



Are traditional on-premise mega-vendors really committed to Cloud, or is it just a strategy to perpetuate and protect their on-premise legacy?

All major analyst groups confirm high demand for Cloud services. In 2011, Gartner reported that the Cloud is the number one technology affecting IT. Forrester Research reported that over the next 12 months the majority of companies plan to increase cloud spending. In 2012, the Cloud is no longer a novelty - customers and vendors are rapidly adopting the technology.

Mega-vendors typically follow technology trends instead of creating them. Cloud ERP Software follows this behavior. Mega-vendors are committed to Cloud offerings, but lag the market in terms of releasing products. This causes the market to doubt their commitment, but the complexity of building an offering may be more to blame than the commitment of the mega-vendors.

Committing to the Cloud requires a full company effort. Cloud vendors such as Acumatica have been working on our software for many years, but more importantly, we have been developing a business around SaaS and Cloud offerings. In addition to software, the Cloud requires a new business model, new sales techniques, new partnership models, and new support models.

To cope with these challenges, some mega-vendors have developed hosted versions of existing legacy software. These efforts are mostly stop gap measures to enter the market. Hosted legacy software provides some of the benefits of Cloud such as outsourced IT and remote access, but doesn't deliver the same advantages as a web-based application that is designed specifically for the Cloud. A web-based solution has several advantages over hosted legacy software. First, it eliminates client software to reduce IT and maintenance costs. Second, cloud solutions provide access from anywhere without the complexities of VPNs or remote access software. Third, cloud-based systems are designed to minimize network traffic and deliver data to mobile devices. And finally, systems designed for Cloud have security models to ensure that a compromised client will not impact the integrity of the system.

The challenges associated with developing a Cloud application and changing organizational behavior cause mega-vendors to launch stop-gap products to get to the market quickly. This gives the appearance that they are not fully committed. But, commitment to the Cloud is a long-term undertaking. There are several things that mega-vendors can do to expedite their delivery process ...

The mega-vendors are buying up pure-play SaaS companies. Will they succeed in using those acquisitions to help change their companies to the SaaS culture and business model?

There are two challenges associated with moving to the Cloud - software challenges and organizational challenges. Companies can solve the software challenge by purchasing a pure Cloud vendor or by utilizing a software development platform developed specifically for Cloud applications. The organizational challenges need to be solved through training, hiring, and incentive plans.

In the ERP software space, mega-vendors have taken different approaches building their Cloud solutions. SAP elected to build their software in-house, Microsoft is entering the market through legacy hosting, Sage has purchased ERP solutions, Oracle is biding their time, and Visma is building an offering by using a cloud platform.

Time will tell the best way to acquire a Cloud solution, but we can gather some initial insights based on events over the past few years. Building a solution on your own is difficult as the experience of SAP ByDesign illustrates. After years of work and a product re-launch, SAP has little to show for their efforts.

The most interesting approach is the one being taken by Visma. Instead of re-developing core accounting functions on the Cloud, they opted to OEM our platform technology to build a new line of software that will be targeted to small and medium sized businesses. The benefits of this approach include faster development timelines, lower costs, and faster market entry. This approach also ensures that Visma will have a complete understanding of the software that they develop which will help with support and maintenance activities.

Using a Cloud development platform will also help the mega-vendor face the equally important

task of transforming their organization. Purchasing a separate SaaS company will create a new and growing revenue stream, but will not transform the existing organization. Using a Cloud platform will involve the entire organization in the development and planning process so people are more interested and knowledgeable of the Cloud solution. This will improve the sales, support, and adoption of the new products.

One of the most difficult issues facing mega-vendors is managing their existing installed base of customers. Many mega-vendor customers want the benefits of cloud such as reduced IT costs, browserbased access, scalability, current and up-to-date software, but these customers have already paid for their software as well as software customizations. A properly designed Cloud solution requires a completely new code base. This means the mega-vendor must convince customers to purchase their new solution, perform a data migration, and pay to rebuild their customizations. For many mega-vendors this seems like a lot of work, but the risk of not doing it is that customers will begin investigating different vendors.

With relatively little advantage associated with moving existing customers, mega-vendors need to sell cloud solutions to new markets. This is a difficult task - especially if the company purchased a pure-SaaS player. Sales teams that understand the intricacies of existing software will not know the new software or the new sales process. Training can help solve these problems, but unless the commission plans are changed and new people are hired, sales people will follow the path of least resistance and sell the legacy (non-Cloud) solution.

A combination of OEM development, intense sales training, new commission plans for recurring revenue, and partnerships with service/hosting providers will help mega-vendors market and sell Cloud solutions.

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