

Business Technology Trends & Impacts Advisory Service  
Executive Update Vol. 9, No. 2

# Update

## SaaS Penetrates the IT Department

by Jeffrey M. Kaplan, Senior Consultant,  
Cutter Consortium

While software-as-a-service (SaaS) has gained plenty of attention and acceptance within the business units of a growing number of companies of all sizes, IT managers and their staffs have been apprehensive about the operational and organizational implications of SaaS. As a result, many IT departments have resisted SaaS deployments or at the very least have been reluctant to support business unit adoption of SaaS solutions.

Recognizing this resistance, many SaaS vendors have intentionally avoided the IT decision maker in their go-to-market strategies. They have designed their solutions to appeal to the end user rather than the IT professional. They have packaged their solutions so they can be tried for free and adopted by a business unit without IT department involvement. And they have priced their SaaS solutions at a low-enough, pay-as-you-go fee level so their customers don't have to make significant capital expenditures requiring IT input and approval.

These tactics have enabled SaaS vendors to employ a "guerilla marketing" approach, which has succeeded in penetrating organizations without encountering an IT bottleneck. It has also succeeded in polarizing many IT professionals who believe their authority and responsibilities have been usurped.

Now a new generation of SaaS solutions is emerging that are specifically aimed at helping IT professionals perform their responsibilities and better support the business needs of their corporate end users and executives. Cutter's third annual SaaS survey indicates that this new generation of IT management SaaS solutions is gaining acceptance and could transform the way IT departments operate.

This is the third in a series of *Executive Updates* that discuss the implications of Cutter's latest SaaS survey. Part I (Vol. 8, No. 22) reported on overall SaaS adoption patterns and satisfaction levels. Part II (Vol. 8, No. 24) examined how the SaaS market is evolving from a series of specific horizontal and vertical market solutions to a set of powerful platforms. (For more information about survey demographics, refer to Part I.)

### LEARNING TO BREAK OLD IT MANAGEMENT HABITS

One of the fundamental challenges facing IT professionals is properly supporting their organization's long-term corporate strategies and initiatives while they contend with their day-to-day responsibilities of reacting to events and spend the bulk of their time putting out fires or responding to unanticipated business requirements. Many industry surveys show that IT departments can spend as much as 80% of their time and budgets simply keeping their operations up and running. Many IT professionals spend 25%-50% of their time identifying and resolving problems. Yet up to 40% of these problems can result from human errors.

These daily disruptions can not only be costly and keep IT professionals from properly supporting their end users and corporate executives, but they often force IT departments to neglect the routine "care and feeding" of their systems and software, which can compound their IT management challenges.

IT departments have responded to these challenges either by investing in additional management tools or outsourcing their problems to third parties. Traditional IT management tools have often proved to be as complex and costly as the original systems and software they were supposed to administer. In addition to requiring a substantial up-front licensing fee, traditional IT management tools also require dedicated resources and specialized skills to be properly deployed and operated. Few IT departments can make this level of commitment and fail to achieve the ROI they expect.

Other IT departments pride themselves on reacting to events and fixing problems. They view themselves as

firefighters rather than utility system operators. This mindset is being challenged by increasingly disenchanted business executives and end users who are demanding greater system and software reliability, as well as more flexible applications to meet their rapidly changing needs.

For instance, an increasingly mobile workforce requires easier access to corporate applications and centralized data without contending with cumbersome security systems and slow response times. Hosted, Web-based applications from a widening array of SaaS companies are perfectly suited to responding to these requirements. Yet IT departments lack the management tools to properly support their remote workers' needs.

The frustrations of corporate end users and business executives have been captured in Nicholas Carr's controversial writings questioning whether IT matters. While many IT professionals have ridiculed his contentions and downplayed his import, he has continued to be a popular speaker at industry conferences and corporate events because his views echo the feelings of the information workers who are fed up with the complexities and costs of IT. Carr's latest book, *The Big Switch*, is generating a new round of debate and forcing IT departments to rethink their operating models.

Cutter's most recent SaaS survey clearly indicates that IT departments are becoming more receptive to SaaS alternatives to traditional IT management tools. In fact, a quarter of our survey respondents are using SaaS solutions to address their IT management needs (see Figure 1).

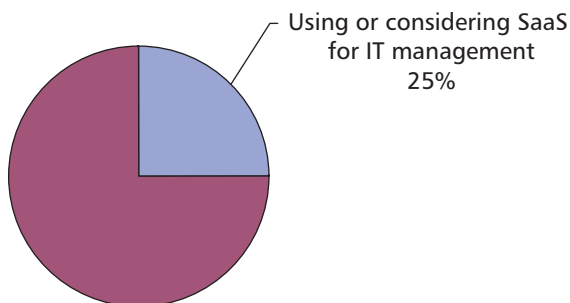


Figure 1 — IT management SaaS solutions gain acceptance.

In response, a widening array of SaaS vendors provides on-demand, Web-based solutions that can help IT departments gain greater control over their day-to-day responsibilities so they can play a more effective role in supporting their organization's overall goals and objectives.

## SAAS SOLUTIONS FOR IT MANAGERS

A new generation of automated IT and application management software services is helping IT professionals perform their routine chores. For instance, Dell recently acquired Everdream, which provides an on-demand desktop management solution that automates asset and patch management, software compliance reporting, and uptime monitoring. Everdream's desktop management platform and user interface also integrate with Salesforce.com's service desk and customer relationship management solutions, enabling organizations to maintain a single customer database.

Service-now.com offers a Web-based configuration management database that aligns with the Information Technology Infrastructure Library (ITIL) framework. The company's on-demand solution helps IT departments systematize their asset, configuration, change, release, incident, and problem management activities.

IT automation has gained plenty of attention over the past year with the flurry of acquisitions, such as HP's purchase of Opware. These automation capabilities can enable IT departments to perform regular patch-management procedures with less labor or manual processes. This can enable organizations to better utilize their limited staff and more effectively safeguard against escalating security threats, service disruptions, or performance problems. These tools can also discover and track software licenses to be sure they are up to date and in compliance.

HP and IBM are also responding to growing demands to offer SaaS alternatives to their traditional on-premise IT management platforms. Microsoft is also promising to enhance its systems management software with a new set of on-demand services.

The *Executive Update* is a publication of the Business Technology Trends & Impacts Advisory Service. ©2008 by Cutter Consortium. All rights reserved. Unauthorized reproduction in any form, including photocopying, faxing, image scanning, and downloading electronic copies, is against the law. Reprints make an excellent training tool. For information about reprints and/or back issues of Cutter Consortium publications, call +1 781 648 8700 or e-mail [service@cutter.com](mailto:service@cutter.com).

## **SORTING OUT SAAS AND MANAGED SERVICES**

The line of demarcation is blurring between SaaS solutions aimed at IT managers and the growing array of managed services offered by various vendors. One way to discern the difference between them is that SaaS solutions are typically sold to an organization to enable them to more easily perform a task and better manage their operations. Managed services allow the organization to offload the management responsibility to a third party.

Part of the confusion stems from the fact that many of the SaaS vendors are supplying their Web-based software solutions to channel partners who then resell them as managed services. For instance, TriActive is offering a combination of SaaS-based asset/patch management and device monitoring solutions to channel companies, enabling them to develop and deliver managed services. HP, IBM, and Microsoft are also devising their SaaS solutions to help their partners deliver cost-effective managed services.

Growing acceptance of SaaS and managed services has led Dell to acquire Everdream and SilverBack Technologies, which Dell is using to create a portfolio of SaaS management solutions to support its channel partners' managed services offerings. It has also compelled EMC to acquire Berkeley Data Systems, the provider of the popular Mozy on-demand backup and recovery service.

Google's acquisition of Postini, the e-mail security and archival services company, is also a reflection of the convergence of SaaS and managed services. Google Mail and Apps have gained acceptance among end users, but many companies have been hesitant to adopt these Web-based services because they lack the backup and recovery capabilities they need for business continuity and compliance purposes. The Postini acquisition was aimed at alleviating some of these concerns. As Google rolls out more robust services, the question may arise whether it is a SaaS company or becoming a managed service provider (MSP).

Most IT management vendors recognize their SaaS solutions will not completely displace traditional on-premise products. Instead, a growing number of IT management vendors offers SaaS solutions to augment their on-premise products. For instance, St. Bernard Software offers a combination of on-premise and on-demand security solutions to address companies' internal and external security threats. The company's solutions are aimed at enterprises and MSPs.

## **SOURCING IMPLICATIONS: THE NEW BENCHMARKING OPPORTUNITY**

Just as corporate end users and executives are entertaining SaaS solutions to solve their business application needs, IT managers are now recognizing the potential benefits of SaaS in addressing their day-to-day requirements.

IT managers have the opportunity to reap the same benefits that their corporate end users and executives have experienced from their SaaS solutions. They will be able to test and deploy their SaaS providers' capabilities with minimum risk or up-front investment. They will be able to implement their SaaS solutions more quickly and compress the time-to-value of the solutions.

Ultimately, IT professionals will be able to leverage the new generation of SaaS solutions to perform many of the mundane management and support tasks that prevented them in the past from properly aligning their operations to support the strategic objectives and business needs of their corporate executives and end users.

The good news is that the proliferation of IT management SaaS solutions is quickly creating a "buyer's market" for IT decision makers. Although some of the technical attributes of these Web-based SaaS solutions will differ from traditional on-premise management tools, the fundamental product/vendor selection criteria remain the same. IT decision makers must first determine their technical requirements and evaluate the functional capabilities of the various SaaS alternatives at their disposal. They should also examine the interoperability of the SaaS solutions, as well as the partner ecosystem of the SaaS companies to ensure that the solution can integrate with third-party on-demand services and on-premise products. They should also assess the financial viability of the SaaS vendor and potential impact of a possible acquisition.

A unique new benefit of the SaaS model is the provider's ability to offer operational benchmarks and industry best practices based on actual utilization of the on-demand solution. This is an exciting opportunity for IT managers to measure their effectiveness. In the past, benchmarking exercises entailed an arduous data-collection process and agonizing side-by-side comparative analyses between varying companies willing to participate in cumbersome studies.

Inherent in the SaaS delivery model is the ability of a provider to capture this operational data. Smart SaaS companies will aggregate and package this data into

valuable benchmark studies that enable their customers to optimize their use and demonstrate the business value of their SaaS solutions.

In addition to considering the growing array of SaaS solutions on technical and financial considerations, IT professionals should predicate their selection process on the vendor's vision for capitalizing on the new benchmarking opportunities created by SaaS.

## ABOUT THE AUTHOR

Jeffrey M. Kaplan is a Senior Consultant with Cutter Consortium's Sourcing & Vendor Relationships practice, and he is the founder and Managing Director of THINKstrategies, a strategic consulting firm that helps IT enterprise decision makers with their sourcing strategies, solution providers with their marketing strategies, and venture firms with their investment strategies. Prior to forming THINKstrategies, Mr. Kaplan served as VP of Marketing and Business Development at InterOPS Management Solutions — an Internet operations management services provider. Prior to joining InterOPS, he was Director of Strategic Marketing at Lucent Technologies Worldwide Services, as a result of its acquisition of International Network Services (INS). Before his position at INS, Mr. Kaplan spent 13 years as a leading industry analyst and market research consultant at IDC, the LedgeWay Group, Dataquest, and META Group. Mr. Kaplan is a frequent speaker at industry conferences and a contributing columnist for *Mass High Tech*, *NetworkWorld*, *Business Communications Review*, *eWeek*, *InfoWorld*, *Computerworld*, *InformationWeek*, and the *Financial Times*. He can be reached at [jkaplan@cutter.com](mailto:jkaplan@cutter.com).



# SUMMIT 2008

## Meeting of the Minds

### Summit 2008

5–7 May 2008

Royal Sonesta Hotel

Five Cambridge Parkway

Cambridge, MA 02142, USA

[www.cutter.com/summit.html](http://www.cutter.com/summit.html)

The Cutter *Summit* provides business-IT professionals with a commodity that is all too scarce — an opportunity to **brainstorm key issues, challenges, and concepts** that require more of your attention than the ten uninterrupted minutes you may squeeze in today, and to do so **with the top thinkers in the field**. Join us at this year's meeting of the minds, packed with opportunities to drill down on and debate the issues that matter most to IT and business professionals.

Join us at the 12th annual *Summit*, where:

- Cutter Fellow and Wharton School Professor **Eric Clemons** examines **monetizing the Internet**, and helps demystify how IT can take a balanced, active, and forward-thinking role in developing revenue-generating Internet models that support your organization's business objectives.
- Cutter Consortium Fellows **Lou Mazzucchelli** and **Tim Lister** uncover why so many organizations unwittingly **fight enterprise agility** — replete with examples of companies that have constructed this roadblock — and they'll illustrate the paths several organizations have taken to overcome resistance to change, risk taking, and innovation to become agile once again.
- DePaul University VP of IT and Cutter Senior Consultant **Vince Kellen** will demonstrate how encouraging your IT teams to share their passions with their managers can result in decreased turnover and how **well-aligned employee passions can set your place on fire**.
- Harvard Business School Associate Prof. **Alan MacCormack** delves into **IT enabling business innovation**, asking you to evaluate the reasons for the failure of two successive missions to Mars. The interactive Mission to Mars case study examines changes the space agency made that followed a faster, simpler approach to program design.
- Professor of Management of Innovation, Politecnico di Milano **Roberto Verganti** focuses on the role that new technologies have in redefining the meaning of products and services, and consequently on the role of **design-driven innovation** in technology-intensive firms and technology suppliers.
- Harvard Business School Professor **Warren McFarlan** will facilitate an engaging and enlightening **CIO- and CTO-only forum**, where you'll hash out how to succeed in a world where the demands for "better, faster, cheaper" accelerate daily.
- **Mike Rosen**, Director of Cutter Consortium's Enterprise Architecture Practice, often gets asked "**What does an architect do?**" In this interactive discussion, Mike will go beyond the day-to-day activities, like attending too many meetings, and get to the heart of how architects bring value to their organization.
- Cutter Senior Consultant **Bob Benson** provides you with — and teaches you how to use — a framework for IT financial management and budgeting that will not only improve the financial impact of IT in your organization but will also enable you to **gain the support of your CFO and strengthen your relationships with business unit management**.
- Cutter Senior Consultant **Larissa Moss** shares insights into **master data management** — what you need to do to **play a strategic leadership role in overseeing enterprise-wide data integration pro-**

### Register Today

#### Space is limited, don't delay!

Register online at [www.cutter.com/summit/register.html](http://www.cutter.com/summit/register.html) and use Priority Code **60R\*C01FLY1**

## Register Today

To ensure a lively and interactive event, attendance for *Summit 2008* will be limited. Register early and guarantee a space for yourself at this exclusive conference.

Return this form by fax to +1 781 648 8707, or mail it to Summit 2008, Cutter Consortium, 37 Broadway, Suite 1, Arlington, MA 02474-5552, USA. Checks should be made payable to Cutter Consortium. To register by phone, call +1 781 648 8700. Or visit [www.cutter.com/summit.html](http://www.cutter.com/summit.html) to register online.

### Meeting of the Minds

grams and help direct your organization to commit to business integration (not just technology) to successfully manage its data assets.

- **Jim Watson**, Cutter Senior Consultant, helps you understand why **business architecture is more than just models and diagrams**; it provides the broad starting point for the enterprise architecture (EA) process. He'll demystify business-it alignment by looking at how alignment can be practically measured in IT systems and the EA program.
- Cutter Senior Consultant **Michael Mah** answers the question, "How can you reliably and consistently **collect metrics in your agile software development environment?**"
- Cutter Fellow **Tom DeMarco** will borrow the agile retrospective practice: reviewing what's been discussed and debated, then revealing his insight into the strategies, themes, and ah-has that emerge — establishing a **framework for applying those lessons**.

You'll enjoy stimulating keynotes by top experts, panel discussions, an interactive Harvard Business School case, a CIO/CTO forum and hands-on seminars; networking at lunches, breaks, and entertaining evening events; and getting one-on-one guidance and input from expert presenters who include leading professors from Wharton and Harvard Business School.

You'll return to your office from *Summit 2008* energized and better equipped to deal with both the macro- and micro-level challenges that interfere with your mission to provide strategic, effective, and innovation-enabling IT. Find out why people come back year after year to this intimate event — register now to secure your place.

# Registrants Total

#### Summit 2008 Conference (5-7 May 2008)

US \$1,995 each

\_\_\_\_\_ \$ \_\_\_\_\_

If you would like to register your team of 4 or more for Summit 2008, please contact your account representative for multiple-attendee discounts.

Name \_\_\_\_\_ Title \_\_\_\_\_

Organization \_\_\_\_\_ Department \_\_\_\_\_

Address \_\_\_\_\_ Mail Stop/Suite # \_\_\_\_\_

City \_\_\_\_\_ State/Province \_\_\_\_\_

ZIP/Postal Code \_\_\_\_\_ Country \_\_\_\_\_

Telephone \_\_\_\_\_ E-Mail \_\_\_\_\_

Check enclosed (payable to Cutter Consortium).

Please invoice my company.

Charge MasterCard, Visa, AmEx, or Diners Club. (Charge will appear as Cutter Consortium.)

Account Number \_\_\_\_\_ Expiration Date \_\_\_\_\_

Name on Credit Card \_\_\_\_\_ Signature \_\_\_\_\_

Registrant #1 Name \_\_\_\_\_ Title \_\_\_\_\_

Registrant #2 Name \_\_\_\_\_ Title \_\_\_\_\_

Registrant #3 Name \_\_\_\_\_ Title \_\_\_\_\_

Registrant #4 Name \_\_\_\_\_ Title \_\_\_\_\_

Registrations for *Summit 2008* are transferable. If you find that you cannot attend, you may transfer the registration to another member of your organization at any time prior to the first day of the event. Cancellations after March 31, 2008 are non-refundable. In the unlikely event that Cutter Consortium cancels the conference, Cutter Consortium is not responsible for any airfare, hotel, or other costs incurred by registrants. Speakers subject to change without notice.

60R\*C01FLY2