"The most important CEO task is defining the course that the business will take over the next five or so years... You need to be able to both set a broad direction, and also to take particular decisions along the way that make that broad direction unfold correctly."

— Chris Corrigan, an Australian businessman and managing director of the Patrick Corporation

These words are relevant to the business heads and senior decision makers of just about any organisation, since they are the ones responsible for determining the future course for their organisations.

However, this isn't an easy task—especially for those business heads grappling with financial constraints. Talk to them about automating their business with tools like an ERP (enterprise resource planning) solution, and they may respond with a list of ten other business priorities critical for the survival of their business, that rank far above expensive ERP implementations.

The reason is the hefty cost of an ERP implementation, and subsequently, its maintenance. But with ERP solutions now available on rent, things have begun to look up for many such businesses that do not want to invest large amounts on IT, upfront.

### The problems that IT addresses

Business heads do realise that scaling up is as critical as streamlining and managing the growing operational complexity. Yet, probably because of the high investments required, they invariably put the business automation task on the back burner—not realising that scaling up smoothly is entirely dependent on timely IT implementation. This hurdle can be overcome with a rental Web-based ERP solution.

We turned to a few organisations that are using the Web-based ERP solution and to some experts, requesting them to enumerate the advantages of adopting a rental ERP solution:

- **Cost advantage and operational efficiency:** The cost advantage that this model offers is a huge plus point, shares Dinesh Victor, MD, SIP Academy. Headquartered in Chennai, SIP Academy is an organisation that offers children skill development programmes. The organisation implemented the Ramco on-Demand Web-based ERP solution mainly to streamline its operations and regularise the flow of data across the board. "The inconsistency in data across networks, inefficient inventory management, and the resultant revenue leakage, were some of the important factors that drove us to think of adopting ERP software; and the solution is helping us immensely in addressing these challenges," says Victor.

A Kesavan, CEO, Srise Sons, agrees and adds that his company adopted the online ERP solution primarily to get itself better organised and in line with industry best practices.

- **Operational simplicity:** Most
In the case of a SaaS solution, it is important to opt for a good, well-known and reliable solution provider.

Organisations find a Web-based ERP solution easy to use as there is no infrastructure back-end like servers, to be managed. K Satyanarayan, director, New Horizon Media, a Chennai-based publishing company, talks about the prime reason that led to his company zeroing in on a Web-based transaction management system called RayMedi. "We were thinking of deploying an on-premise billing software in our retail stores. But since the stores are manned by people unskilled in software applications, we opted for a Web-based transaction management solution. Since everyone was comfortable working over an Internet browser, a Web-browser-based interface with an additional local offline option proved to be an ideal choice," Kesavan agrees with this view. "Since it is the vendors who offer the continuous product upgrades and back-end support, the solution becomes extremely easy to handle for the end users."

Short implementation time: The best thing about an online ERP solution is that it takes almost no time for organisations to go live with the system. M K Rhaskar, VP, Sales, Parry Enterprises India Limited (PEIL) narrates how the multi-branch implementation at PEIL was done in a span of nine weeks. "Since PEIL wanted to stop using the legacy system from 1st April, 2007 and go live on the new ERP system for its entire business processes, our vendor completed the entire implementation (including support after going live) within a span of two months. The implementation started in February 2007. PEIL too opted for the Ramco on-Demand ERP solution. Victor also shares an almost similar experience: "We started off with 35 organisational units going live on Day Zero of implementation!"

Hassle-free, sophisticated IT infrastructure: When an organisation implements an on-premise ERP solution, it usually gauges its requirements for the next three to five years and invests upfront, accordingly. But organisations that go for the rental/SaaS model, are saved from this risk of locking up their capital in IT infrastructure, which they may or may not make use of, says Kumar Venbu, CEO, GoFruugal Technologies.

Besides, an on-premise model that could cost between Rs 40 lakhs to over a crore, is not a one-time investment, says Sukumar R, general manager—Sales, Ramco OnDemand ERP. He explains further: "An ERP solution also demands regular software and hardware upgrades. But in the rental ERP model, the onus of upgrading the solution based on the latest technologies available, lies with the vendor. This process of upgrades adds up to recurring costs and requires huge investments every time there is a change in the technology or taxation policies. Thus, organisations that use a rental ERP system, enjoy the latest solutions, without bothering about these dynamics." This is also a huge relief for organisations as they can then focus on their core business operations, he quips.

No need for an in-house IT team: Since most small organisations do not want to invest in a full fledged IT department, it is best that they choose a Web-based ERP solution. In this case, they get fully integrated offerings as a service. So they need not invest their time and resources on the integration, deployment and maintenance of such applications.

Rhaskar says that it was because of these considerations that PEIL opted for an on-demand ERP solution. "Apart from requiring huge infrastructural investments, an on-premise solution would have created an IT back-end, requiring regular maintenance," he says.

Low cost of ownership: In most SaaS-based deployments, while the responsibility for the maintenance support and upgrade of the hosted service lies entirely with the vendor, the same responsibility for the on-premise IT infrastructure lies with the organisation when it buys the ERP solution outright. This clear division of responsibility has its advantages, says Venbu. "It lowers the total cost of ownership significantly for firms opting for the rental model. They are only responsible for a fraction of the entire set-up—that which resides inside the periphery of their organisation. For everything else, like data security, storage, and regular back-ups, the vendor who is responsible. Also, the ERP service provider offers uniformity and service levels that cost a lot more to achieve in the on-premise model. So, organisations deploying the Web-based ERP systems benefit immensely at a fraction of the cost," he adds.

Kesavan feels that since it is the vendors who offer the continuous product upgrades and back-end support, the solution becomes extremely easy and cost-effective for end users and his organisation is also experiencing this benefit.

Flexibility of determining usage, every month: Organisations enjoy another freedom, and that is of scaling their IT infrastructure either up or down. This means there is the flexibility to increase or decrease the number of users, as per the changing requirements or satisfaction levels within a firm. "Besides, all this comes at an attractive price point, due to which organisations actually save on both operating costs and on-front investment," says Venbu.

Enables better decision making: Any business ought to capture data of all sorts, be able to analyse it for insights, and take action based on these observations. "Being informed about each aspect and work process of the business proves immensely useful especially when a business is growing," says Satyanarayan.

Besides, when using an ERP solution, data integration across the organisation becomes more effective, says Victor. "This leads to many advantages, like better cost management and improved skill and competency levels of the work force—factors that are critical in the growing stage, and difficult to achieve without this model, that too, at such low costs," affirms Victor.

Anytime, anywhere access: A Web-based ERP solution can also enable officials on-the-move, those operating from different branch offices or from home, to access the organisation's ERP system and feed in or extract information from it. This leads to anywhere, anytime access to organisation data. This advantage makes it ideal for multi-branch or multi-location set-ups, says Rhaskar. He goes on to say, "It's because PEIL opted for this kind of a solution: "With its head office in Chennai and branches across South India, the company required an integrated system that could consolidate purchases from all the branches, track stock items that were transferred to branches and manage local sales. The company wanted a system that could efficiently cater to its multi-branch, multi-location requirements; in other words, something that could render a holistic view to the overall organisational processes. This was achieved through the rental ERP solution."
Criteria for evaluation

It is important to understand that every organization is different and so are its requirements. Yet there are a few factors that are critical from the point of view of selecting the right solution. Let’s first look at the factors you may want to consider while zeroing in on this kind of a solution:

Look for a reliable vendor: As with any business purchase, experts advise doing a comprehensive survey before opting for an ERP solution. The aim should be to gain knowledge about the different solutions and vendors available in the market. Since the custody of your firm’s data is with the service provider, in the case of a Saas solution, it is important to opt for a good, well-known and reliable solution provider, cautions Kunal Singhal, CEO, Singhal System Solutions.

Talking to other organizations that have adopted a similar ERP system also helps. This way, firms can get to know the pros and cons of choosing a specific vendor. The aim should be to zero in on a service provider who is reliable and has a secure solution with a successful track record of implementations, preferably in your own domain.

Document data security and privacy policies: Data security and privacy are critical evaluation criteria while choosing a Web ERP solution. It is very important that the vendor has a clearly defined policy on security and privacy, including specifying if, when and for what reasons the customer data is ever accessed by the vendor, states Vembu.

Considering the criticality of this aspect, it is important to have the appropriate non-disclosure agreement and privacy policies documented and signed; otherwise things could get difficult later. Kesavan agrees and says that his company also opted for an online solution only after receiving assurances and clear policies from Ramco.

So organisations adopting Saas services should ask their Saas vendor to provide them their data security and privacy policy, processes and tools so that they know the checks and balances that they need to exercise while dealing with their service provider.

Look for a solution specific to your industry: It is ideal to go in for solutions that are modelled on the requirements of a specific industry vertical. Vembu says: “Typically, the sales, purchase, material management, financial accounting and CRM modules are standardised but the production module requires a lot of customisation to suit the specific needs of a business.”

Sukumar adds that since each business has its niche requirements, especially when it comes to the reports that it requires the ERP system to generate, it really helps to adopt a solution that is tailored made to suit the nature of its core operations.

Go for IT only if you have access to good Internet connectivity: Another important requirement for a Saas solution relates to the availability of Internet bandwidth, affirms Singhal. The Internet is accessible at an affordable cost in metros and big cities. But it is still a luxury in most Tier-II and Tier-III towns. Any Internet downtime translates into work downtime, and this can eventually lead to loss of business, he adds. So it is good to opt for a Web-based ERP solution only if your business and its branches are located where Internet connectivity is good so that this factor does not become a bottleneck.

And lastly... a few best practices!

We also tried to look into the best practices that businesses can adopt to make the most of a Web-based ERP system, before and after the implementation.

Assess essential user-level requirements: It is important that organisations make an elaborate plan in the pre-implementation phase during which all the key business requirements are listed and modelled accurately, advises Sukumar. Bhaskar adds: “It works best to evaluate the user-level requirements, before hand.” He narrates how PEIL prepared for the implementation: “Since the nature of operations for a trading business is very different from that of a manufacturing unit, the company invested time and discussed the process-level and end-user requirements with the solutions provider. All key processes that were required to be integrated into the new ERP system, were re-defined.”

Involvement of the management: Typically, in a large organisation, there are several professionals and a well defined organisation hierarchy that helps in easy implementation of an ERP system. In most small and medium organisations, a well defined hierarchy is absent; so it becomes crucial that members of the top management personally monitor and oversee the entire pre- and post- implementation process, says Kesavan. “Any ERP system, for that matter, will fail if it is not implemented with total commitment from the top management,” he quips.

Training: The success of any ERP implementation also depends greatly on the way the new systems are adopted by the employees of that organisation, says Bhaskar. The management at PEIL addressed this requirement, meticulously. To ensure the employees adapted well to the new systems and processes, at the very outset, training for all employees was conducted for three consecutive days. This helped in drastically reducing the training time and also in ensuring that all PEIL employees, across branches, were in sync with each other, he adds.

Kesavan too feels that acceptance by the users is crucial to the success of the ERP implementation. “Since at the initial stages, an ERP system appears to be alien, a lot of motivation,
UserSpeak on ROI

"While we are not yet in a position to assign a number to the ROI, the solution has helped us in capturing a lot of data at the point of sale, track the sales on a real-time basis and also replenish, keep track of and reconcile the stock at the mobile billing locations, efficiently."

— K. Satyanarayan, director, New Horizon Media

"At the micro level, efficient supply chain management, effective tracking of materials, reduced operating and inventory carrying costs, efficient tracking of accounts payables, online financial reporting, and greater resource sharing, monitoring and control, are some of the advantages that we are experiencing."

— M K Bhaskar, VP, Sales, PEIL

"As a small scale industrial unit, we have now moved into being more organised and are sure the actual savings related to managing the supply chain very efficiently will flow in a short span of time. We expect this to be quite a good sum."

— A Kesavan, CEO, Sriniv Sons

"We are yet to quantify the ROI derived from this ERP solution, though this technology has enabled our employees to develop into a high quality multi-tasking team, supporting our frontline businesses, actively. We are able to make a professional presentation of data to our clients. And, most importantly, the efficient inventory management has resulted in huge savings, by minimising cost dilution to approximately the tune of Rs 1 million."

— Dinesh Victor, MD, SIP Academy

pushing and prodding is required at the individual user level, within the organisation, so that users can adapt to the ERP system. People usually express immense resistance in moving away from the legacy practices.

"This could also lead to data not being updated regularly. And since a Web-based ERP is an online solution, maintaining it online is a pre-requisite. Not doing this can result in information turning useless and becoming junk."

Look for low-cost machines: The purpose of having a low-cost ERP solution gets defeated if companies end up spending too much on end user computers/laptops. A majority of the staff in organisations require computers for basic functions. A full fledged high-end laptop or desktop can add to costs. A customised low cost terminal (between Rs 5000 to Rs 10,000) can serve the purpose, in cases where the user level requirements are not too specific and application-rich, says Satyanarayan.

Vembu adds: “The ideal access IT infrastructure for the Web-based ERP solution is that where the edge device is dumb and low cost. This means, the access devices should not be the desktop computer we use today but very low cost, dumb devices with low storage and sufficient just to support offline transactions. The less intelligent the access device is, the lower the capex (capital expenditure) and the opex (operational expenditure) are.”

So, choosing a Web-based ERP is more like entering into a strategic partnership alliance with a third party. Thus, it is critical to make the initial investigations, thoroughly and choose the right partner. Once the right first step has been taken, companies should then work towards leveraging the solution, meticulously. After all, whether in business or in life, any resource or tool works for us only when we understand it to the core and learn to use it, effectively and optimally.