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## Death of ERP as we know it

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*This vendor-written tech primer has been edited by Network World to eliminate product promotion, but readers should note it will likely favor the submitter's approach.*

ERP systems are used throughout most large enterprises, with SAP and Oracle accounting for 80% or more of the installed based in regulated sectors such as pharma and energy. But these same systems, with their million development budgets and long learning curves, have been singularly unsuccessful in smaller enterprises.

Small businesses often rely on long-since outgrown systems such as Quickbooks, lashed together with a range of best of breed point-solutions, each one with its own architecture, user interface, and data input needs, often requiring the same data to be input multiple times.

Try as they might, legacy ERP players have not yet made a dent in the vast and untapped market that is small and mid-sized businesses. So instead they raise maintenance fees for existing clients, acquire and graft on point solutions, and look for new technology plays to get existing customers interested in spending more money.

At the same time there has been an explosion in the number and popularity of small, best of breed web-based business [applications](#). From Google Documents to Salesforce.com CRM, these applications are often delivered via the cloud, offer fairly narrow functionality with a mostly fixed set-up and non-configurable user interface, have very limited industry-specific functionality, are easy to deploy and use, are

mobile and social, and compared to the legacy ERP systems at least, are cheap. Sometimes, in fact, they are even free.

What gave rise to the interest in these Web-based tools? Various factors are influencing business management software decisions, such as:

- the explosion in mobile users
- consumer apps raising the bar for business user interfaces
- social collaboration trends as email gets replaced by chat and conference
- general acceptance of cloud-based business applications as being reliable, scalable and cost-effective, thanks to a vibrant and competitive cloud-infrastructure market.

But really, it all boils down to one thing: cost. Today's businesses, large and small, simply refuse to pay upwards of \$20,000 per seat for the fully loaded software, hardware, consulting and internal implementation labor that legacy ERP systems demand.

And today's businesses, large and small, simply won't pay upwards of \$2,500 per seat per year for the fully-loaded subscription, add-on service and outsourcing fees the same ERP vendors are gunning for with their on-demand offerings.

### [Simple steps to keep your ERP upgrade on time and on budget](#)

What's more, the legacy ERP systems, with their thousands of developers, sales people and global offices, won't survive on fees ranging from \$5 to \$50 per user per month that smaller businesses in particular are willing to pay for their systems - for all their systems combined, that is. Because they use outdated technology, it costs today's ERP vendor more than that to simply deliver their on-demand software to a new client, even without taking into account their fixed costs such as sales, marketing and software development.

At the same time, building an IT strategy on a mix of point solutions is a fool's game. It's all very fine to start with Quickbooks and then add Salesforce.com CRM and payroll from someone like ADP. But then if you add a project management tool, an HR admin system, a procurement system, a contracts system, time and expense tracking, perhaps a supply chain system, plus reporting and collaboration, workflow tools and some mobile apps, before you know it businesses with more than 25 employees have more than 25 systems, each one with its own management

bottlenecks and IT budgets, not to mention duplicate entry of data and no single version of the truth.

What is needed is for ERP as we know it today to die, and then to rise anew again.

Not to rise with the same 1980's platform, but to define new systems from scratch, designed on technology from this millennium, with scalable, low cost and easy to use and manage cloud-based architectures that can be easily tailored for each industry sector. Then, world-class ERP systems will come down in cost to a level that smaller companies can stomach, and these end users can finally stop relying on a stack of point solutions and get something they can really use.

*iBE.net is a developer of business management software for SMEs.*

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