

Enterprise SaaS: do too many stakeholders loose out to allow for a



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Software as a Service is becoming an important concept for large organisations appealing to CxOs and business users for a variety of reasons. Recent discussions have show that there are quite a few barriers slowing down the adoption of the idea and that it's not necessarily the right thing for all organisations anyway.

We've identified one particular barrier, which seems to me to have the potential to slow down SaaS adoption considerably: there are powerful stakeholders, who are loosing out in the process. Many employees, decision makers, and most notably large IT service providers and system integrators have reason not to like SaaS, as it will threaten their jobs and revenues.

Is SaaS about to rule the world of Enterprise software very soon?

Software as a Service is becoming an important concept for large organisations. The idea of just using what you need and not being bothered with infrastructure and upgrades does appeal to CIOs, CFOs, and COOs alike, as it promises lower risk, scalability, less peaks in spending, and predictable cost amongst other things. Quicker implementation (or "deployment" as SaaS vendors prefer to call it) and usually state of the art user interfaces with systems designed for the world of web2.0. are very attractive for process owners in the business.

So, a clear-cut case for SaaS vendors ruling the world of Enterprise software very soon? Not yet. There are quite a few barriers to overcome. We know there are many areas the still relatively new kids on the block haven't reached the maturity of incumbents' products like SAP and Oracle yet. It is also obvious that some organisations prefer the very flexible approach of on-premise ERP, where coding can be changed beyond recognition to match bespoke requirements. And then there is still the fear, rational or not, about loosing control and security / data privacy issues. We've heard a lot about these and other barriers recently.

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SaaS is not in the interest of some powerful stakeholders within the organisation...

What comes to mind immediately are IT employees, who fear for their jobs. They have experience in very proprietary ERP environments, which earned them high salaries in the past and they have influence within the organisation, which many of them will use to protect their jobs by arguing against the new world. We've seen this problem already when ERP systems have been outsourced. It's even more difficult with SaaS, because the option of transferring these people to SaaS vendors en masse doesn't really exist. Neither their technical skill set nor the SaaS vendors' business models do allow for this.

Looking further within the organisation, considerable investments into on-premise ERP have been made, often quite recently. Some companies have been stuck in ERP projects for years without having much to show for it. Truth being told, this usually isn't the fault of the product alone, but shows that the organisation just doesn't have the capabilities to manage this kind of project (switching to agile project delivery or SaaS - or a combination of both - could often be the solution in these cases). However, even if it made sense for some of these ERP clients to make a move towards SaaS now, chances are that some influential people feel their necks are on the line, if all the "investment" so far is to be written off.

...as well as outside the organisation

However, the strongest barrier to mid and even long term SaaS adoption seems to sit outside the client organisations. Look at how SAP and Oracle became dominant in the market. Apart from having a good product at the time, which always helps, the partner model arguably was the strongest driver of growth. Large system integrators did most of the selling, usually without even taking a commission, because they knew there would be loads of money to be made, once they convinced their client to buy an ERP system. I'm not even suggesting these decisions weren't in the best interest of their clients. It usually was a win-win-win situation at the time.

Now look at SaaS: what do the big SI and hosting companies have to gain from convincing a client to switch? Some integration work is to be done, for sure, but the big selling point of SaaS is that there is much less of it. Even more importantly, the opportunity to customize the system to death at high expense (all on clients request - not doubting this) only to make even more money from upgrading over-customized systems later is gone as well. Not to speak of

all the contracts for infrastructure hosting or full IT outsourcing won on the back of ERP projects vanishing into thin air.

No, they can't ... change that fast

"But all the big system integrators advertise SaaS all over the place" you may argue. That's right. And they are happy to snatch up new business through SaaS offerings. The top team may even consider SaaS to be the future and to increase revenues in the long run, because it allows for completely new solutions. However, it's not the system integrator's CEO, who is influencing the client. It's the partners and consultants on site, whose bonuses and career progress depend on revenue maximisation with their assigned accounts and team utilisation. Whatever the adverts say, SaaS is just not in the DNA of the majority of those organisations – sth. you also see, when old school delivery models are applied, cancelling out many advantages of SaaS solutions. It would be a very interesting transformation project indeed, to get a large system integrator culturally ready for SaaS (If such a change project is planned anywhere, I'm putting my hand up for it! I like a good challenge.) I'm not saying they won't cross that line at some point, but in the short and mid term, the large integrators' influence is likely to be a major barrier in many cases.

This barrier seems to be particularly strongly rooted in the public sector. *"Governments in most countries are desperate for efficiency gains, but don't have the money for big up front investments in new systems. SaaS seems like the perfect solution for this dilemma."*, I hear you saying and I can't argue against this reasoning. However, look at the integrators and providers playing in the public sector. Many of them are deeply rooted in that environment, often somehow derived from old state monopolies such as telecoms. Some are dinosaurs still struggling with the transition from state monopolists installing phone lines to a private sector ITC provider offering ERP solutions amongst other things. They don't want yet another big change and they'll cling to long running contracts with government organisations and other former monopolists with claws and teeth. Add the fact that the public sector is not usually known for embracing change and you can be sure the integrators' words of caution will fall on open ears.

This doesn't consider every individual case and all details? That's correct.

I am aware this is all generalising. There are exceptions for each argument. I'm also aware that SaaS is not always the right solution for an organisation looking for a new Enterprise software package and even less so in the short term for those, who have an on premise solution up and running and delivering the expected business outcomes. Also, the list of stakeholders potentially slowing down the process is not comprehensive. Amongst others, traditional ERP vendors come to mind, who try to get into SaaS, but also have to fight their own DNA. What I am saying here is; IF you want to look into SaaS as an alternative, you have to be aware of these powerful stakeholders, who will be on the losing side, if you go for it.

This article was written by Sven Ringling, Senior Partner of iProCon Limited. Sven has been involved in more than 50 ERP projects and various change initiatives in several countries and industries. If you are interested in discussing this topic further, you can contact him directly via email: s.ringling@iprocon.co.uk.