THE SHELBY GROUP

LESSONS LEARNED FROM THE FIELD:

Planning for Success with SaaS in eProcurement

WHITE PAPER | PROCUREMENT OPTIMIZATION

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Planning for Success with SaaS in eProcurement

Software-as-a-Service (SaaS)[1] is one of the hottest business topics under the sun due to the ever-increasing rate of On-Demand solution adoptions. A recent report from Gartner predicts that SaaS will continue to demonstrate an 18% compound annual growth rate (CAGR) through 2013 for the aggregate enterprise application markets. That is nearly five times the total application market of 3.6% CAGR.[2]

As part of this trend, SaaS is succeeding in not only small and mid-sized organizations but also in larger global organizations (such as the Global 1000 and Fortune 500). This is because these organizations are faced with the challenge of solving their current IT business challenges while attempting to stay competitive on a global scale.

One of the most compelling reasons for this trend in increased adoption is that business is embracing SaaS as a new means to replace aging legacy enterprise technology, thereby eliminating the need to invest in expensive software and hardware required to run critical business applications.[3]

But not everyone is jumping on the SaaS band wagon. From an end-user perspective, concerns about adopting SaaS are well documented and recognized by those who are evaluating the migration to SaaS. A good illustration is demonstrated by recent research conducted by Forrester, which surveyed 239 application decision makers. Among the top concerns noted by those surveyed were the following:

1. total cost of ownership
2. platform security
3. application availability
4. integration with existing systems
5. ability to customize
6. performance
7. complex pricing schemes
8. ability to migrate (from current platform/vendor)

Those who believe that migrating to a SaaS platform merely involves implementing a *service* with an option to later "switch" or consolidate ERP platforms within four or five years may be underestimating the commitment and indirect costs associated with SaaS. Careful consideration must be given to the long-term impact of divesting IT infrastructure/knowledge, the impact on existing business processes and in some cases the redesign of business processes to accommodate the new SaaS model.

Upstream processes, such as strategic sourcing and contract management, have been proven with SaaS but, unlike eProcurement, do not necessarily integrate with processes that have complex data-intensive integration requirements such as complex multi-ERP or global business unit integration.

SaaS technology is expected to evolve and improve to accommodate certain business processes that are currently considered more appropriate for the "on-premises" model. For these enterprises seeking to implement SaaS *today* in an effort to reap the obvious benefits, it is possible that business process complexities and technical gaps may impact the success of the SaaS deployment.

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1 Software as a Service is software that is deployed over the Internet and/or is deployed to run behind a firewall in your local area network or personal computer. With SaaS, a provider licenses an application to customers as a service on demand, through a subscription or a pay-as-you-go" model. SaaS is also called "software on-demand."

2 Gartner Research. Market Trends: Software as a Service, Worldwide, 2008-2013, Update.

3 http://www.reuters.com/article/idUS279037020520100223

And despite industry recognition of known Procure-to-Pay SaaS platforms like Ariba, Coupa, Emptoris or Ketera, as well as recent On-Demand ERP entrants like SAP and Oracle, much of the hype focuses on the ease of SaaS adoption compared to an equivalent on-premise solution. What is noticeably missing is what organizations should expect from a SaaS deployment.

Through our own client experience, and regular dialogue with the spend management community at large, Shelby has noted that those implementing SaaS applications are often sold on the promise of an easy deployment compared to an on-premises implementation. As a result, clients who actually migrate to SaaS are either grossly unprepared for managing the unanticipated complexities encountered during a SaaS deployment midstream or they are disappointed with the adoption results once the SaaS solution is in production.

This document highlights some of the key factors to consider in an effort to avoid common pitfalls as part of your SaaS deployment.

Factor #1: Strategic Evaluation of Business Need

Getting a handle on business requirements and the overall strategy for implementation is critical for your SaaS deployment. Your SaaS solution should be properly vetted within the selection process, with feedback ranging from executive leadership to key stakeholders to end users.

- **Industry/Competitor Analysis** – Do your homework up front to understand how the SaaS solution will function and if it has been successful in your industry and/or with your competitors.
- **Options and Limitations** – Understand the options and be prepared for limitations. If the SaaS sales representative makes it sound as if it will be a perfect solution for your enterprise, be skeptical and very cautious.
- **Additional Fees** – Be mindful that the SaaS provider is often limited in what assistance they can provide without charging additional fees for services outside the solution.
- **Set Expectations** – Set internal expectations up front by evaluating the full functionality of the application—more so than with an on-premises model. Selecting procurement software is far from straightforward given how solutions can be conveniently bundled or sold into modules. This can be confusing when trying to map business processes to the new solution.
- **Long-Term Impact** – Consider the long-term impact of a SaaS solution and the mind-shift of "renting" versus "owning" for the company; for instance, switching now means you will likely be completely reliant on the SaaS provider on any issues-related application from a support perspective.

Factor #2: SLA Negotiations and Setting Expectations

Many spend management providers do not have extensive experience with SLAs because technology has traditionally been sold as a product, rather than a service. Based on some of these potential issues with the SaaS partner, The Shelby Group recommends that once you have selected a provider, you perform a thorough review of the SLA, with special consideration given to the following:

- **System Availability** – Monitor system availability based on a monthly average. Incorporate penalties for downtime beyond the agreed level.
- **System Response Time** – Monitor response time based on a monthly average. Incorporate penalties for slow system performance.
- **Issue Resolution** – Monitor error resolution times. Incorporate penalties for slow responses.
- **Security** – Identify security procedures and policies regarding hosting (for example, does the provider host directly or do they use a third party).
- **Support Model** – Confirm the support model for help desk issues.
- **Fail-Over** – Identify a fail-over window regarding disaster recovery.
- **Data Retrieval** – Consider data migration assistance should you migrate away from the vendor down the road. If you leave, the vendor should be prepared to assist you with migrating your data (likely for an appropriate services fee).

Factor #3: Effective Program Management

Given the newness of SaaS, a strong project manager who understands spend management (in the context of Strategic Sourcing, Contract Management and Procure-to-Pay processes) and SaaS technology is quite rare. Moreover, for those project managers with this experience, it is more likely that they have been involved in a behind-the-firewall/on-premises deployment.

Based on this experience, The Shelby Group recommends that those considering a SaaS deployment:

- **Manage Expectations** – Identify a project manager who effectively manages expectations of the internal customer—i.e., their perceived expectations of what On-Demand SaaS will provide versus what the final product becomes after the deployment.
- **Rely on Experience** – Identify a project manager who specifically understands and has experience with the challenges and successes of On-Demand SaaS deployments, while balancing new features/functions of the platform with the impact on core business functions.
- **Manage Expectations** – Identify a project manager who can set expectations with the SaaS vendor, obtain honest and clear answers to challenges in configuring the application, log issues with the current version/service pack and has access to a schedule of planned releases.
- **Get Involved** – Identify a project manager who is involved from the early planning stages through the project and who is responsible for having visibility into all areas of the project and broader rollout plans.
- **Get Third-Party Expertise** – Seriously consider engaging a third-party expert in spend management who is familiar with your industry and platform. An outside party acting as a program manager/project manager can act as your advocate for internal buy-in. He or she can also provide an alternative perspective as issues arise within the deployment.

Factor #4: Project Team Roles

Having an understanding of the limitations of your internal project team is essential. You need to understand how much each person can devote to the project given his or her existing responsibilities. This is especially important if this is the first eProcurement solution being implemented or if the SaaS deployment is part of a larger rollout strategy that could compete for resources within your organization.

With respect to project team roles:

- **Analysis and Design** – Plan for increased reliance on business analysis and process design activities. These are essential for guiding the SaaS vendor with specific requirements that will affect the configuration and implementation of the system.
- **IT Professionals** – Plan for the presence of IT professionals throughout the deployment process who will serve as advisors, help identify potential system/process breakpoints and identify integration requirements with external enterprise systems.

Factor #5: Deployment Planning

It is easy to overlook how processes are translated into the SaaS solution, which, more often than not, will be running on a multi-tenant platform than a single-tenant one.[4] If you happen to be replacing an existing eProcurement platform, there is also an increased need to modify business processes so that they fit the application given the limitation in the number of customizations provided for in the SLA and overall limitations in a multitenancy.

- **Testing Schedule** – Establish a detailed testing schedule with the SaaS provider and confirm any changes that will be done to the platform during this time that may affect the UI layout or how the system will function given system updates.
    - Business processes need to be tested once the system has been configured (including integration with other systems).
    - Integration with any other systems (ERP, Sales, etc.) might be outside the scope of what the SaaS vendor provides and need to be considered in the deployment planning.
- **Service Releases** – Be proactive and plan with the SaaS provider internally to understand the business impact of the service releases during the deployment and a plan of action before they are released post-deployment.

4 For a good explanation of the concept, approaches and considerations of multi-tenancy, refer to http://msdn.microsoft.com/enus/library/aa479086.aspx

Factor #6: Change Management

As is true with any IT project, an effective communication and change management plan is essential for a successful deployment. The key challenges often associated with SaaS deployments are frequently related to the assumption that end-users will know how to perform certain job functions in the new application once it is in production.

These constraints may have an impact on the perception of the product and with longer-term user adoption rates. It is critical to have an effective change management plan in place *during and after* the actual deployment.

Regarding change management:

- **Communicate Benefits** – Communicate the benefits of using an On-Demand model and the financial impact of a SaaS solution in terms of "renting" versus "owning."
- **Training** – Plan for and communicate the available training to end users during—and beyond—the implementation or upgrade.
- **Ongoing Support** – Typically, training is drop shipped with SaaS and tends to be very generic. End users may not recognize the gaps for best using the tool until after the application is deployed; therefore:
  - Be prepared to communicate how specific business functions are accommodated in the SaaS solution.
  - Establish a change champion within the organization with the ability to liaise between application, technology, business community and senior leaders for ongoing communication.
- **Adoption Metrics** – Establish a program for user adoption rates by establishing measures for the improvements being made as a result of deploying the SaaS solution.
- **Post-Deployment Considerations** – Once the deployment is complete, the project manager will likely roll on to another project. Establish a liaison between the daily activities who will take responsibility for ongoing contractual issues, supplier performance (with respect to the SLA), as well as day-to-day account management.

Summary

Given the explosion in SaaS, particularly in business areas like CRM, increases in SaaS adoption rates will continue to have an impact on corporate computing well into the future. SaaS is important for eProcurement because SaaS represents a complete paradigm shift in thinking about technology for the Procurement professional. This includes everyone from the CPO to the Buyer, as well as those in the organization who will use the application for various corporate purchases.

Furthermore, from a deployment perspective, SaaS is obviously different from on-premises deployments because it presents a unique set of complexities that call for an increased focus on SLA negotiation, business process refinement, configuration and system interoperability.

In conclusion, as far as eProcurement SaaS is concerned, for most business managers it's a niche that flies under their radar, but can cost companies a bundle in IT systems and productivity. Additionally, although most organizations consider themselves to be unique in their Procure-to-Pay processes, in reality most organizations more or less use similar indirect procurement processes.

However, if there are specific circumstances that make your organization truly unique, and you are willing to make a strategic investment in eProcurement, your deployment approach must be planned properly and consider SaaS as an evolving technology.

For more information about our Procurement Optimization services, call us at 312.445.8500 or email us at info@theshelbygroup.com