

# SaaS Market Commentary

## The Evolution/Revolution of Software

Title: [The Evolution of SaaS](#)

Source: [www.saasblog.com](http://www.saasblog.com)

Date: January 8, 2007

Distributor: Sinclair Schuller

Regardless of whether one believes that Darwinian evolution is how the species of this planet came to be, most will agree that the premise and underlying structure of evolution is both powerful and to some degree measurable in the real world. One of the most important things to ask is “Why study history and why attempt to understand the underpinnings of our origins?” The answer, in my opinion, is simple: we study history to mitigate risk in the present and future, and build on a foundation of measurable results. That said, understanding how SaaS came to be, and where it’s heading with the powerful concepts of the SaaS Platform and ecosystem. This complements one of my earlier posts regarding the categorization of SaaS, and I’m definitely looking for input as I view the unfolding of these definitions a communal effort.

I find that diagrams do a much better job at explaining concepts rather than multiple paragraphs of banter. As a result, I’ve put together a brief overview of how I see the evolution of SaaS unfolding. The evolutionary variable (measured over time) is how SaaS was/is implemented.

The timeline focuses how SaaS (On Demand) implementations have changed. Generally, implementation can be hidden from a user, but that’s not always the case. For example, a “streamed” application like Office 2007, while it would fall under the category On Demand, is far different than say Zoho’s web office, both from the implementation standpoint and the viewpoint of the end user. Looking at the timeline, however, one underlying theme is present: overtime, implementations converge to abstraction. We see this all the time in the IT industry, whether it’s the operating system abstracting the hardware layer (HAL), development languages such as C# and Java abstracting away some of the more difficult concepts such as memory management, our industry noticeably thrives on simplifying through abstraction. This is how we become more efficient, less vulnerable; abstraction helps us

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become a well-oiled machine and helps the end user see more and more value. With this abstraction also comes the ability to harness it as a common ground through concepts such as valuable SaaS ecosystems. Prior to platform and platform-esque implementations, the concept of the ecosystem would have been overly difficult to introduce and implement correctly. The evolution of SaaS is continually refining the various SaaS species to be more in-tune with the long term, ensuring that it's here to survive the long haul (short of a catastrophic asteroid landing, of course).

SaaS is continually pushing towards a day where both use and development of SaaS applications is easier. Nonetheless, many of the early SaaS successes (Salesforce.com, WebEx, RightNow, etc.) were the precursors to this abstraction, which is something that the industry should value since they laid the groundwork for moving forward and turning SaaS into a viable delivery mechanism. Now, these same industry leaders are trying to move into a more abstract space with their own product-centric platform introductions. While they may succeed, history has shown us that it's not the oldest species that survives, but the smartest, and these companies are going to face a slew of new SaaS platform players. These SaaS players are looking to enable the next-generation of applications for the enterprise, and hope to carry the genetics of SaaS but leave those early species behind with the dinosaurs.

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Title: [SaaS-based ERP: Payback on the horizon](#)

Source: <http://searchcio-midmarket.techtarget.com>

Date: February 18, 2008

Distributor: James M. Connolly

The rainbow is still taking shape, so the pot of gold sits well out of reach for most midmarket companies considering a move to Software as a Service (SaaS)-based ERP. While a handful of companies are already receiving benefits from SaaS-based ERP -- and lots of others are curious about the concept -- it will probably be a year or two before the technology and related benefits are in place for most midmarket firms.

In a 2007 survey, research firm Saugatuck Technology Inc. in Westport, Conn., found that 73% of respondents said they had no plans to deploy SaaS-based ERP. Saugatuck Vice President Mark Koenig said ERP trailed all other types of applications -- less-critical applications such as customer relationship management (CRM) -- in terms of user plans for SaaS.

Moreover, a new survey of SearchCIO-Midmarket.com readers found that 22.3% of the 444 respondents intend to purchase ERP software in 2008. Of those with purchase plans, only 9% said they planned to buy a SaaS version.

Experts agree that there is user interest in SaaS-based ERP and that plenty of vendors are promoting the concept, but most user companies aren't ready to make the move. Reasons for that reluctance vary: security concerns about storing ERP data on a service-provider site where it may be co-mingled with competitors' data, a shortage of ERP offerings in specific industry segments, lack of product flexibility in terms of serving a user company's business processes and IT's fear of letting go of an application's reins.

Another speed bump for SaaS-based ERP is the natural lifecycle of an ERP implementation, particularly when compared with the lifecycle for technologies such as server hardware and desktop operating systems. Companies don't rush to swap out ERP packages. Estimates for the lifecycle of an ERP system range from five years to well beyond 10 years.

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Title: [Can SaaS Make CIOs Strategic Again?](#)

Source: <http://www.supplyexcellence.com/blog/2009/01/21/saassolutions-make-cios-strategic/#more-1333>

Date: January 21, 2009

Distributor: Supply Excellence

Author: Tim Minahan

My visits with business executives and media mavens over the past few weeks involved heated discussions about the future role of the Chief Information Officer in this age of Software as a Service (SaaS). Public perception is that SaaS is in direct competition with the CIO, chipping away at the death grip this top IT exec has long-held over enterprise technology infrastructure and buying decisions.

But, as is often the case, the reality is much different than the going perception. In fact, my discussions reaffirm that savvy CIOs view SaaS as an opportunity to reassert their importance and improve their role as a strategic advisors. With the growing adoption and relevance of SaaS business applications, the role of the CIO becomes less about managing infrastructure purchases and uptime, and more about identifying and assembling best-practice processes to support and improve enterprise performance.

I floated this observation during a chat with CIO Magazine Editor-in-Chief Maryfran Johnson recently and she concurred. In fact, she noted seeing an increasing number of CIOs with new titles: CPO, that is, Chief Process Officers.

As further evidence of this shift, a CIO at a major hospital network I was speaking with last week said he too sees a “natural role expansion into process as well as sourcing leadership for top-tier CIOs.” However, he notes that transitioning to the role as Chief Process Officer will require a mindshift for the CIO as well as his or her IT team.

“For that role expansion to happen, [the CIO] must have a seat at the table. To get a seat, he must earn it by showing that he is not a geek but a businessman. So he must free himself of all the toys and gadgets and look at the big picture: the TOTAL COST of Ownership.”

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In addition to doing some soul-searching on their own role, CIOs looking to become more strategic process directors must overcome pushback from their own teams, many of whom feel that SaaS somehow reduces their role in the organization. Maryfran and the CIO both argue that SaaS doesn't kill IT. Instead, it enhances the role of the IT organization, finally making them tighter partners with the businesses in defining and assembling the best processes for competitive advantage.

While we are surely in the pioneering stage of this trend, the growing adoption and large-scale deployments of SaaS applications - not to mention the hype around Cloud Computing - could accelerate the CIO's transition to a more strategic process director role. Yet, the hospital CIO projects that the transition will happen quickly out of sheer necessity: "Sad to say that if expectations and standards don't change in the CIO community - if the CIO continues to be the 'head geek in charge' - then the CIO role will rightfully be banished to a subordinate role."

The only question that remains is will your CIO make the transition?

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Title: [Is Your Head In The Clouds](#)

Source: [http://www.ahri.com.au/MMSDocuments/comms/hrm\\_magazine/hrm\\_2009/hrm\\_2009\\_03\\_head\\_in\\_the\\_cloud\\_p36.pdf](http://www.ahri.com.au/MMSDocuments/comms/hrm_magazine/hrm_2009/hrm_2009_03_head_in_the_cloud_p36.pdf)

Date: March, 2009

Distributor: AHRI

Author: Sarah Stokely

“Cost savings is one of the most touted benefits of software as a service (SaaS).”

“SaaS was born as a ‘pay as you go’ alternative to making a lump sum capital investment to purchase, install and service software internally. Because SaaS lets you essentially outsource software (and the infrastructure and support it requires) it can also appeal to smaller companies with little or no technical staff in-house.”

“In these cost-conscious times, SaaS may be about to come into its own. In its annual prediction of technology trends for the Asia Pacific region, technology industry research firm IDC predicted that outsourced data centres and cloud computing would both grow in 2009, boosted by a pressure to cut IT spending in the current negative economic climate.”

“The head of IDC’s Asia/Pacific predictions committee Graeme Muller says, “Even while overall IT spending slows, IDC believes that the negative economic force will actually intensify the focus on emerging markets and emerging technologies as businesses look to cut costs, improve business models and reach their customers more effectively.””

“Once on the SaaS platform the flexibility to add functionality and the ability to execute common client upgrades in the future makes a cost comparison heavily biased towards the SaaS model,” says Macy. However, one key benefit which SaaS should provide – flexibility and customisation – has not yet translated into many HR SaaS solutions.”

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Title: [Comparing Darwin's Evolution and HCM SaaS Software](#)

Source: <http://montclairadvisors.com/blog/2009/04/comparingdarwin%E2%80%99s-evolution-and-hcm-saas-software/>

Date: April 21, 2009

Distributor: <http://www.montclairadvisors.com/>

In Charles Darwin's landmark work on the Theory of Evolution, he stated that "...Natural selection acts only by taking advantage of slight successive variations; it can never take a great and sudden leap, but must advance by short and sure, though slow steps." Based on what has been happening with our economy over the past six months, the Human Capital Management software world is going to be forced to do a quick evolution.

Times are tough; just consider the global economic slowdown over the past three years. In 2007 it was the sub-prime mortgage crisis, in 2008 it was the Banking crisis and in 2009 we are beginning to see the Human Resources crisis.

This is very different environment for HR professionals than the old War for Talent era that was discussed by industry experts over the past five years; this current crisis is more related to a dramatic reduction in jobs in the economy and unemployment approaching 10%. Human Resources related budgets and headcount have been cut way back in an effort to stem the financial tide. Unfortunately most companies were not ready to eliminate anywhere from 5-30% of their workforces overnight. Not only were they not prepared for this change but they probably don't completely understand what the future impact of their actions will be for their workforces. These dramatic changes have left HR in a precarious position looking forward because they have little in the way of staff or resources but their charter remains the same.

### HR's Rapid Evolution

As someone who sold HCM software for the last 12 years, it was always part of the sales pitch that the HR organization is always expected to do more with less. Now that the environment has really changed, when senior executives now say to HR, 'do more with less,' they really mean it.

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Just like in natural selection, the HR survivors need to evolve. So in this brave new world, you no longer have the level of resources that that you have taken for granted for years. Resources like IT support, capital dollars in your annual budget, a team of people to work on projects and time. You may ask, how do I evolve? With dramatically less people, budget and basically the same responsibilities, you need to automate as much of your workload as well as your personal interactions. In this new world, the human touch is going to be at a real premium when it comes to HR.

Well - now that you are completely depressed, let's review some ideas on how you can be an HR survivor. Did you know that most companies have up to 200 different HR suppliers, depending on the size of your company? Do you really need all of them? Since you are now in a zero sum budget exercise, start looking at your operating expenses as one big pot of money and start determining what is essential and what is optional. As you start your process, you need to free up budget to fund critical automation projects that can enable HR to continue to push along its strategic objectives. This may actually be a process that your IT business partners might actually be willing to help you with, since they are feeling HR's pain like never before.

### Natural Selection

So as you start thinking about your natural selection budget project, you should start to build out your game plan by trading out your old software for new software. My general conclusion about software is simple, old software is bad and new software is good.

Let me explain...

Many of the current Human Capital Management software providers evolved from PeopleSoft. PeopleSoft was the leading HR software provider in the market for nearly twenty years and spawned a complete suite of Enterprise Resource Planning applications including benefits administration, payroll and other HR applications. When PeopleSoft was purchased by Oracle in 2005, Oracle became the dominant provider but they appear to have no clear future plans for their HR software. So you need to continue to pay maintenance for old software, which keeps getting older.

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When thinking about natural selection for HR software, think about the clear disadvantages in the current environment for your old school software provider:

- Software requires a large capital investment. This might be really difficult to get funded in our current environment, no matter how critical the software is to your company's objectives.
- Implementation projects are both long and complex. Lots of investment to support customization and an expensive team of consultants who will live on-site for months or years. The consultants have to install your software in your data center, which will require a significant investment in hardware and infrastructure.
- Massive software upgrades. Whether it is moving from PeopleSoft 8 to PeopleSoft ? or to the latest version of SAP, these upgrades are expensive and require a lot of internal support resources and a big hardware investment.
- Lack of flexibility. The older software providers typically have rigid products, which make it tough to make even basic changes to features, reports or anything else. This is also a big disadvantage of buying all your HR software from a single vendor, like Oracle or SAP.
- Don't play well with others. Ideally all of the software works together to make it easier to configure workflows, data elements, reports, and analytics because your data is sitting in a lot of different systems. If your software isn't open to working with other systems, it can get really expensive, and you don't have any budget to glue everything together.

Now you can see why old software is bad... and why they may be going the way of the dinosaur in the next 5-10 years. That's right, even Oracle and SAP. Remember MSA and McCormick & Dodge! What attributes should you be looking for in your future surviving HCM software suppliers?

These survivors have these clear market advantages:

- Software-as-a-Service. You have probably heard this term but it is simply when the software company rents you the software and you subscribe to their service the next 3-5 years. Because of this approach to delivering software as a service, SaaS firms are forced to be more cost-efficient because they get paid over time. SaaS software is delivered to your users through the Internet, which means your IT department doesn't have to have to buy or support any software or hardware – this can save your company a lot of money.

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- Less extra costs. Since SaaS providers host their software in their own data centers, your company doesn't need any IT staff to support their software or infrastructure (servers, firewalls and security) typically required to run HR applications.
- Configuration. SaaS firms offer more flexibility in the way they set up your software. Unlike the older software firms that bring a cast of thousands to customize and install your software, SaaS companies can set up an initial version of your software in minutes or hours rather than in months. Then once they understand your business needs, the software can be configured without custom programming. This approach saves you both time and money. Open for business. In this new world it will be difficult for any company to purchase every
- type of HR software from a single provider, so it is important for software to communicate and share information with many different software packages. This sharing will enable you to automate as many HR tasks as possible, allowing you to do more with fewer resources over time.

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