

## Cloud vs on premise ERP

When selecting a new enterprise resource planning (ERP) system, one of the most critical factors in your decision will be whether you choose cloud ERP vs on premise ERP. Even a more complex decision is whether you stay with your current on premise ERP and follow the cloud path of your vendor, or do you start over with a new robust ERP product.

Cloud-based ERP systems have become much more popular in recent years—especially among small to midsize businesses. According to one recent study, cloud infrastructure spending reached \$37.1 billion in 2016, growing at 15.5%. However, traditional IT spending still accounts for the majority — 63.4% or \$64.3 billion. Companies are moving more resources offsite every year, the on premises vs. cloud debate is still raging.

Cloud-based software is hosted on the vendor's servers (or hosted on company's private cloud – hybrid) and accessed through a Web browser. Where On-premise software is installed locally, on a company's own computers and servers.

Another key difference between cloud and on premise solutions is how they are priced. **Cloud software is priced under a monthly or annual subscription basis** (operating expense). **On-premise software is generally priced under a one-time perpetual license fee** (capital expense). On premise also comes with additional cost to maintain its own infrastructure and skilled resources. The low entry cost of cloud-based software—compared with hefty, upfront perpetual license fees—has contributed to its widespread adoption.

*Here's a breakdown of the advantages and disadvantages of cloud-based vs on premise ERP systems:*

Topic	On-Premise	Cloud	Winner
Security	Your software and infrastructure is within your reach and supported by your trusted team. Corporations	Security is one of the biggest concerns for moving to a cloud ERP. However, cloud service providers can afford and	On-premise is still the winner due to low chances of

	generally feel more secure on an on premise environment.	usually provide a much secure system than a regular corporation.	access from an outsider.
Total Cost and payment options	On premise ERP cost includes additional fees that sometimes not taken into account. The upfront onetime payment for the software is tracked as an operating expense. You need to have budget for infrastructure, additional space, support team and future upgrades to support the system.	Cloud requires a monthly or yearly subscription fee. Total cost of ownership may end up being higher in this. However, it is an ease to company to pay slowly and as a capital expense. A SaaS or IaaS solution can also reduce cost related to infrastructure, maintenance and training.	Cloud is a clear winner in cost model due to its flexibility and additional savings during maintenance.
Customization	Customize your own way under your own rules and guidelines.	Cloud based offer can be configured under a lot of different choices. However, customization is limited.	On Premise
Implementation and Upgrades	On premise ERP implementations are time consuming and can take between 1 -2 years. Upgrades are controlled and scheduled according to your plan. A lot of times upgrades are put aside to handle other projects and companies end up falling behind with the new functionalities. This can cause companies to add additional customizations and later spend more money replacing them with new functionalities.	Cloud ERP implementations are much shorter and within 4-6 months timeframe. Cloud ERP generally receives more frequent updates than an on premise ERP. Cloud team is readily available to deal with compliance. This scheduled update approach can bring scalability to your organization but can be time consuming to	Cloud is the winner due to the agile nature that it helps establish in your organization. It's easier to hire an outside consulting company to provide managed services if internal resources do not have the skills or availability.

		maintain if you have a highly customized system.	
Infrastructure, Resources and training	This approach requires a robust in house team, advanced infrastructure, robust security and additional trainings to keep up with the technology.	Cloud solutions can reduce your maintenance cost by a large amount. It reduces number of internal servers and staff, cut down need for seasonal consultants and can also reduce training cost.	Cloud is a clear winner in this criteria.
Service Level Agreement	It's your complete responsibility to keep the system up and running. Usually companies end up spending additional money to hire outside consulting companies to provide this support.	Most cloud service provider's offer financially backed SLA. If there are in outages (rarely), you receive credit for the downtime.	Cloud

Trend in modern IT is to maintain a network and system that can be accessed from anywhere and anytime from a mobile platform. Cloud ERP and SaaS solution is following that trend and it requires a lot of additional work to keep up with this demand using an on premise enterprise. Cloud ERP also provide robust and easy to use reporting and analytics capabilities that is in high demand by the executives and sales team.

While most vendors have gravitated towards subscription-based cloud software, some vendors still offer on premise or hybrid solutions. In general, the more your organization is willing to spend, the more likely a vendor will be able to accommodate a customized hybrid or on premise deployment.

## ERP Vendor Comparison: Cloud, On-Premise and Hybrid Deployments

Vendor	Cloud-Based	On-Premise	Hybrid
SAP	✓	✓	✓
Oracle	✓	✓	✓
Microsoft	✓	✓	—
Infor	✓	—	—
Sage	✓	—	—
Epicor	✓	✓	✓
Workday	✓	—	—

iLynx management and expert team can help you support your on premise ERP, assess your need for a cloud service provider or a cloud ERP, work with your team to create a strategy, and implement/upgrade your ERP to keep up with modern IT and changing business demand. Contact us for additional details on Cloud ERP service or download our Cloud ERP assessment guide.

Contact [info@ilynxinc.com](mailto:info@ilynxinc.com) if you like further details on iLynx cloud ERP services.



Figure 2: iLynx Certifications and Partnerships

### iLynx Team Summary:

iLynx Inc., is a DC Metro based ERP and Cloud certified IT consulting and Staffing Company providing services that align technology to business requirements. For over a decade (since 2006), iLynx has delivered a wide range of technology support, experience and innovation to state-local, non-profit and federal industry clients with an emphasis on quality and demonstrated leadership.

iLynx provides Enterprise Governance, Independent Verification and Validation, Software and Partner Selection, Cloud Assessment and Governance, Program/Project Management, ERP Upgrade/Support and IT Staffing services.