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ERP Deployment Scenarios: What's Right for My Business?

Are you a small or midsized business that is outgrowing your entry-level accounting software or thinking about replacing an outdated Enterprise Resource Planning (ERP) solution? If so, you have likely uncovered several factors to weigh before choosing what's right for your business. For starters, you'll want an ERP solution that delivers on your terms instead of requiring you to change *your* processes to fit its constraints. After all, if a solution limits your flexibility from the start, how can it *adapt* to meet your *future* needs? You need a solution that makes sense for your business and gives you the elasticity to adjust as your needs change.

The following guide provides an overview of deployment options to help evaluate the model that may best suit your business needs.

Deployment Scenarios: Defined

On-Premises
With the traditional on-premises deployment, ERP software is installed and run on dedicated servers in-house. Under this model, the company owns and services the hardware infrastructure and the installed ERP software licenses.

Off-Premises
Off-premises can include either a cloud-based or a partner-hosted deployment of the ERP solution. Cloud has quickly evolved into an IT industry buzzword, but companies need to recognize that there are significant differences in what each vendor offers as a cloud service.

Public Cloud
Under a public cloud, the ERP solution takes a web-hosting model in which the data and application resides in a remote server and can be accessed via an Internet browser or non-browser applications for your mobile or tablet devices. Public cloud offers a shared or multitenant infrastructure that may be virtualized and is owned by the vendor or the service provider. The customer typically rents the ERP software and infrastructure, and is charged on a pay-per-use or pay-per-user basis.

Private Cloud
A private cloud adopts the virtualized, self-service model of the public cloud; however, it typically does so within the company's firewall and is colocated at the company or vendor-hosted datacenter. The company either owns the ERP software and infrastructure, or vendors may provide an option for leasing this as a service. An important distinction from the public cloud model is that the service is provisioned exclusively for an organization (i.e., single tenancy) without any sharing of infrastructure among multiple customers.

Deployment Scenarios: Considerations

Before picking an ERP deployment option for your company, it is a good idea to evaluate the ROI achieved from each of the above scenarios.

This should be done from a long-term view that also accounts for user growth. Moreover, the chosen deployment option should make sense not just from a cost perspective,

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but also from the perspective of achieving your business, security, compliance, technology, and operational or performance goals. Below are some of the criteria that you should examine:

• Do you prefer your ERP investment to be an up-front capital expense, as is applicable for an on-premises deployment, or an operating expense that is seen in a cloud-based subscription model?

• Do you possess a dedicated and knowledgeable IT staff to support an on-premises deployment, or do you prefer to offload the server and software management tasks to an external vendor?

• Does your business see heavy fluctuations or seasonality in ERP software usage?

• Are there any compliance requirements that restrict you from storing and managing data outside of corporate firewalls?

"The ability to have an ERP solution based in the cloud was critical for us, as it allowed us to deploy the software very quickly. And we were confident knowing that it was a proven product from Microsoft."

– Paul Mooty, Faribault Woolen Mill

On-Premises

With an on-premises ERP deployment, the server infrastructure and software are owned by the company, reside within the organizational boundaries or firewall, and are handled by a dedicated internal IT team. This allows the company to maintain full control over the data and applications. Moreover, the system availability, uptime, security, and disaster recovery objectives are at the customer's control.

On-premises ERP deployment ensures that data compliance is effectively met for certain industries, such as in the financial and healthcare industries, that have strict regulations on where the data is stored and managed.

Although deploying an on-premises ERP solution is typically associated with an up-front capital cost, over the long term and with user growth the solution can offer a lower TCO than a cloud-based subscription model. Companies should evaluate the reasons below and check whether this is true for their organization:

• There is usually a break-even point where the initial investment is paid off; however, with cloud, the subscription costs are recurring.

• Since cloud-based services are paid for as a utility (variable costs), the solution can prove to be less cost-effective as the organization continues to grow. With user growth, subscription costs can become higher than amortized capital expenses.

• With growth, network bandwidth costs can significantly affect company's budgets.

Public Cloud

Most public cloud vendors offer a preconfigured and self-service ERP solution that can be deployed quickly, giving SMBs desirable business agility. When a public cloud offering is designed for a specific type of business, such as professional services or process manufacturing, rapid deployment and minimal customization requirements can further accelerate deployment and time-to-value. Cloud solutions offer flexibility for a variety of end-point devices such as web clients, using a browser layer for presentation, mobile devices, or a specific program interface.

One of the big drivers toward cloud-based ERP is reducing the capital expenses incurred in purchasing hardware, software, and datacenter space related to an on-premises deployment. A predictable subscription fee of a cloud-based service gives companies control and visibility over their operating expenses, while lowering their start-up costs.

Another essential characteristic of a public cloud ERP solution is the solution's elasticity, which allows

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infrastructure to be provisioned dynamically as business demand grows or shrinks. The pay-as-you-use model ensures that the customer does not over- or under-commit resources at its datacenter, as the infrastructure is now provisioned and released transparently by the cloud vendor. For example, the ability to add and subtract users as needed is useful for companies that have variable staffing, such as in retail or project-based companies.

Companies can reduce their IT overhead by minimizing the costs involved in building and training an internal IT support and development team. IT resources can then be focused on more strategic efforts, such as making use of new technology to drive business advantage over their competition. Also, companies need to worry less about deploying software and security updates, managing disaster recovery objectives, and carrying out other routine IT maintenance tasks. These activities are now managed by the cloud vendor, and system uptime is typically backed by a service level agreement (SLA). Moreover, moving the development and testing environments to an on-demand model allows for better resource utilization and faster deployment of changes, which can now be transferred simultaneously to all of the company's locations, with little deployment latency. These benefits free up company IT resources for other tasks that add value to the business.

Application Hosting

Many channel partners also provide a private application hosting model for ERP delivery and consumption. Similar to an on-premises deployment but instead of customers managing their own datacenter, the infrastructure and application management is entrusted to a channel partner that provides hosting services. This allows small and midsize businesses that typically lack dedicated IT staff to take advantage of the hosting partner's expertise and also cut down on their IT overhead.

While application hosting lacks the on-demand self-service model that is supported by a cloud, one should not discount the value that the customer gets from a hosted solution. With a hosted solution, the customer can achieve many of the virtualization, scalability, and outsourcing benefits

of a public cloud. Moreover, a single-tenancy model gives customers flexibility and control over customization, integration, upgrade cycle, and data, which is often not available with a multitenant hosting model.

> "We felt that Microsoft Dynamics ERP hosted by our partner would be a great fit for our business because it required no capital outlay, which was perfect for an organization with very little time to implement a new ERP offering."
>
> – Chip Pate, CompassLearning

Private Cloud

By hosting the ERP solution on dedicated servers within the company's firewalls, a private cloud solution achieves the inherent control, reliability, security, and compliance advantages of an on-premises ERP deployment. The application runs on a single-tenant platform that may include multiple consumers (e.g., different business units of the company).

With private clouds, the server and network infrastructure are designed for high reliability and performance. Multicore CPUs and high-bandwidth network infrastructure allow for virtualization, better resource pooling, and easy and incremental scaling—which is typically only seen in a public-cloud deployment. Virtualization further increases server utilization, lowers infrastructure and maintenance costs, and improves datacenter energy efficiency.

Provisioning the ERP application exclusively for a single customer also makes the integration and customization tasks easier compared with a multitenant hosting. Moreover, companies have an option to reduce their capital expenses by leasing the private cloud infrastructure from, and outsourcing the infrastructure management to, a cloud vendor.

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ERP on Your Terms

Microsoft Dynamics ERP products offer multiple deployment and pricing options, including both on-premises solutions and cloud-based software-as-a service (SaaS) platforms provided by our global network of partners. Whatever your preference, you have the flexibility to choose the option that's right for you.

"After considering our options, we chose Microsoft Dynamics ERP over competing offerings for three reasons: superior technical flexibility, the partner ecosystem, and a long-term cost advantage."

– James O'Brien, Print Management Partners

With on-premises deployment, Microsoft Dynamics ERP software is hosted at your own location on your own servers or at a location of your choice. You can work with a partner to set up the necessary hardware and software, using new systems or available systems that you already own.

In addition to the traditional on-premises deployment, customers have the flexibility to choose either a hosted or SaaS/on-demand deployment. You can work with a global network of Microsoft Dynamics partners that have the industry and technical expertise to help you choose the ERP solution that's right for you.

Microsoft Dynamics ERP and its channel partners offer solutions on the customer's terms, helping to remove friction across your entire business while providing flexibility and choice—whether on-premises, hosted, cloud, or any combination of deployment—that best meets your needs. As a result, you can focus on what matters most to you– your business.

Learn more about Microsoft Dynamics ERP for small and mid-sized businesses.

Learn more about Microsoft Dynamics ERP deployment options.

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