Antiquated technology systems can be a source of business risk and uncertainty. A healthy business manages ebbs and flows with fitness checks along the way. Modern businesses use cloud ERP to monitor health while minimizing risks and finding insights to move the business forward.

Cloud ERP: The Business Health Enabler

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Questions posed by: SAP

Answers by: Mickey North Rizza, Program Vice President, Enterprise Applications and Digital Commerce, and Shari Lava, Research Director, Small and Medium Business

Q. How does technology help small and midsize businesses in a time of accelerating change and disruption?

A. Disruption, risk, change, and volatility are challenges every business must face at some point on the journey to growth. Small and midsize businesses tend to feel disruptions quickly. Navigating volatility requires immediate insights into customer needs and cash management to stabilize the business. The right combination of technologies such as cloud, mobile, intelligent processes, and real-time insights can provide this view. By intelligent processes, we mean the system using its own data to manage, automate, and integrate multiple data sources in context to ensure customer needs are met. Technology, such as cloud ERP, has become an insightful conduit of knowledge for businesses, enabling them to manage through volatility.

Cloud ERP systems are the central place where data comes together to provide a snapshot of the health of the business. Cloud ERP systems can now connect, in real time, critical customer data to operational data such as outstanding customer invoices, payroll, and other business expenses such as outstanding supplier purchases. These insights provide a holistic financial view as well as a complete picture of the business, allowing a company to take the necessary action.

Q. What are the differences between legacy ERP systems and cloud ERP systems?

A. Modern cloud ERP systems are not the painful experiences that legacy systems often were. Legacy ERP systems were often fraught with long implementation cycles and cost overruns, which harmed the user experience and impacted the intended business benefits. Instead, a cloud ERP system provides a continuous pipeline of information that combines customer, product, service, financial, employee, and supplier data into one insightful conduit of knowledge.

Cloud ERP systems can be implemented quickly — in just weeks or a few short months — compared with their legacy counterparts, which could take years to stand up. They can also grow with a business or a contract in volatile times, scaling up and down as necessary. Scale refers to growing/reducing business technology functionality as you go, adding new users/deleting existing users quickly and leveraging/reducing additional processing power as needed. In short, cloud ERP is a modern business technology platform with intelligent innovation, so the business and employees can work anywhere at any time on what the business needs next.

Q. How does cloud ERP help small and midsize businesses improve their visibility into their revenue, costs, and cash?

A. As small and midsize businesses grow, the serious problems of using spreadsheets or basic accounting solutions to manage day-to-day business activities multiply exponentially. The data needed to create a complete picture of the business is located in multiple places and is often out of sync, making it difficult to reconcile or rely upon that data. Without visibility into this data, businesses can miss some important cash management aspects such as customer payments and supplier and employee expenses. Businesses can also be caught off guard by unanticipated expenses that impact cash flow reserved for other key needs such as services, goods, or payroll. Such expenses may lead to the unnecessary use of emergency credit or, worse yet, business closure.

By moving the data into a system purpose built for managing all the financial and operational components of the business (i.e., customer activity, expenses, and the supply chain), a company can better understand its cash position in real time and anticipate monetary needs before they arise. Cloud ERP systems can be connected from customer demand to operations and from order fulfillment to post-sales support. This makes the entire cash-to-cash cycle visible to those who need to see it but with appropriate security, controls, validation, and integration. Executives can see the health of the business and act before there is an issue.

Q. How does cloud ERP help small and midsize businesses proactively manage their supply network?

A. The supply network is the lifeblood of the business to meet customer demand. Volatility near or far can disrupt supply chains, including the sourcing of raw materials, production, or logistics to fulfill customer orders, leading to poor customer experiences. Managing a list of suppliers is even more critical to maintaining the business during times of volatility. As more challenges emerge with supply shortages, the complexities can make it impossible to source goods, much less at the same cost. In addition, increasing eco-sustainability initiatives are critical in some countries, but managing the different requirements can be a nightmare.

Cloud ERP provides early and better visibility by connecting directly to suppliers to validate that the goods they provide are available and meet compliance and sustainability regulations as well as customer requirements. Cloud ERP ensures that when issues occur with primary suppliers, the availability of goods from secondary sources can be easily validated to keep customers satisfied. In cases where issues or delays cannot be avoided, cloud ERP provides the visibility needed to manage customer expectations.

Q. How does cloud ERP enable remote work by employees and still ensure the necessary security, permissions, and compliance?

A. The coming of age of remote work is presenting businesses with new opportunities as well as new enablement, security, and compliance challenges. Although there is the ability to hire from a larger talent pool and potentially reduce real estate costs, there are also challenges in managing employees effectively and enabling them to collaborate across the organization in a secure way that ensures compliance with multiple regulations.

Cloud ERP can help businesses reengineer the employee experience for workers and their managers by digitally enabling activities such as onboarding, collaboration, learning, and performance management. By avoiding the use of on-premises systems that require remote access licensing, cloud ERP also improves the productivity and efficiency of remote workers. Further, cloud ERP provides secure access to the data that employees need while protecting sensitive data. Maintaining data privacy means a company can meet regulatory and compliance requirements, keeping the business healthy.

About the Analysts

Mickey North Rizza, *Program Vice President, Enterprise Applications and Digital Commerce*

Mickey North Rizza is program vice president for IDC's Enterprise Applications and Digital Commerce research practice. She leads a team of analysts responsible for IDC's coverage of the next generation of enterprise applications including ERP, financial applications, procurement, supply chain automation project and portfolio management, enterprise asset management, services resource planning (SRP) and related project-based solutions software, and the digital commerce business network.

Shari Lava, *Research Director, Small and Medium Business*

Shari Lava is Research Director, Small and Medium Business (SMB) research program within the Digital Transformation space. Ms. Lava's core research coverage includes identifying and supporting the unique, evolving needs of very small, small, and medium business technology buyers. Based on her background in the customer applications and data analytics space, Ms. Lava's research also includes an emphasis on understanding the persona and journey of SMB buyers.

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