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SaaS Brings CHANGE TO IT

Business & IT Lock Horns On This Building Trend

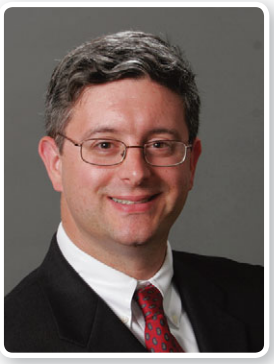
KEY POINTS

▲ SaaS integration removes traditional IT responsibilities but creates new requirements based on service delivery and communication with vendors.

▲ Opinions on potential SaaS adoption can vary based on existing IT skills and background, as well as understanding by business managers of the technology's value and impact.

▲ Business managers tend to be the primary drivers of SaaS, but IT professionals can also support its integration due to its ability to remove busy tasks.

▲ Licensing issues can abound with SaaS due to complex issues around in-house ownership, management, and vendor policies.



Once considered the big bad wolf at the door by many IT professionals, SaaS (software as a service) is now a seemingly welcome presence in many enterprises. At least, that's how its presence might appear from the outside, but lurking on the inside of organizations that adopt SaaS are often confusion and even contention between business and IT groups looking to find the right fit for these services. As SaaS rides the burgeoning online trend into the future, businesses will increasingly grapple with the potential impact of these solutions on their IT departments.

"SaaS isn't so much changing IT as complicating IT," says Scott Lever, managing consultant with PA Consulting Group (www.paconsulting.com). "SaaS is great in concept and, in some cases, great in execution. But it's a mixed blessing for CIOs. SaaS solutions tend to cut across other enterprise initiatives CIOs are trying to drive forward, such as application and infrastructure consolidation efforts, single sign-on and user authentication efforts, standardization, and enterprise security. SaaS initiatives are frequently driven by business executives without the full participation of IT, creating conflict."

> "IT professionals tend to be a little bit more realistic about the advantages and disadvantages of SaaS. But a business manager has to sort out the legitimate concerns from a fear about SaaS challenging the IT model."
>
> **Scott Lever,**
> *managing consultant, PA Consulting Group*

The lure of significant cost savings and other benefits might tempt business groups to rush SaaS deployments, but lost in those plans is the understanding that IT still retains primary responsibilities around these technologies. These tasks might not resemble conventional IT tasks, but they remain critical not only to the success of SaaS, but also to the IT organization and business as a whole.

Impending Impact

The basic premise behind SaaS typically holds that IT no longer is required to perform hands-on duties with in-house software and other pieces of the conventional IT puzzle. Although that might ring true to a certain extent, SaaS integration generally doesn't mean that IT has fewer responsibilities. Instead, requirements shift to a more service-oriented approach—assuming that current IT personnel are up to that task.

"SaaS for IT allows the IT department to focus more on delivering service and value to the business rather than keeping management tools up and running," says Craig McDonogh, director of product management for ServiceNow (www.service-now.com). "SaaS helps IT transform from a traditional role of infrastructure caretaker towards a new role of service broker. By necessity, as a broker, IT builds a much better understanding of relationships with the business."

That traditional "caretaker" role can be diminished with an increased presence of SaaS, which shoulders the burden typically associated with software integration. For example, Mike Meikle, CEO of the Hawkthorne Group (www.mikemeikle.com), illustrates the example of a potential SaaS customer looking to procure a CRM tool. With a client/server

or self-hosted Web application model, this customer would need to obtain the software and hardware, install and maintain the system, and train the support staff and user community on the package.

"This process could take over a year to complete. Also, this is a capital- and resource-intensive process that comes with a significant amount of risk due to the cost expended just to bring the solution to a usable state. With a SaaS CRM solution, the customer would choose a provider of the software, sign a contract, and begin using the solution after training," Meikle explains.

In theory, SaaS eases the traditional software integration process, but reality can paint a far different picture. According to Larry Scinto, managing consultant with PA Consulting Group, SaaS vendors might promise business users and executives a hassle-free, complete solution, but these services can present challenges for larger IT departments and global companies that must integrate data, information, and workflows between SaaS applications and other corporate/business applications and processes. As a result, fully leveraged SaaS requires IT personnel to have strong information/technical architecture and data management skills.

Inside SaaS Support

As the SaaS evolution—or perhaps revolution—continues, the scale of opinion among IT managers toward these technologies isn't tipping heavily in one direction or another. In many cases, the prevailing attitude toward a potential SaaS influx depends on the background and skills of the managers and their departments. Jason Wisdom, president of Wisdom Consulting (www.jasonwisdom.com), notes that network-oriented IT managers tend to lean toward SaaS due to its more centralized control, while data-oriented managers can be skeptical because SaaS places data control (including security and uptime) outside of company walls.

"The other thing about SaaS is that customization can be difficult. Some in-house installations come with source code, so that over three to five years, enhancements can be made by in-house staff, adapting to desired features and other systems. Some IT shops tend to run extremely customized systems—especially larger organizations that have been running and customizing their system since [the late '90s]," Wisdom says.

However, IT managers aren't unaware of the positive impact on risk and costs, which can boost their overall attitude toward the trend. According to Meikle, cost and risk are reduced through less capital expenditures, the flexibility to change a solution if it doesn't fit the enterprise, and the reduction of IT involvement in day-to-day systems operations. On the other hand, the prospect of risk can also have an adverse affect in terms of influencing IT opinion.

"Those who worry about IT risk and compliance are very cautious about SaaS models because so much is outside the control of the IT department," Lever says. "Industries that are risk adverse and driven by regulation and compliance concerns—oil and gas, finance, and life sciences—are typically early adopters of new technologies, but with SaaS they are largely taking it slowly or letting it be used in areas far away from the core business. Privacy concerns are also slowing its adoption in certain business functions, such as HR and finance."

> "SaaS gives IT access to tools that just work, naturally allowing IT to provide a higher level of service. But IT transformation is not achieved overnight."
>
> **Craig McDonogh,**
> *director of product management, ServiceNow*

Trend Drivers

Business managers understandably favor affordable, effective IT solutions, so it's no surprise they tend to be the primary drivers of SaaS in organizations. Scinto says that business managers can see SaaS as a way to "get what they can't" from IT, particularly when vendors push solutions that are functional, simple to understand, and relatively affordable. This inherent value isn't always lost on IT professionals, though, even when such services can loom as a potential replacement for tasks or even personnel.

"Some IT professionals who have had experience with SaaS applications understand how they can reduce costs and reallocate resources by adopting SaaS," McDonogh says. "Other IT professionals are more skeptical of SaaS because they have seen it used in parts of the business to create 'shadow' IT organizations—like in the sales force—and take control away from IT. On the other hand, some business managers who have used SaaS to accelerate their own processes are advocates of SaaS and drive it into IT."

Although SaaS can create an intimidating rift between management and IT, experts agree that these groups should work together to extract the most value from SaaS. The prospect of SaaS deployment

can spawn concerns around office politics, jobs, costs, risks, and overall pros and cons, Scinto says, but none of these issues can be addressed only by IT managers or only by business managers. Furthermore, neither group should assume that the other is necessarily for or against the possible introduction of SaaS.

"Proactive IT managers like the possibilities SaaS offers for non-core applications and functions, because SaaS alleviates headaches, enables IT strategic focus on key business improvement opportunities, and provides more transparent and easier charge-backs for services. We've also seen several business groups resist SaaS once they realize they will actually have to pay for use rather than just demand IT deliver everything for free," Scinto says.

> "With a SaaS solution, IT staff are responsible for working with the vendor on support, enhancements, and training. They no longer manage the day-to-day system operations and maintenance, which consume a large portion of available IT resources."
>
> **Mike Meikle,**
> *CEO, Hawkthorne Group*

> "SaaS involves a different set of tasks and challenges from hosted software. Server setup and maintenance are not as important; however, integration and API work is generally increased, especially in custom-tailored environments."
>
> **Jason Wisdom,**
> *president, Wisdom Consulting*

Licensing Anxiety

Other issues, such as licensing and training, also inevitably combine to transform IT departments that bring SaaS into their fold. On the licensing front, businesses won't encounter the piracy concerns typically associated with in-house software installations, because access control is granted by service providers on a per-user or per-use basis.

Conversely, Wisdom notes that various levels of fraud can still haunt IT departments that are overseeing the use of SaaS applications, including multiple users logging into a one-user account or multiple companies pooling together for one umbrella subscription.

Other licensing challenges can arise when SaaS applications are integrated with other (non-SaaS) applications, Scinto says. Similarly, SaaS solutions that bundle many applications can cause problems when license ownership and management responsibilities are spread among many internal IT managers and even third-party SaaS vendors, he adds. Although the core model of SaaS should lead to a better licensing process in theory, not all vendors are helping the cause.

"It is very important to note that not all SaaS vendors have chosen to provide a simple approach to licensing," McDonogh says. "Some have merely extended their legacy models to a hosted environment they call 'the cloud' yet still charge for mobile clients, file storage, reporting, etc. . . . Traditional legacy software licensing models tend to be convoluted and impossible to manage, with multiple levels of licensing for applications, servers, users, processes, nodes, devices, and so on. Moving to SaaS should be seen as an opportunity to fix this."

SaaS throws another wrench into the IT engine when it comes to training and support. According to Scinto, there has been a large increase in service desk and service management requirements due to SaaS, just as with any outsourcing. This leads to a significant amount of communications and change management across both business and IT stakeholders, he says, and more training and customer support will be needed as business users seek to tweak and customize SaaS workflows, outputs, reports, and other elements.

"This will require IT support and education, as traditional SaaS solutions look to provide a standardized set of workflows/outputs," Scinto says. "Stakeholder expectations need to be managed to understand that there are flexibility tradeoffs with SaaS. Configuration options will not meet all business customization requirements or desires. This is an important point to take into account when evaluating SaaS opportunities. Applications and IT solutions that require future changes or customizations may not be good SaaS candidates."

Meikle adds that more mature organizations use a SaaS model to free up IT staff to work on more tailored solutions for their customers that provide additional profit. Further, while some businesses will deploy their IT staff as business liaisons for the new systems, others look to SaaS to reduce training costs by placing the business support burden directly on the SaaS vendor and moving the remaining IT staff into other projects or support areas. ▲