



Is it time for SaaS 2.0? Yes – exclamation mark, exclamation mark...

By Joe Almodovar, AT Kearney

In the fall of 2014, I attended the HR Tech Conference in Las Vegas, where I had the opportunity to view the latest offerings in the world of HR technology. Once again I walked away with disappointment that SaaS (Software-as-a-Service) has not taken the next step in its life cycle, which is to provide all the current (and future!) functionality along with the ability to support some level of customization. The inability to support unique and sometimes critical business processes and/or other customer internal systems via customization is, in my opinion, a major gap in today's SaaS, which I will refer to as S1.0. This major gap prevents SaaS, as an offering, from evolving to what I will refer to as SaaS 2.0 or S2.0; an off-premise SaaS solution maintained by the vendor on a common code line, who is responsible for future upgrades

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and feature releases, provides user configuration capabilities, and some level of customization.

Today's SaaS boasts of its ability to support many different companies and industries on one common code line via robust configuration capabilities. It's clear that S1.0 has made great strides in providing the customer with fairly easy graphical user interfaces (GUI) designed to configure their SaaS system with little to no support from their IT group. I have implemented three SaaS solutions over the past eight years, the most recent about two years ago. The configuration features and capabilities have vastly improved over that period of time, and have placed a great deal of power in the hands of the functional user. I suggest

that it also has placed a great deal of responsibility on the shoulders of the functional user and can be quite daunting at times, but that is a discussion for another day. While configuration capabilities in S1.0 are strong they do not address the need for many firms to support unique and/or critical business processes, which can only be solved by customization.

From my experience as a practitioner and former consultant, I have found that firms, especially those that are global, have unique and/or critical business processes that cannot be addressed via configuration alone. Many times these firms are unwilling culturally and/or unable financially to change their unique processes. In addition, the business usually mandates that its systems support these important business processes frequently in real-time, 24 x 7. Not having conducted any research on the matter, I suspect that many firms that fully migrate to S1.0 solutions are either migrating from a non-core ERP system, may operate in a domestic or limited global market, can culturally execute the required change management, are recently founded and do not have deeply entrenched processes that are difficult to change, and/or are maintaining these unique processes outside of their S1.0 solution. In the past as I have considered implementing various S1.0 offerings, I contemplated supporting our unique processes and custom systems outside the SaaS system via an on-premise solution(s), however that would negate some of the cost savings promised by S1.0. In our conversations over the past several years

with vendors such as Oracle, Workday, and SuccessFactors (now SAP) it was clear to them and us that configuration alone could not meet our most critical needs, and only some level of customization would provide the final bridge needed to move to a total SaaS solution. S2.0 can be that bridge required by many firms to make the final and complete transition to SaaS.

S2.0 must provide more than the custom user fields offered today by the majority of SaaS vendors, it must also offer the customer the ability to add and maintain some level of logic/code that will support unique processes, while continuing to offer the current benefits of S1.0. While custom fields are beneficial, they alone cannot support critical processes. For example, in our current PeopleSoft environment we have added an important field to a major HR transaction screen that behaves differently for the end user based on the entered transaction code. Carrying this same requirement to a S1.0 environment would result in being able to add the custom field to a screen, but the logic required to have it behave differently could not be added, rendering the critical field unusable for the business. I envision S2.0 being able to accommodate the custom field and the logic mentioned above. I don't believe S2.0 requires extensive customization capabilities, but enough to provide some

basic level of support for key critical processes. I offer that some firms may be willing to pay a small added annual premium to have a customization feature available.

What technical solution can make that happen? I will leave that question to more informed technical people. Fundamentally, however, the S2.0 must offer to the end user the ability to run some limited form of executable code; at the vendor database level or dare I say it... at the customer's local server level. I firmly believe SaaS 2.0 can become a reality and the first SaaS vendor that provides SaaS 2.0 to the market will have a substantial competitive advantage that other vendors will need to mimic, or quickly find themselves in the vendor graveyard.

Making customization available in the SaaS construct will significantly close a gap that prevents many firms from taking that last giant leap into the SaaS arena. Until S 2.0 is available, we will be constrained by the limitations of S1.0 and its inability to support key customer business processes. Let's hope that I have better news next year after the HR Tech conference.

About the Author



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both a practitioner and a consultant, and has 25-plus years of experience in the field. A few of his past employers are Sears, Unisys, Kraft Foods, and the Hunter Group (now Sierra Cedar). He has implemented ERP, SaaS, and payroll systems on both a domestic and global scale. He has also presented at various IHRIM conferences, where recently he co-presented "SaaS in the Trenches, Real World Experiences." He can be reached at Joe.Almodovar@atkearney.com.