making the wrong decision, and you could wind up throwing away millions. Do it right, and the payoff can be immense.

Not everything in the cloud is automatically better and cheaper and more innovative. While great efficiencies are possible, it's also easy to overprovision capacity or allow unmonitored services to balloon out of control because you've configured them to scale up automatically. You can subscribe to SaaS applications that lock you into using that vendor forever after or that make it very difficult to switch.

Even for cloud products with positive-sounding words like "autonomous" or "elastic" baked into their names, success is not automatic. You must make sure these services aren't stretching you in a direction you don't want to go.

Understanding the full range of cloud deployment options is particularly important in the context of ERP, where vendors have been playing up SaaS incarnations of their platforms as the quick-and-easy option. Before you follow the path of least resistance, consider your alternatives.

### **one**

#### **Use SaaS Where It Makes Sense**

It has already been suggested there may be drawbacks to SaaS. ERPs that take a lot of blood, sweat, and tears to implement and perfect ultimately become the "heart and brain" of the organization. Moving to a SaaS ERP, even from the same vendor, means potentially throwing away years of work on customizations and integrations that may not meet the vendor's definition of "best practices."

Worse, you may also find that some of your most business-critical ERP applications, such as shop floor automation and supply chain management, do not have equally capable SaaS equivalents.

Nevertheless, you may decide that the benefits outweigh the drawbacks. Even if you won't move the whole company, SaaS ERP might make sense for a division or a newly acquired company.

On the other hand, some companies have concluded their ERP implementations are such a mess that they should start over in the cloud. Even then, they can typically be seen phasing in SaaS ERP but continuing to rely on their established platform during a transition that could take years.

### **two**

#### **"Lift and Shift" Trusted Applications**

Many licensees are more satisfied than not with their current ERP and would rather invest their time and talent in other, revenue-producing applications.

Those who don't think their organization needs a heart transplant still may conclude it needs to build new muscles. They can begin running their existing ERPs (customizations and all) on cloud infrastructure and gradually weave in other ERP cloud services.

Question those who disparage this “lift and shift” strategy for moving an existing ERP to cloud hosting—even if the application itself remains more or less unchanged. For example, a licensee achieved better performance when cloud hosting its Oracle EBS system, partly because the cloud provider set it up on its latest and greatest server hardware. Now the organization no longer worries about replacing and refreshing hardware, and achieving high availability. In addition, disaster recovery—a capability they never had before—is just a matter of taking advantage of the cloud provider’s distributed architecture.

## **three**

### **Take Advantage of World-Class Infrastructure**

Unless you work for a Fortune 100 company that has made considerable investments in building cloud-like data centers, you can’t hope to match the economies of scale and DevOps expertise that exist within companies such as Amazon Web Services or Microsoft Azure. Between them, they have spent many billions creating more than 200 data centers across 100+ countries and regions.

These are resources you could never hope to field on your own.

## **four**

### **Access Leading-Edge Cloud Resources**

When leading IT, one example of the benefits realized from moving applications to the cloud is the ability to begin applying machine learning techniques to analyze the activities of field services technicians in order to deploy them more effectively. That’s not something easily tackled without access to cloud tools that make it straightforward to get started without a huge investment. But neither does it require a wholesale migration.

Strategic use of the cloud allows you to begin asking questions and creating solutions that otherwise would have lingered forever out of reach because of cost and technical barriers. Datamation makes the same point in its report, *Cloud Computing 2019*: [Using the Cloud for Competitive Advantage](#).

Taking advantage of advanced ERP cloud services becomes much more practical when your applications and data are already there. That means getting your applications not just into “the cloud” but into the right cloud. Microsoft, Amazon, and Google are investing billions in creating next-generation data management tools—and you can take advantage of them for pennies on the dollar. No longer limited by the need to order, install, and configure servers, you can deploy cutting-edge data services in minutes.

## **five**

### **Earn Your Cloud Cred**

Certainly, there has been a pivot in the corporate world. A few years ago, you could express doubt about embracing the cloud, and company leaders would nod approvingly at your caution. Today, IT leaders who are not prepared to [go all-in on the cloud as the modernization strategy](#) must be prepared to explain themselves because “everybody knows” the cloud is the future.

You may indeed score points with company leaders by showing you are embracing that future, but it won’t last if the moves you make do more harm than good for the business.

You do not have to move everything to the cloud, and you should not rush anything. Pick your spots and start taking advantage of cloud technologies with the potential to make the greatest positive business impact.



## Pat Phelan

Vice President, Market Research

Pat Phelan is responsible for research across the enterprise software market, including applications and technology strategies, software vendor support, third-party support, IT leadership discussions, business development and sales execution by providing enterprise software licensees with quantitative and qualitative strategic insights. She works across the organization to support planning for—and management of—the enterprise applications roadmap.

Prior to joining Rimini Street, Ms. Phelan spent 18 years with worldwide analyst firm Gartner, where she served as research vice president for enterprise software and ERP products, and was the leading analyst covering third-party enterprise software support. During her time at Gartner, Phelan provided thousands of CIOs and IT leaders with research and advice on strategies and options for managing the business application life-cycle and costs, and published nearly 300 research reports. Prior to Gartner, she managed the HR systems practice at Grant Thornton, and before this helped to build an HR systems practice at Ernst & Young. Ms. Phelan started her career at Marathon Oil Company as a systems analyst.

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## Michael Bathon

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Michael Bathon is leading the growth of Rimini Street's Cloud Services practice. He has 28 years of experience working with telecommunications, managed services, and cloud technologies. Since beginning his career at EDS, he has worked at Nextel, Sprint, and Convergys, where he led development, production, and customer-facing organizations. Prior to joining Rimini Street, he led the IT organization at Goodman Networks.

Mr. Bathon had also worked with Rimini Street twice as a client, using its services for more cost-effective support of Oracle applications at two different organizations.

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