



Speed, Agility: The SaaS Killer Apps

Executive Summary

Buying software as a service (SaaS) helps companies compete by democratizing, decentralizing and speeding application deployment. SaaS allows local business units to quickly identify and deploy the applications they need to meet ever-changing business requirements. However, the unrestricted freedom to deploy and customize SaaS applications can lead to inconsistent processes and data that can harm the business and result in the same high maintenance costs that plague in-house applications.

In our work with SaaS providers and customers, we have identified the key controls required to properly balance flexibility and adaptability with corporate needs for consistency and control. As we describe below, these include program and data management to ensure data integrity, process consistency and reduced ongoing maintenance costs across SaaS implementations.

SaaS: The Business Upside

The move to SaaS is being driven, in part, by forces such as globalization; the virtualization of teams, processes and platforms; the rise of millennial workers; and cloud technology. These trends enable more agile and flexible ways of working internally and externally with business partners and customers. But to reach new levels of effectiveness, organizations need to quickly and adeptly scale their operations, infrastructure and investments to meet ever-changing business conditions, even as the global economy recovers.

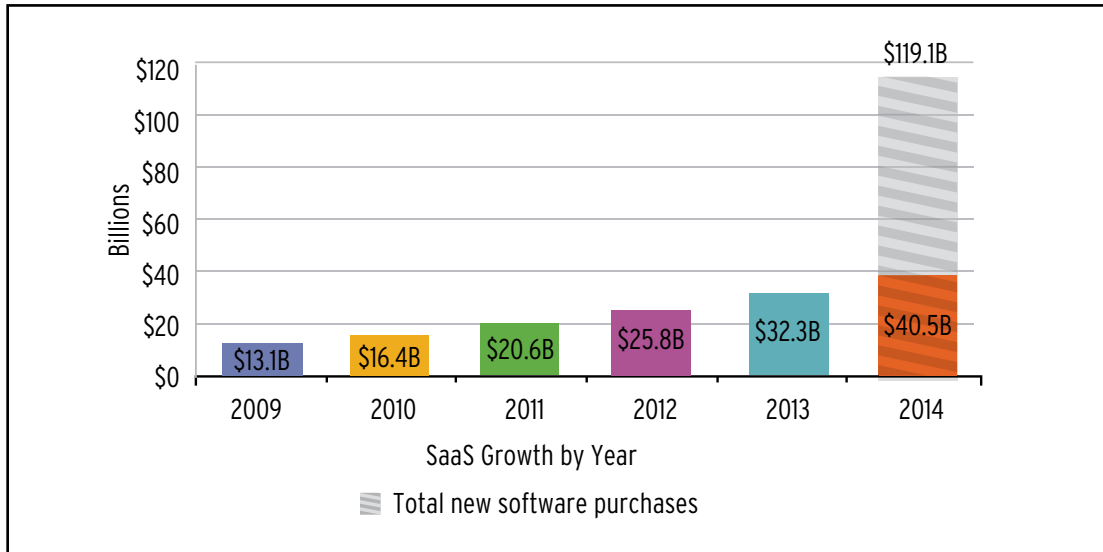
Organizations that have deployed SaaS find its greatest benefits are the speed with which they can deploy or decommission applications (or change the number of users accessing them) and the agility SaaS gives them to target new markets or support new products and services.

The specific speed and agility benefits customers cite include:

- **Faster budgeting:** In many companies, approval for capital spending involves far more management scrutiny and long-term planning than for “expense” spending. Because SaaS applications can be paid for as an operational rather than a capital expense, getting budgetary approval for them can be considerably faster than for in-house applications, which are typically capitalized and depreciated.
- **Faster deployment:** Once the new applications are funded, the SaaS model allows companies to deploy them far more quickly than applications that are hosted in-house. There’s no need to order, wait for, set up and configure hardware, software and storage, since that infrastructure is all managed by the SaaS provider. The only requirement for going into production is a purchase order (or even a credit card) to obtain the number of “seats” required, enter or upload data from their existing systems and perform any required user training.

For instance, compared with the 18 months it took to develop a service and support appli-

SaaS Takes Off



Source: IDC
Figure 1

Starbucks uses SaaS applications as a complement to on-premise software to provide e-mail communication, instant messaging, document sharing and other services for its retail employees.

cation internally, the consumer business unit at Symantec Corp. was able to deploy Salesforce.com within eight weeks, says Troy McKaskle, CTO of Symantec's Services Group.

"There's no way we could get that sort of speed and agility with an internally hosted application," he says. "It can take that long just to get hardware approved."

SaaS also makes it much easier to adjust the amount of software an organization uses and its corresponding costs, as the workforce changes. Starbucks, for example, uses SaaS applications as a complement to on-premise software to

provide e-mail communication, instant messaging, document sharing and other services for its retail employees, says Ray Mohrman, unified communications specialist at Microsoft. The company's core "knowledge" users are still served by on-premise systems, he says, which are integrated with Microsoft's online business productivity suite to eliminate what had been paper-based processes. This not only saves money but also allows the retailer to add new retail staff quickly as business conditions change.

- Decentralized, democratized application selection:** In more complex organizations, the business units closest to the market often have the best view of customer needs, as well as what software they need to serve customers. SaaS gives these business units the power to choose applications and the responsibility to pay for them, creating a powerful incentive for them to invest only in applications that deliver business value. It also allows these business units to meet new customer or market needs without waiting for the central IT organization to develop and deploy a new application.
- Ease of upgrades:** Running the latest version of an application helps ensure that users get the most functionality, as well as minimizing security and compliance risks. Because SaaS vendors handle such upgrades, with no need to take the application off-line for maintenance, upgrades are automatic and can occur as often as four to five times per year rather than only once, and at no added cost or risk to user productivity.
- Ease of modification and enhancement:** Because SaaS applications are deployed and managed by the SaaS provider, administrators and users can modify their appearance and function without customizing the source code or performing expensive, time-consuming testing.

In addition, says John Reinke, vice president of CRM for Oracle, SaaS applications are designed to be easily changed and molded on the front end by business users and business analysts or sales administrators rather than by expensive and overbooked programmers.

The developer communities that have grown up around popular SaaS products often make it easier to find add-on products that provide specialized functions than for packaged, internally hosted applications. (It is still best practice, though, to analyze your current and future requirements to ensure you can get the functionality you need.)

- **Focusing on strategic work:** In many organizations, maintaining the existing infrastructure can consume up to 80% of the IT budget. By eliminating that routine work, SaaS frees IT staff and budget for projects that improve business processes or produce analytics that boost the bottom line.

Tampa General Hospital, for example, views SaaS as a way to focus their efforts on improving the management of medical records, implementing ERP or “new products, new solutions and new components to the business,” says Microsoft’s Morhman.

Mitigating Challenges and Risks

While SaaS applications offer compelling improvements in speed and agility, organizations must deploy them with proper program and data management to ensure that processes and information are provided consistently across the organization. Key areas to consider include:

- **Customization:** Limiting customization avoids ongoing maintenance, inconsistent processes and other risks and expenses, and was a strong recommendation from SaaS providers and users.

“I’ve seen many customers that have taken a SaaS CRM system and made it overly complex,” says Oracle’s Reinke. “They’ve made it unusable, they’ve made it slow and unwieldy, they’ve made it as expensive as – or even more expensive than – on-premise software.” With too much customization of a SaaS application, he says, “You can still make it ugly and unusable by a sales rep; you can make it so complex that people can’t figure out how to use it.”

Erica Ruliffson, group vice president of CRM On-Demand for Oracle, recommends cus-

tomizing the user interface for the various roles within an organization, such as a channel manager, a telesales representative, a field enterprise account manager or a vice president. “Those kinds of things are very easy to do without having to get at the base code,” she says. “You can just tweak what field you display and what type of reports you offer.”

- **Data management:** Without consistent, accurate and timely data, no application can work effectively. That’s why SaaS veterans recommend a master data standard to ensure that different business units have the same definition of key data elements, such as, “customer” and “order.” The standard should also spell out what data should be backed up from the SaaS provider to the customer, how often and in what format so it can be used by other applications if needed. Customers also need a plan for recovering their data at the end of the engagement, if needed.

A data management plan should also address the logistics of getting users the data they need, when they need it. Pharmaceutical sales reps, for example, need very large data sets of customer purchase histories that are refreshed often, Reinke says. “Sometimes,” he says, “it becomes very unwieldy to just get the data from their on-premise systems to a third-party vendor’s cloud.”

The plan should also consider the costs and performance impact of putting too much data in the cloud. “Some customers degrade their own ability to be nimble with the SaaS application environment because they are essentially archiving years and years of data,” says Ruliffson. “We encourage customers to determine how much of their data users need to access on a regular basis” and storing only that data in the cloud.

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- **Integration:** No application is an island, especially when so many enterprises rely on outside companies to sell, manufacture or service their products. SaaS applications may need to be integrated with legacy on-premise software or other SaaS applications to support today’s distributed business processes. Companies should make sure their SaaS provider offers robust, public APIs to meet current and future integration needs.

Just as Starbucks is using a blend of on-premise and SaaS Microsoft applications, Oracle is seeing many hybrid or blended CRM deployments, says Reinke. Unwilling to repeat the work of populating on-premise CRM systems with business rules or integrating them with other applications, customers are linking their on-premise systems with SaaS applications that meet fast-changing business needs.

- **Performance and availability:** Companies should be careful to write their SLAs properly when they first engage with the vendor, being sure to include milestones, specific measures such as downtime and appropriate penalties for non-compliance.
- **Licensing:** Companies should check to see if they can re-use licenses for software already running in-house or in the cloud. They should also ensure the ability to scale down the number of users without penalty, as well as easily view usage and other metrics.
- **Program management:** Although it boosts speed and agility, SaaS can still involve changes to user interfaces or processes that require

training and change management. A program management office can help ease the process, especially for larger companies with more divisions, which risk creating “SaaS sprawl.”

By serving as a bridge between the business and IT, a program management office can help mediate requests for configuration changes to ensure organizations get the full benefits from SaaS without letting customization get out of hand, says Ruliffson. The most effective program management offices, she says, combine business and IT representatives.

“We put a governance structure in place that says anyone who wants to customize the Salesforce application has to justify it to a cross-functional board, with two representatives from IT, with the rest from various business units such as sales, marketing and support,” says Symantec’s McKaskle. Ninety-nine percent of the time, the requests can instead be met through a simpler, less maintenance-intensive configuration of the user interface, he says.

- **Data and application security:** Once a red flag for SaaS, security challenges are rapidly becoming less of a concern for many companies, particularly since many providers have achieved SAS 70 certification, which means they can provide a level of security certified by an outside auditor.

Moving Forward

Change in business is happening at rates we have never seen before. To succeed, companies must be exceptionally nimble, with the ability to enter and exit lines of business very quickly; limit capital investment to preserve flexibility; leverage the most current technology to gain competitive advantage; and apply the most effective information tools to drive employee productivity and satisfaction. SaaS enables organizations to gain more bang from their IT investments by creating an adaptive platform that flexes as business requirements dictate.

About the Author

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