

A hundred years ago, companies throughout the United States powered their factories with their own power plants. With all their critical operations depending on power availability, relying on someone else to externally provide and manage their source of power seemed too big of a risk. But over time, utility companies came into existence that specialized in power generation and were able to provide not only much more affordable power, but much more reliable power as well. This created a paradigm shift that allowed companies to focus on their core business efforts rather than power generation. As a result, for more than the past fifty years it's been a rare occurrence to find any company that generates its own power.

Today, you face a similar paradigm shift as you consider switching core business applications to SaaS (Software-as-a-Service). For decades, companies like yours have internally operated and hosted many of their business critical software-driven services and processes. The emergence of cloud and SaaS providers gives you the opportunity to shift more of your focus to core business efforts. But before embracing such a significant shift, there are four key questions you need to ask:

- 1. Will SaaS actually lower my costs?**
- 2. How will SaaS impact my IT operations?**
- 3. Will SaaS meet my availability needs?**
- 4. How secure is SaaS?**

Cost Impacts

What is the total cost of your current on-premise application including licenses, personnel and hardware? Is that total cost higher or lower than comparable SaaS offerings?

Accounting, HR, supply chain management, manufacturing and virtually all other business critical systems have historically been deployed within a company's internal IT infrastructure. To operate such systems requires significant investments in software licenses, computing server hardware, high performance storage systems, networking hardware, and physical lab or data center space to house all those systems. Additionally, further investments need to be made every few years for updates and improvements to these IT systems. Companies must also continually expend significant human resources to deploy, maintain, repair, program, back up, secure and update these systems. As a result, the initial, periodic and ongoing expenses associated with internally maintaining and operating all of your different business critical systems often has significant financial impacts on your bottom-line.

When you can shift the maintenance and operation of some of your key systems to a SaaS provider, the investments in IT infrastructure and personnel can dramatically drop.

There will still be a need to invest in personnel to actually administer the front-end or business-facing aspects of the service, but investments in backend IT systems, real estate and administration personnel necessary to host the service will no longer be required.

In addition to the reduction in those initial and ongoing costs, the pricing model for the actual service is typically different. Instead of purchasing a software license with a big upfront cost and a low maintenance fee each year, most SaaS or cloud services operate on a subscription basis. Typically the subscriptions will follow a tiered pricing model that increments based on the number of users using the service. Sometimes the pricing model will also take into account the capacity of the computing resources that you choose to power your services, such as a small server, medium-sized server or a large server. While subscription costs will generally run higher than the annual software maintenance fees a company might pay for on-premise systems, those subscription costs will generally fall well below the overall costs that you would pay to build up, administer and maintain the application and its infrastructure internally.

But cost reduction isn't the only financial benefit. A subscription service can often provide cost agility as well. With many SaaS solutions, if you want to evaluate a potential

business service, instead of having to invest in infrastructure to pilot the system and try it out, you can simply purchase a few user subscriptions and then ramp up or discontinue as needed. This saves considerable time as well as eliminates the need to invest and waste significant upfront resources in a solution that you're not even certain will meet your needs.

Still, businesses often have the mindset that they can do things cheaper themselves. While that might be true in some cases, the expertise and economies of scale that many SaaS and cloud providers can achieve in properly maintaining, securing and delivering their services often provide companies a significant cost savings. If you want greater business agility and relief from the high costs of initial hardware infrastructure investments, software license fees, excessive IT headcount, maintenance agreements and periodic hardware refreshes, then SaaS is your answer.

The Gartner 2011 CIO Survey confirms this posture, indicating that due to the resource realities of modest IT budget growth and the requirements associated with legacy systems, there's an urgency among CIOs to adopt "new infrastructure and operations technologies such as cloud services and virtualization." The study further states that, "These technologies [cloud and virtualization] were selected by CIOs the most often and... are well-suited for this budget reality, as they offer similar service levels at lower budget costs."

In fact, the urgency level is so high that according to the Gartner survey, the percent of CIOs that run the majority of IT from the cloud or on SaaS technologies will rise from its current 3 percent to 43 percent over the next four years.

IT Impacts

Do you have IT people on staff who have expertise and specialized training on your business critical software? Can you scale your IT infrastructure up or down on-demand to align with the dynamics of your business growth?

In addition to IT savings, SaaS business solutions can provide other positive impacts associated with a company's IT. For example, the complexity of deploying and maintaining many enterprise resource planning systems can create havoc on an IT department's ability to focus on the needs of the business. Unless the company decides to hire premium salaried specialists, existing IT personnel are forced to

maintain a system in which they have little or no expertise. Not only does this frustrate the company's ability to optimize its usage of the application, but it unnecessarily consumes considerable IT cycles as it struggles to make sure systems are available and properly maintained.

SaaS solutions relieve you of the IT complexity and difficulties of maintaining such business critical systems. As experts in the business system itself, a SaaS provider can optimize the performance and availability of the service, as well as make sure it's properly backed up, patched and secured. As your business grows and demand for the critical service grows, you no longer have to worry about capacity planning or provisioning more resources to handle increases in demand. The SaaS provider takes care of everything so your IT can focus more time on projects and initiatives that advance the business. Additionally, the elasticity of the cloud makes it easy for SaaS solutions to scale up and down on-demand to meet the ever-changing needs of your business.

Validating this point, the Gartner 2011 CIO Survey indicates that by introducing Internet service-based technologies, companies will be able to take 30 to 50 percent of their infrastructure and operational resources and reallocate them to business innovation and growth. As a result, they see this as "creating a new CIO success cycle, one based on creating and realizing new sources of value, in addition to cost-effective IT operations."

Accessibility Impacts

Do you have SLAs, along with redundant systems and sites, that guarantee uptime? How fast can you recover from a disaster?

Just as factories of old had the concern whether or not utilities could provide the needed around-the-clock power for their operations, many of today's companies worry whether cloud or SaaS providers can deliver 24x7 accessibility to their business critical services. While this may be a valid concern, it's important to recognize that many businesses themselves fail to implement the necessary redundancies and disaster recovery processes to ensure the accessibility of their own internal systems. Such inadequacies might be due to cost concerns, lack of time or simply lack of expertise needed to implement the necessary infrastructure.

A reputable SaaS provider will not only invest the proper expertise and infrastructure to ensure 24x7 availability,

but it will guarantee that availability in writing through a service level agreement (SLA). Reputable SaaS providers can provide metrics on their historical availability, such as what percentage of time has all of their services been available for the past six months, year or more. To further verify a provider's capability to deliver on its availability promises, you should ensure that the provider employs best practice redundancy and disaster recovery, such as acceptable mean-time-to-recovery and redundant systems in redundant hosting centers located in different fault zones, flood plains and power grids.

Security Impacts

**Do you have formal security policies in place?
Are you willing to invest in the technology layers, specialized security personnel and time to properly secure your critical business systems?**

Being in control often gives a company a false sense of security, which is another reason why some companies are hesitant to take advantage of SaaS solutions. An attitude persists among a number of companies and even IT professionals that says, "If I keep my data in-house, I can take the efforts to make sure it's going to be protected." The truth is that to do security right requires significant expertise, investment and focus.

In fact, according to the 2010/2011 Computer Crime and Security Survey by the Computer Security Institute (CSI) only 60.4 percent of companies surveyed have established a formal security policy. Additionally, only 62.4 percent of surveyed companies use intrusion detection systems, 50.4 percent use intrusion prevention systems and only 46.2 percent use log management. It's interesting to note that even though multiple studies indicate that log management delivers compelling value to a company's security, the CSI survey indicated about a 7 point drop in its usage compared to the previous year. The survey attributes this drop to the belief that companies are "unable to keep on top of monitoring" and "they aren't able to do an adequate job of sorting through the ever-growing log volume."

A reliable SaaS provider invests the necessary security technologies, resources, expertise and focus to secure a company's critical business systems and sensitive data. When evaluating a SaaS provider, you should verify that the provider has experienced security professionals on staff that have all the proper credentials and certifications.

Next, the provider needs to be able to demonstrate that it employs the appropriate array of security technologies, as well as industry-standard best practices for security such as encryption and levels of isolation for data as it travels through the system.

Focus on Core Competencies

Taking advantage of SaaS solutions for your key business services lets you focus on what your business does best. Due to the economies of scale and technology expertise employed by reputable SaaS providers, their services can enable you to enjoy increased cost savings, greater IT and business agility, higher system availability, and enhanced security.

For executives considering a move to SaaS solutions, asking a few key questions about potential cost savings, the impact on IT, and the promised availability and security can help you quickly identify whether a SaaS service is right for your organization.

Meet Domo

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