Q&A: VAI'S KEVIN BEASLEY DISCUSSES CLOUD ERP ADOPTION

In this Q&A, Kevin Beasley of ERP provider VAI Inc. discusses why cloud ERP adoption is increasing for the midmarket and what companies should consider when going to the cloud.

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Cloud ERP adoption has been slower than other business applications; however, this is changing. ERP is beginning to move into the cloud as businesses see the cost-effectiveness and other benefits. This is particularly true for midmarket companies (or SMBs), who often can only implement ERP because of the cloud availability. But there are challenges that companies, particularly SMBs, have to face before moving ERP into the cloud.

In this Q&A, Kevin Beasley, CIO for VAI Inc. explains why companies may want to put ERP in the cloud and what steps they need to get there. VAI (Vormittag Associates Inc.) is an ERP provider based in Ronkonkoma, N.Y. The company's core customer base is midmarket companies, which Beasley defines as being in the $50 to $500 million range.

What's the current status of cloud ERP adoption?
Kevin Beasley: The ERP world has been a bit of a laggard. It was the slowest application to move to the cloud, but the acceptance level has gone up dramatically in the past two to three years. We're probably seeing a 50/50 ratio

between cloud and on premises, but four years ago, it was probably 80/20 in favor of on premises. We tell people that if you're leery of moving ERP to the cloud, start with moving some of your other applications; maybe not your line-of-business, but simple things like email. Other layers like CRM are good as long as they can connect back to your data sources. This way you get to understand the cloud technology and reliability.

Are there any barriers for companies that want to move ERP to the cloud?
Kevin BeasleyKevin Beasley
Beasley: We see cloud ERP adoption as the future, but we also see that 20 years from now, there are still going to be people [who] will want on-premises [ERP] or their own data center for a multitude of reasons. In the North American market, there's still about 35% of geography, like the

Rocky Mountain area, where you don't have access to inexpensive bandwidth. It's a big problem in the Caribbean region, such as in Puerto Rico, where there's a bandwidth constraint going from the island to the mainland, and many times they're saturated and only getting 2 or 3 MB through.

So, we see these technical areas that are holding some of it back. You can get the telecoms together to try to address it, but, in that case, you're talking about actually dropping additional undersea fiber, so it might take up to five years to resolve that. There are things like wireless and satellites, but you can't necessarily control it if you want to run your whole business on it – there's propagation delay and atmospheric issues – so it's tough with an ERP application [that] is your whole business.

Who's moving ERP to the

cloud? Is it mainly large companies or is it most attractive for SMBs?

Beasley: When the big guys say they're going up to the cloud, most of the time they're outsourcing their IT department to some consulting company. The smaller ones who are leaner tend to go directly to the cloud today. As for the SMBs, it depends on the size, the industry and any kind of legacy equipment or legacy attitudes. There's a broad range of attitude across the SMB world. For example, it depends on the employee set. If they're bringing on younger millennials into IT, you're going to get a different attitude toward [platform as a service]. You always have to get over the security threshold, which most people understand now, especially with all the attacks that have happened, so that's a driving factor.

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CIO, VAI Inc.
Complexity is one other factor that's a big driver in moving the midmarket into the cloud. It's not like in the 1980s where you might have had one server running your entire business or in the 1990s where you might have had a couple servers and some PCs. Today, ERP might be multi-tiered; you have virtualization and have to know things like VMware, SAN, SAN switches, fiber channel and complex networking. That's a driving factor and it gets to a point where a lot of SMBs say enough of this; they don't want to be in the IT business where they have to build these huge, expensive infrastructures.

Do some companies have to keep their systems on premises?

Beasley: Yes, some have requirements that they need to be on premises. There are certain companies that look at their industry and say they really need to be on premises, and there are certain countries where they really want to keep their data or have to keep their data in-country. Some local or state governments want to keep some of their data in their states, so those are some reasons why there still will be some on-premises or different types of hybrid-type cloud situations.

Is having a hybrid system a good option, rather than full cloud ERP adoption?

Beasley: Hybrid means different things to different people, but, for [now], we'll assume it means some in the cloud and some on premises. The biggest interest we see around hybrid tends to be around disaster recovery and high availability. You'll keep an on-premises server, but you want to back up and be able to roll those to the cloud. They have an on-premises server and, as transactions hit that server, they instantly replicate to another server in the cloud for disaster recovery, so the servers are kept in sync. That's a common one in the ERP world, especially for your ERP applications.

Does moving to the cloud give SMBs an opportunity to get functionality that's traditionally only been affordable for larger enterprises, like comprehensive business analytics?

Beasley: Yes, you can now get analytics in the cloud, including things like full-blown IBM Watson, and just pump your data into it. It's become much more affordable to do things like that in the cloud. Analytics is huge, of course. People understand it better now and they know the importance of it. It's not like it was seven or eight years ago when you had to explain why analytics is important and why business intelligence is important, so, yes, the cloud has been an equalizer for many of the midmarkets and the smaller companies.

What are some of the first steps that you recommend for companies, especially SMBs, that want to deploy ERP in the cloud?

Beasley: You always go through an educational aspect first, and the first thing we do is to explain all of the particulars of the cloud. It's not simply a case of washing your hands of IT and not having to deal with that anymore. You do need the circuits and the bandwidth to actually go into the cloud if you're running your business on it. It's ERP, it's line-of-business, so if you have a circuits outage, that's something that can be dramatic depending on what the repair time is.

There has to be some backup plan for access upfront and readily available, whether it's from redundant circuits, wireless or some other means. Network security is something that doesn't go away, so you still have to worry about your desktops – viruses, malware and attempted hack-ins. You always have to make sure that everything is secure end-to-end and for the cloud. You also need to review your existing infrastructure, because sometimes you already have the infrastructure in place and it comes down to whether it's time to upgrade equipment like servers, or it's time to move to the cloud.

Who should be involved in the project?

Beasley: You have to talk to more people than just IT and C-level people. Board members will get involved; legal will get involved as to whether or not to put something in the cloud based on what industry that they're in. They'll usually ask a lot of questions regarding security, integrity of data, who gets access to the data, government access, things like that, so you have to answer all those questions and assure people.

Of course, different companies may have different approaches. Some just say that they hear the cloud is great and they've made up their mind that's where they want to go. That's one extreme, but you also have those who want to know nuts and bolts, they want to go see the data centers, walk through them and see that. So, we always go through an educational aspect first just so we can explain everything, and we tell them to talk to various people who use the cloud.