

*Software-as-a-Service:*  
**Managing Key Concerns and Considerations**

A research report



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**About This Report**

This report was developed and written by the senior staff of Saugatuck Technology Inc. This report is based on independent research developed and conducted by Saugatuck Technology Inc., which is solely responsible for the analysis, conclusions, and recommendations presented in this report. The publication of this report was funded by Sage Software.

**About Saugatuck Technology**

Saugatuck Technology Inc. provides subscription research and management consulting services focused on the key market trends and disruptive technologies driving change in enterprise IT, including SaaS, Cloud Infrastructure, Open Source and Enterprise Social Computing.

Founded in 1999, Saugatuck is headquartered in Westport, Connecticut, with offices in Boston, Santa Clara, CA and Frankfurt, Germany. For more information, please visit [www.saugatech.com](http://www.saugatech.com), or call +1.203.454.3900.

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**INTRODUCTION: CLOUD IT, INCLUDING SAAS, IS “REAL IT”**

The rapid adoption of all forms of Cloud IT, from Infrastructure-as-a-Service (“Cloud Computing”) to Software-as-a-Service (SaaS), is changing the way that organizations evaluate and manage the concerns related to the selection of SaaS solutions for business operations and management. But most of all, it is changing how firms of all sizes, and in all markets, see and manage IT.

Cloud IT is “real IT”, and a whole raft of choices, models, and options make understanding and managing the concerns imperative for success. Through year-end 2015, concerns regarding data security and privacy will dominate SaaS sales and adoption, but will not significantly hamper growth in adoption and use. But concerns related to SaaS are broad; they need to be understood, and risks need to be mitigated.

Using research done by Saugatuck Technology in early 2010, this paper identifies and analyzes the key concerns and considerations of over 250 business and IT executives from small and mid-sized businesses (SMBs) when it comes to adopting SaaS, and highlights SMB executives’ key considerations that shape SaaS provider selection.

**MANAGING THE KEY CONCERNS OF SAAS**

In early 2010, Saugatuck conducted its fifth annual, global survey of SaaS adopters and users. Business and IT executives from 252 small and mid-sized businesses (SMBs) were included in the survey, and they told Saugatuck that they see SaaS as a key enabler to meet their future business priorities. These are tackled in a complementary research paper that focuses on identifying and attaining the benefits offered by SaaS .

Saugatuck’s 2010 survey shows that by 2012, over 50% of SMB executives will have adopted SaaS-based CRM. But this adoption requires management of key concerns related to Cloud-based computing. Figure 1 on the following page illustrates the concerns of SMB executives, from owners to CFOs to IT executives, regarding SaaS adoption.

**DEFINING SOFTWARE-AS-A-SERVICE (SAAS)**

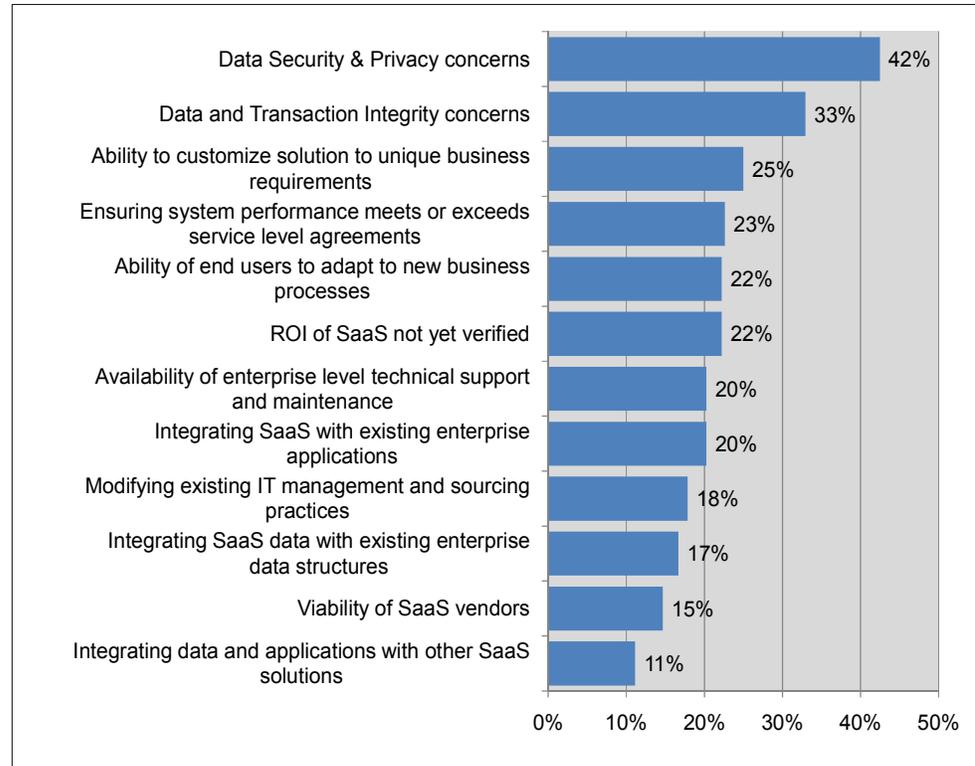
Software-as-a-Service (sometimes referred to as “Cloud-based business solutions”) is a means of acquiring and using software via the Internet. With SaaS, users do not need to buy, install, and maintain applications. All maintenance and upgrades are performed by the SaaS provider.

As a result, the key benefits of SaaS center on reduced upfront cost and simplified software management. These benefits are helping to drive very rapid and widespread SaaS adoption in all aspects of business, from desktop applications to departmental solutions (such as sales force automation) to core business systems such as finance and human resources. SaaS may be acquired, used, and paid for in a variety of ways. The provider may charge per-use or through a periodic subscription fee. Most providers offer volume license discounts that reduce the cost per-user significantly. As a result, the software cost is typically an operating expense rather than a capital expense (this is of particular interest to firms who need to conserve their capital).



We see multiple tiers of responses, but the core themes focus on data security and privacy, and data and transaction integrity.

**Figure 1: Key Concerns in Deploying Cloud-based Business Solutions**



Source: Saugatuck Technology Inc. Global SaaS Survey March 2010. n = 252

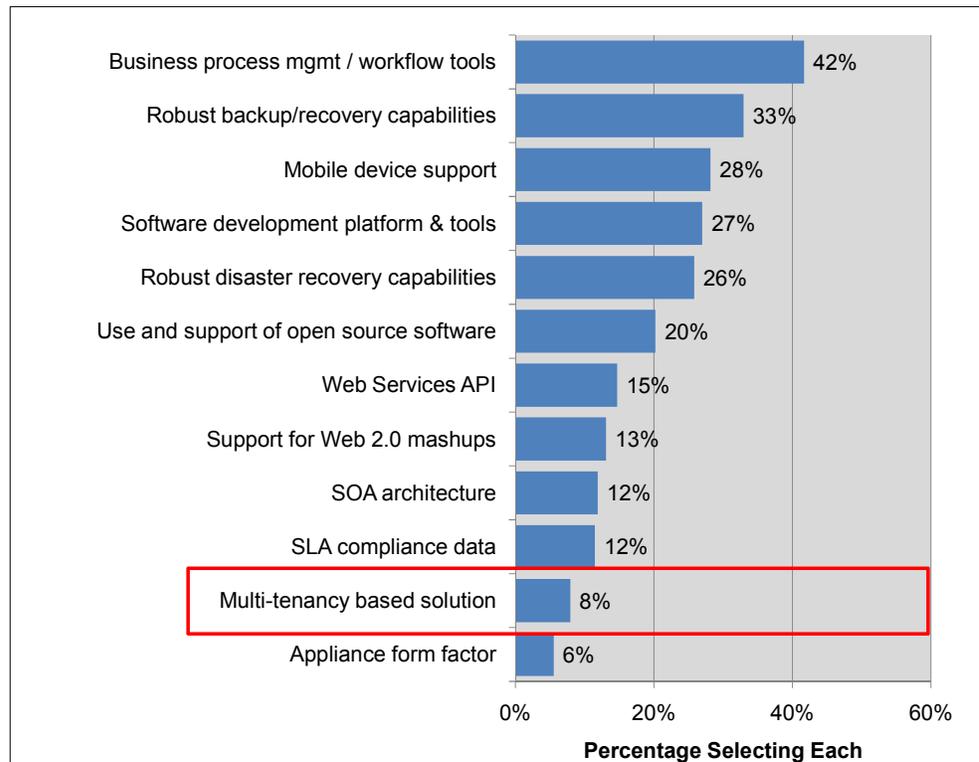
The emphasis on such traditional IT concerns tells us that SaaS solutions are considered as important, and as vulnerable, as any other form of IT. This is a strong indicator that Cloud-based IT, including SaaS, is increasingly considered to be “mainstream,” and should be acquired and managed as such.

**KEY TECHNOLOGY CONSIDERATION OF SAAS PROVIDERS**

The key technology considerations shaping SMB executives’ choice of SaaS providers further support the notion that SaaS is becoming mainstream IT – and all that that implies for the business. Our 2010 survey clearly shows the high importance to SMB executives of business process and workflow integration with SaaS, which maps directly to the demand by business for IT to enable better and more ways of doing business at lower cost. Figure 2 illustrates SMB executives’ top technology considerations when selecting SaaS providers.



**Figure 2: SMB Executives' Technology Considerations Regarding SaaS Provider Selection**



Source: Saugatuck Technology Inc. Global SaaS Survey March 2010. n = 252

Note that not only do SMB executives want the ability and tools to customize solutions, they also want robust backup and recovery capabilities – again, hallmarks of core, mainstream IT in any business.

The most interesting note from this data that is specific to SaaS is that executives are relatively unconcerned with whether or not providers' solutions are delivered via a multi-tenant architecture. Multi-tenancy enables providers to deliver multiple solutions from a single source or image that shares servers and database engines. Done correctly, multi-tenancy is quite secure, and enables some potential cost savings by allowing the provider to reduce its costs for upgrades, enhancements, maintenance, and other changes. Single-tenant solutions, by contrast, give each customer its own database and instance of the software application. Placed on an individual server, or segregated via extensive security controls to create its own virtual server, users of single-tenant systems may benefit from enhanced security as the potential for data migration from one company to another is eliminated when housed in a non-shared environment.

**MANAGING THE CONCERNS OF MOVING TO SAAS**

Given the above concerns and considerations, how do we move to using software in the Cloud, and take advantage of SaaS' capabilities?



First, to reiterate the core theme of this paper, SaaS must be managed as would any other business-critical IT. A consistently troubling aspect of SaaS adoption that crops up in Saugatuck research, particularly among smaller firms, is the sense that handing off the software to a Cloud-based provider somehow mitigates the need to carefully manage the provider. “Out of sight, out of mind” seems to be a more and more popular method of managing SaaS – and is the wrong thing to do.

SaaS is being used in the same manner, and increasingly for the same critical business operations, as traditional IT. Therefore, SMBs need to manage SaaS (and SaaS providers) as they would any other core IT. Key management disciplines that SMB executives need to address include the following:

- **Security and Privacy Management.** Leveraging a SaaS solution does not recuse your organization from the required regulatory controls of data compliance. SMBs need to manage compliance through controls and audits, especially when data may be hosted in a different country and with a different subcontractor like a hosting provider. Ensure that you are not breaking any country laws related to transfer of customer data or access/sharing of customer data. Also make certain that you have access to the data, and there is an established medium for the distribution of data to your organization should you consider moving to another solution. Ensure that the SaaS provider has demonstrated controls and acceptable adherence to those controls has been attained. Anyone considering SaaS must look closely at providers’ security and privacy services, and ask specifically about Sarbanes-Oxley and SAS 70 Type II audit certification. Firms in the health-care industry considering a SaaS solution should also ask about HIPAA compliance in regard to the Privacy Rule.
- **Service Provider Management.** SMB executives are attracted to all types of Cloud Computing solutions primarily for strategic reasons such as flexibility and speed to market, in addition to potential cost savings. To achieve these goals – both strategic and operational – SMBs need to change the way they manage IT, including the organizational structure and skills of the IT support staff. There is a need to manage SLAs, data access, subscriptions/license management through a robust vendor management process. Additionally, whether you are going to replace one, some, or all of your business applications with a SaaS solution, you will need a realistic plan (and timeframe) to securely implement, migrate, and then turn off legacy applications. Further, a well-defined process may be required to optimize key consulting resources to work with the business in prototyping workflows and building requested customizations.

At the bottom line, organizations need to manage a range of external and internal considerations related to SaaS acquisition and implementation. Understanding the responsibilities required to effectively manage SaaS including, significantly, security/privacy management and service provider management, will improve the chances that SaaS will become an attractive source of IT/business capabilities for your organization, now and for the future.



## SPONSOR PERSPECTIVE: SAGE SALESLOGIX

*Sage SalesLogix* is a powerful and secure CRM solution that offers a complete view of customer interactions across your departments and teams—providing the information and insights you need for better planning, managing, and forecasting. Your teams will have the tools they need to increase sales, identify and reach more profitable customers, enhance the customer experience, and anticipate customer needs. Because business priorities and economic conditions change, Sage SalesLogix offers flexible access, deployment, and payment options—and it can be tailored and personalized to mirror your unique business processes and user preferences.

*Sage SalesLogix Cloud* delivers all of the robust functional benefits of the Sage SalesLogix CRM solution, but without the responsibility of purchasing and maintaining your own hardware, committing to an up-front capital expenditure for software, or managing an implementation project.

With Sage SalesLogix Cloud, your company's own private instance of Sage SalesLogix is hosted 'in the Cloud,' leveraging Amazon's world-class Web platform, Amazon Elastic Compute Cloud™ (EC2). This frees up your IT staff to focus on other business-critical projects while you have peace of mind that your CRM solution is in good hands and your vital customer data is secure.

**The Sage SalesLogix Cloud Difference** - With Sage SalesLogix Cloud, you get the best of both worlds – the flexibility and rapid time-to-value associated with traditional on-demand solutions, combined with the security and control associated with on-premise solutions. As with traditional software-as-a-service (SaaS) CRM solutions, with Sage SalesLogix Cloud you benefit from reduced IT capital expenditures and operating costs, flexible payment options, and rapid start-up, but you also enjoy the following key benefits:

- **Upgrade Control:** Upgrade when it's right for your business—not when the vendor decides.
- **Extensive Data Storage:** 100GB of data storage for every 50 users of the system—far and away the most in the industry—removes worry about excessive fees for extra storage common in the industry.
- **Privacy and Security:** Data is not intermingled with the data from hundreds or thousands of other companies in a single database, but rather in a private and secure implementation of Sage SalesLogix in the Cloud, accessible from any basic Internet connection.
- **Flexible Licensing and Payment Options:** Flexible product, license, and payment options—designed to fit unique business requirements and financial preferences.
- **Integration and Migration Capabilities:** A flexible, standards-based platform that enables integration with other business management solutions, desktop applications like Microsoft Outlook and Office, and Web services for increased productivity and a holistic view of customers. Should business conditions change, easily migrate the Sage SalesLogix solution on-premise and protect the investment made, or migrate from on-premise to the Cloud if desired.
- **Training, Support, and Software Maintenance:** Numerous vital services at no extra charge for a worry-free ownership experience, including online setup and provisioning, online training, nightly backups, monitoring, database maintenance and expert product support.
- **The Sage Advantage:** Sage has offered a comprehensive portfolio of business management solutions and services for over 30 years including ACT! by Sage, Peachtree by Sage, and Sage MAS ERP. Sage SalesLogix is a celebrated, established leader in the CRM market for 15 years and is supported by a network of expert, local Certified Sage Business Partners, who can provide extensive CRM and vertical industry expertise.

Learn more about Sage SalesLogix Cloud or start a 30-day free trial at [www.sagesaleslogix.com](http://www.sagesaleslogix.com).





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Saugatuck Technology is a strategic advisor to senior executives, information technology vendors and investors, providing strategy consulting, subscription research and thought-leadership programs focused on emerging technologies, key business / IT challenges, and effective management strategies.

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- Strategy Validation
- Opportunity Analysis
- Scenario Planning
- Competitive Analysis

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- Strategy and Program Assessments
- Deployment and Management Best Practices
- Vendor Selection / Evaluations

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- Research agenda focuses on Key Trends and Emerging Technologies driving change in Enterprise Computing, i.e. SaaS, Cloud, Open Source, Social Computing, as well as market forces and players at the business process layer

### *THOUGHT-LEADERSHIP PROGRAMS*

- Custom research programs targeting key technology and business/IT investment decisions of CIOs, CFOs and senior business executives, delivered as research reports, position papers or executive presentations.

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- Competitive and market intelligence
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- Primary and Secondary market research.

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