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The Three Stages of The Enterprise Software-as-a-Service (SaaS) Relationship And What To Do Next

When picturing the relationship between the enterprise and the Software-as-a-Service (SaaS) business model, I imagine an evolutionary process that can be divided into three main stages. The first let's call 'The Comfort Zone'; the second 'The Enlightenment'; and the final stage 'The Re-Assessment'. Once we examine these we can then decide upon the right course of action when choosing how to adapt to the IT demands of the enterprise.

The Comfort Zone

First let's look at the enterprise company. Typically it may be a bit strapped for resources and possibly even struggling to find the staff to assign to some of their most mission-critical IT projects in one of their departments.

And then there's the SaaS business model – now a major trend among enterprise corporations. Most major SaaS players, such as Salesforce.com provide some form of web-based application functionality. Also known as on-demand, these guys charge their customers on a per-use subscription basis. And it's a particularly attractive and efficient alternative to on-premises applications because it reduces the significant risks and costs of CRM implementation (and we're all aware of the success rates of most CRM projects).

The major advantage of SaaS is that it can exist within the enterprise - similar to an ICBM missile silo within a military network – where the silo remains completely self-contained. The great thing about SaaS, from the enterprise's perspective, is that it allows the business people to operate independently from IT, typically requiring only minimal input from them. It also makes life much easier for the CFO - allowing finance to make on-going payments rather than have to allocate and then justify a full-blown investment.

So SaaS really offers a 'comfort zone' solution for both the business and IT departments. SaaS offers the department's user group a fully-functioning solution in quick time, while freeing IT from the worry and cost of having to implement a large on-premises IT project, or build the application in-house. A typical example of such a success is Salesforce.com, where a rapidly implemented sales force automation solution makes for happy sales staff and company executives alike. A win-win solution for all involved – for the time being. This leads us on to our next stage, 'The Enlightenment'.

The Enlightenment

One of the great barriers to maximizing the full value of SaaS comes from the very reason the enterprise adopted it in the first place. The 'silo' effect means that the on-demand application remains effectively disconnected from the other applications that run in the enterprise, with the result that its information remains compartmentalized.

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In the case of on-demand CRM solutions, SaaS software running solo can be viewed as a set-back to the process-driven enterprise, working in opposition to the goals of architects and business process analysts. And as a result, the enterprise, while happy with the fact that their mission-critical tasks are being performed, now begins to grumble.

Add to this the following issues and a re-assessment become almost inevitable:

1) The lack of automation that comes from being disconnected from the enterprise's in-house applications means more data duplication, more manual entry and more human errors. You can't even imagine how much enterprises are spending on these problems today!
2) As the on-demand application acquires increasing quantities and quality of information, other departments will want to buy-in and enrich their own applications with this data.
3) With the on-demand application becoming further enriched, your CIO will eventually want to apply some ownership to the system for security's sake. Whereas in 'The Comfort Zone' it was more convenient not to own the system, now the situation becomes reversed.

And:

4) With continued growth of subscribers to your on-demand application, eventually the enterprise will want to re-evaluate the license cost structure and subscription fees.

The Re-assessment

Our enterprise now knows both the benefits and drawbacks of SaaS applications. Essentially the enterprise now needs to transform their SaaS application from a department-level tactical system to an enterprise-level solution to eliminate the duplicated work and manual processes, and to find a way of milking more value from their application and creating a more favorable cost-structure for the long-term.

The enterprise is essentially faced with two choices:

1. Find an alternative solution to their on-demand application. This would normally mean going back to square one, with an on-premises solution or home-grown application, and losing all the appealing benefits of SaaS. This is a definite no-go.

Or:

2. Somehow, bring their on-demand application more into the enterprise and integrate it with their existing applications.

The Value of Integration

I do believe that integration is really where the greatest value lies. Integration ties your on-demand solutions into your existing business infrastructure and enables both your on-premises and on-demand applications to work together in a way that gives them significantly more power and scope.

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With integration, companies can multiply the power and reach of their Salesforce.com, SAP, Oracle JD Edwards, Movex, and other applications, allowing the enterprise to efficiently and automatically share and update information company-wide.

Comprehensive information sharing gives both employees and management a fuller and more accurate picture of their overall business. Such a view allows management to make better business decisions, be more responsive to the customer's needs, and get more efficiency and return out of their business transactions.

Integration Infrastructure vs. Custom Code

A word about custom code. The advantages of integration infrastructure over custom-code integration solutions are clear. Custom coding is inherently more risky since it's a one-off that hasn't been tested in multiple scenarios. It's also man-dependent: If you loose your coder after a year on the job, your project may be lost. While custom coding can seem an attractive alternative for some integration projects, the process is also time-consuming and inflexible when changes to the original architecture are needed. Few enterprises have the luxury to wait for their custom-code project while the market continues to evolve and move on. And when changes are required to your business process, or new applications must be added, many of the existing coding threads become redundant and need to be re-written.

Conclusion

So while I recognize that "integration" is a word that may scare many SaaS users and IT staff, the benefits far outweigh the potential fears.

Like in any industry, there will always be vendors out there willing to promise you integration at the push of a button, and who make it appear far simpler than it may be in reality.

The important thing is to choose a vendor that has the project experience to bring to the table a productive tool-set and powerful technology stack that can handle any integration scenario – whether straight-forward or more complex. Remember – the last thing you want or need is to start introducing custom coders and extensive consultancy that will push off your ROI and make you wonder why you didn't stick with the more expensive and time-consuming on-premises solution. Integration remains by far the more cost-effective and practical solution for the enterprise. And when undertaken correctly, will bring your enterprise – SaaS relationship to the next level. Just make sure to integrate with a partner or vendor who really knows how to deliver on their promises!

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About the author: A Swiss based Board-level professional, Avigdor Luttinger helps technology providers achieve their business objectives by leveraging their core competencies and the market opportunities; he is one of the founders of Magic Software Enterprises, and continues to dedicate a significant amount of his time to the company, where he functions as Vice President of Corporate Strategy. With over 25 years of experience and recognized expertise in the software industry, Luttinger is a frequent speaker and contributor at industry conferences and publications, and is also Executive Consultant at APL Technologies & Management Ltd. Luttinger currently covers Cloud Computing, Mashup technology, High Performance Workplace, Application Platforms, BPM and Integration. He holds an MBA from INSEAD in France and M.S. in computer sciences from the University of Lyon.

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