



## **Cloud Versus On-Premise ERP Solutions**

If you're considering an ERP system for your business, chances are you're being bombarded with choices. As you consider your options, one of the most important decisions you'll need to make is whether to select a cloud-based ERP solution or one that's installed on premise.

The basic difference between on-premise ERP and cloud ERP is clear: On-premise ERP solutions are installed locally on your company's hardware and servers and then managed by your IT staff. Meanwhile cloud ERP—also called SaaS, or Software-as-a-Service—is provided as a service. With this type of deployment, a company's ERP software and its associated data are managed centrally (in the Internet "cloud") by the ERP vendor and are accessed by customers using a web browser.

What may not be so clear is that the type of ERP deployment model you choose can have a significant impact across your business. Here are some key factors that you need to consider when weighing whether to use on-premise or cloud-based ERP software.

### **Cloud**

The most important force impacting computing services these days is probably the cloud. The modern cloud ERP gives companies of all sizes access to an enterprise-wide array of key business features and functionality within one system. This is even more significant for smaller companies, as it helps to level the playing field with larger competitors.

### **Ownership Costs**

On-premise ERP systems usually require large upfront and ongoing investments, including initial software and hardware purchase, ongoing maintenance and the cost of IT professionals. Additionally, on-premise systems require that your IT team spend a significant amount of their time ensuring your system is up and running when you need it, including maintenance of hardware, server rooms and more. When it's time for your ERP system to be upgraded, IT must then redeploy the system across the various users' computers and re-implement customizations and integrations that your business installed on your previous software. Upgrades become a complex and risky task that often are avoided, limiting your organization's ability to reap the benefits of new features and functionalities.

When comparing the total cost of ownership of on-premise ERP solutions to cloud systems, one industry analyst study found that cloud-based ERP can cost 50 percent less than on-site ERP for a 100-employee company over a four-year period.

### **System Upgrades and Enhancements**

On-premise ERP software can be customized, but those customizations are tied to your current software deployment and are not easy to re-implement with future versions. As your ERP provider releases new product updates and enhancements, your previously implemented customizations can be wiped out when you upgrade and your IT team will have to start customizing from scratch again. That is the main reason many companies simply avoid upgrading their on-site ERP software and settle for running their business on out-of-date technology. In fact, two-thirds of mid-size businesses are running outdated versions of their ERP software.

In contrast, cloud ERP solutions are continually upgraded by the provider so you can be sure you're always using the latest, most advanced version of your ERP software. Because of the platform today's leading cloud applications are built upon, your previously implemented customizations and integrations automatically carry forward when the solution is updated, without any additional investment.

### **Improved System Performance and Accessibility**

Cloud ERP often delivers better performance than on-premise solutions. Cloud software architecture is designed from the ground up for maximum network performance, which can mean better application availability than traditional on-premise ERP systems. Cloud-based ERP also offers optimized performance that can adapt to your needs. If there is a spike in your business, cloud ERP automatically adjusts and dynamically provisions additional resources to handle the surge.

It's also important to note that a cloud-based ERP solution provides real-time data that can be accessed via the Internet anywhere at any time. That means that your staff can see accurate information on laptops, smartphones, and tablet devices while they travel or telecommute—all without extra setup fees or ongoing costs.

### **Deployment Speed**

Every ERP deployment takes time and requires careful planning, but cloud ERP offers clear advantages when you consider speed of deployment. Since cloud ERP requires no additional hardware, your business doesn't have to waste time procuring and installing IT infrastructure.

Feel free to reach out to me if you have any additional questions. Mike Kelly  
[Mkelly@tacticalcloudllc.com](mailto:Mkelly@tacticalcloudllc.com).

**Tactical Cloud** is focused on business technology solutions strictly in the cloud. We are made up of financial and business professionals with a strong background in business process review, design as well as system implementations. We believe that technology should accelerate your business growth not hinder.