

Is SaaS the right fit for your company?

SaaS (Software as a Service), also called on demand software, is a convenient, profitable and great business model for vendors.

Just look at the valuation of the better know SaaS vendors, including Salesforce.com, which is held up as the Holy Grail in the SaaS world, along with Salary.com, Kenexa and Ultimate in the HR space.

	Market Cap/Revenue	
	52 wk High	52 wk Low
Salesforce.com	7	11
Salary.com	2.5	6
Kenexa	2.1	5.5
Ultimate	4	6

For shareholders of these companies, this is great news. A SaaS company promises continuous income for the investor by creating a recurring revenue stream, locking in long term contracts – making the company an attractive target to park money.

Benefits to the Vendor

It's an easy formula. Create the right model for an important business function and ensure that the technology can scale. Then put together a team of specialists to manage the technical infrastructure, and management to deliver the functional outcomes, for accounting, HR, supply chain or CRM.

Older clients add to the revenue from the newer clients, creating a steady revenue stream, and adding to the bottom-line.

Benefit to the Client

For the client, there are low upfront costs. Executive teams, and Company Boards, desire to outsource critical functions that are not deemed part of the organizations' "core business" address the corporate need to focus on core business. In particular for the HR space the perception of HR as a "cost center", rather than a strategic partner in the organization – and makes a contrary vote all the more difficult.

Significant contributing factors to the SaaS allure is the promise of providing greater processing efficiencies than an organizations' own internal systems, thereby lowering process management costs for HR, CRM or accounting when managed by a SaaS vendor.

"Best practices" are available to put into place by the SaaS vendor, allowing client organizations to meet their basic needs quickly and efficiently. Especially when the outsourced function is purely transactional, the outcome of a SaaS implementation is positive, presuming the SaaS vendor's product and services are managed well.

Where the SaaS model stumbles

The problems begin when a strategic function, like HR, is fully outsourced.

To execute strategy, it is vital to allow changes to existing processes, as well as changes to the organizational structure – both driven by the economy, global competition, workforce skills and competencies, and other factors.

The information derived from closely monitoring and measuring who is responsible for what function provides critical feedback necessary to determine initiatives that will deliver strategy.

While the SaaS model is good at getting underperforming departments up to speed, this model does not work well for an organization that truly reaches for greatness.

The SaaS model is managed by personnel removed from the situation – the objective of whom is primarily managing a transactional engine.

Strategy, rooted in the ability to swiftly react to changes, and set new policy as a result, takes a backseat with SaaS.

A significant “trait” of a great company is its ability to distinguish itself from its competitors.

The core of greatness comes directly from the people (staff) that comprise it.

The desire for these individuals to excel comes from a belief in their abilities and connecting with the organization’s strategy and cause. This creates a “passion”, which needs to be understood, and encouraged, which is accomplished by providing systems, information and transparency to support the goals of these employees and the entities (departments, units, teams) they form.

Processes, therefore, must adapt to suit the needs of its employees, address the cultural differences between groups, departmental needs, and countries, while keeping constant the shared passion, cause that all the individuals have come together to deliver for their clients.

A SaaS vendor company, by its definition of easy, consistent deployments, creates for the client organization a fixed path to deployment.

Standard practices are supported, and anything outside the norm are discouraged. This leads to deployments that are cookie cutter arrangements, with the underlying mantra being that all client organizations operate, and are deployed, in the same manner.

There’s not much room for uniqueness, driving many of the practices that these organizations are able to deliver into a system catering to “operational mediocrity”.

Questions You Need To Ask Yourself

Any organization striving for greatness, and looking at the SaaS option, needs to ponder:

“How do we distinguish ourselves from our competition if we are all doing the same things?”

Outsourcing a strategic function like HR, and removing it from the hands of passionate employees, who require equal level of commitments from management and internal processes, will cause frustration. The internal passion that drives greatness and success will fade.

People who use systems need different information, depending on their role and their familiarity with the system.

A product that is very simple to use is a great when an employee is first introduced to it or when an employee interacts with it occasionally.

A product that has complex, but dense screens, is valuable to an expert -- who does not want to waste time navigating many simple screens to get to the information the employee is looking for.

These changes are specific to each organization, the people in charge at that time and their needs for privacy, depth of information and language of choice.

A SaaS vendor can comply with these requests from a client only at a very high cost.

SaaS vendors would have to incorporate these specific changes to processes for all clients OR manage them inside a single code source separately for a specific client, driving down efficiencies and raising costs.

Changes to a SaaS based system outside the main deployment methodology can be next to impossible. A change for a single client means it is made for all clients on that SaaS system. Any change made in the SaaS environment has significant repercussions.

Each change that the SaaS vendor decides to include is considered carefully. If approved, the change is rolled out in the next release and made available to all clients.

The small changes that affect a particular department or a set of managers in a single company almost never rise to the level of urgency that will make it into a release.

Even if it did, by the time the release rolls around, the managers have lost the need or managed their outcomes outside the system. The great organization needs to respond quickly to a critical need. Timeliness is not in the SaaS repertoire.

NuView Position

NuView believes that the software we deliver has a single overriding purpose, and that is to make HR strategically relevant.

We support the SaaS environment for exactly the efficiencies organizations require to get started -- but we also allow licensing of the product for internal installs, which allow mature IT shops to manage, and own, the HR process themselves.

The potential to manage a separate instance of the product allows for the unique changes required for managers, workflows, acquisitions or cultural adjustments -- without waiting for the vendor to come around. NuView's strategy is to manage best practice transactional outcomes for HR on a rich technical platform, allowing organizations to execute their very own strategy -- not those of many other organizations.

Shafiq Lokhandwala is the founder and CEO of NuView Systems. His passion for HR, and his vision for helping HR shape organizational strategy, has attracted leading organizations, who share that vision, to select NuViewHR for their global HR platform.



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