

Software-as-a-Service: Beyond the Architecture Discussion

Best Practices in Action

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Executive Summary

Over the past twenty years, software delivery models have evolved dramatically from on-premise in the 1980s, to Application Service Providers (ASPs) in the 1990s, to Software-as-a-Service, or SaaS, in early 2000. SaaS has seen a significant increase in user adoption over the past five years and is now the preferred deployment model for a wide range of organizations across virtually all industries. Today, SaaS use and adoption continues to expand and is increasingly including larger enterprise deployments and broader applications.

According to a recent Forrester report titled *The ROI of Software-As-A-Service*¹, “SaaS has grown far beyond its early roots of popularity in a few select application areas such as HR and CRM technologies and is now gaining acceptance across a broad range of applications for business and IT user populations alike.

As SaaS deployments have moved from narrow and relatively small implementations to more complex enterprise environments, it has become clear that SaaS has spawned more than an architectural debate around on-premise software deployment versus a multi-tenant provider-hosted environment. SaaS is fundamentally a new business model for software providers - changing the purchasing process for customers, the selling and marketing processes for providers, and the ongoing relationship between the customer and the provider.

Plateau Systems is a leading provider of SaaS talent management solutions and currently supports more than 3.3 million global users across 25 languages. This paper will discuss the business model required for SaaS providers, the key benefits for customers and providers, and how Plateau has successfully transitioned to a SaaS business model over the last four years.

¹ Forrester Research, “The ROI of Software-as-a-Service”, Liz Herbert and Jon Erickson, July 13,2009

The State of SaaS

Clear and tangible customer benefits are driving SaaS adoption and success. The key differences between a SaaS model and the traditional on-premise model include: pricing and investment, implementation process, and the ongoing customer and provider relationship. SaaS solutions allow customers to realize a number of benefits, including:

- Reduced upfront investment and lower overall Total Cost of Ownership (TCO) – with SaaS, customers typically pay a subscription fee for access to the solution. Because the software for the solution is owned and managed by the solution provider, the upfront costs and overall TCO for the customer are lower. Native-SaaS solutions are built on a modern shared platform, sometimes referred to as multi-tenant, which allows the software provider to securely share one version of its software with many customers. The provider is responsible for maintaining the platform, delivering the software, managing upgrades and overall system maintenance. This lowers the overall cost of ownership for the customer and allows for a faster return on investment and payback. According to the Forrester ROI report, SaaS HR applications yield an average 26% ROI, with payback realized in twelve to twenty-four months.
- Accelerated time to market – because customers are not required to install the software on their servers, or purchase additional hardware for that software, the overall time to market for the solution is shorter when it is delivered via SaaS. System configuration, training, and rollout are still required, but implementation time can be significantly decreased since the provider manages both the software and infrastructure.
- Faster pace of innovation – one of the biggest frustrations with on-premise software has been the very slow and painful upgrade process customers have had to endure to get access to the latest version and new features of an application. A SaaS solution removes this pain by providing customers with much faster access to enhancements. The provider maintains the solution infrastructure and rolls out enhancements and new releases more quickly than an on-premise provider. This is possible because the provider is leveraging a shared platform for all customers, and is responsible for the software, its delivery, and the ongoing management of that platform.

These benefits are dependent on more than just good solution product architecture. While a truly scalable enterprise-class multi-tenant architecture is an absolute requirement, ensuring that the provider has the product operations and business model to support their SaaS solution is even more critical. The provider must have the discipline to stick with the ‘true SaaS’ operating principles, and a provider’s ability to be disciplined will ultimately be visible in their business results.

SaaS Operating Principles

The key elements that a SaaS solution provider must address and be disciplined in adhering to include:

- Product – the foundation of the SaaS solution must be an enterprise class multi-tenant architecture. Customer benefits are made possible through efficiency gained by the provider. The provider gains this efficiency by employing a one-to-many delivery model that is best served by a multi-tenant architecture. This means that all customers access a single software environment. This is different

from application hosting or the application service provider model that was popular ten years ago. The solution provider must also operate on one version of code. Ensuring the correct product architecture is critical because SaaS providers manage upgrades and maintenance. Product architecture will impact a provider's ability to quickly and efficiently roll out changes to its entire customer base. Offering and supporting several versions and diverse platforms makes it difficult for the provider to realize and pass cost efficiencies on to customers.

Another critical product requirement for SaaS solutions is enabling a high level of configuration and extensions to support customers looking to implement specific business requirements and processes. According to Forrester Research, some companies end up spending too much money on change management, integration, or force-fitting a SaaS solution into their business process needs. SaaS solutions are pre-packaged with built-in processes and best practices that customers will inevitably want to modify to meet their specific requirements. In order to maximize cost savings and increase user adoption for customers, however, the provider must deliver a set of tools that allows customers to make changes and implement their own processes – without impacting the provider's ability to manage the product and implement upgrades and changes to the platform.

Solution providers must be disciplined in how they deliver their solution or they risk compromising the efficiency of it. They must also provide customers with enough flexibility to implement their own processes and requirements.

- Operations –when it comes to SaaS, customers are placing a significant amount of trust in the hands of the provider. The providers are responsible for managing and delivering the solution and as such, are responsible for the data security, reliability, scalability and the overall user experience of the solution. The providers must not only have the physical infrastructure and systems in place, they must also have the right people and processes in place to support this new operating model. The operations aspects of a solution provider that need to be considered are:
 - Product Infrastructure – *where* the solution provider hosts and manages the application is a very important consideration. The provider should be hosting the application in a secure and scalable third party facility that meets all the security and data privacy requirements of its customers. Solution providers should also address common best practices for application delivery, including SAS 70 Type II, PCI, and Safe Harbor. The provider should assure a high level of availability and a high quality experience for end users. SaaS customers are dependent on the provider for much of the end user experience. It is well-known that end-user experience has a significant impact on end user adoption, which in turn, directly impacts the overall success of the solution.
 - Customer Support & Services – SaaS offers a much faster time to market, and a SaaS implementation is much different than an on-premise one. As such, the solution provider must have the skills and resources to support this model. SaaS solutions are configurable and extensible in a less technically demanding way than on-premise deployments. A services organization must be built with that in mind. Ongoing customer support is also significantly different for SaaS customers. Since the solution is hosted by the provider, the provider has control over the environment and the troubleshooting.
- Business Model - the product and the operations elements roll up into the overall business model of the solution provider. SaaS is fundamentally changing the way providers build and deliver their solutions. The solutions are delivered more quickly and at a lower cost, and the overall pace of

innovation is much faster. These changes impact the provider's marketing and sales of the solution and the overall characteristics of the provider's financials. The majority of a solution provider's revenue should be recurring, with a smaller professional services component. Deferred revenue will be an indicator of the provider's long-term revenue health. The following key business metrics are equally important to consider when evaluating SaaS solution providers:

- Customer Retention – the flip side to the faster deployment and lower upfront investment required for SaaS solutions is that it makes it easier for customers to end service and move to a new provider. Customer retention is very important in any business, and is especially telling with SaaS deployments since unhappy customers have relatively low switching costs. Best in class SaaS providers generally experience less than 5% annual customer churn because of their focus on customer success.
- Profitable Growth – SaaS has reached an inflection point in terms of adoption and significant provider growth. But, are the providers building long-term, sustainable business models or just growing as fast as they can and hoping they can sell the company? Well-run providers will build their business for long-term viability and strive to deliver consistent profitability and growth.

Choosing the right SaaS provider for your unique requirements is not an easy process. Customers are most likely to enter into a multi-year relationship and their success will be dependent on and significantly determined by the quality of the provider and the relationship. Customers should be looking for a long-term solution provider partner that runs a sound business with proven results, not just a short-term fix.

Plateau SaaS Solution

Plateau Systems is a leading provider of enterprise-SaaS solutions for talent management. Currently, more than three million users worldwide are accessing our SaaS solutions across 25 languages. Plateau's solutions are built to be extremely flexible to meet the requirements of the entire market – from small- to mid-size organizations to mega-enterprises. The Plateau Talent Management Suite includes Plateau Learning, Plateau Performance, Plateau Compensation, and Plateau Career and Succession.

Plateau is widely recognized as a pioneer and leader in the talent management space for product innovation and excellence, and for our long-standing commitment to making customers successful. The results our customers are achieving using our solutions are a testament to the superior functionality, robust capabilities and flexible architecture of the Plateau Talent Management Suite. Our solutions and company are further differentiated by our unique ability to deliver against the SaaS provider requirements outlined above.

- World-Class Product – Plateau has built a multi-tenant SaaS platform that allows us to achieve a very high level of operational efficiency. Additionally, Plateau is unique in its ability to support a wide range of application extensions – from branding changes (colors and images) to complex business rule and process changes. Plateau Talent Management Suite also includes:
 - Advanced features such as domain management, assignment profiles, and modifiable workflows that allow for greater configuration than other comparable solutions.
 - Robust Integration – Plateau offers a full set of pre-built connectors for common integration needs (e.g. learning items, employee information, learning history) as well as a rich set of APIs and Web services for advanced integration requirements.
 - Unencumbered Reporting and Analytics – Plateau is well ahead of other solution providers, distinctive in the breadth and depth of reporting and analytics options provided across our Talent

Management Suite. We have embedded real-time dashboards in the application to deliver the right information at the right time, and complimented those dashboards with over 100 pre-built reports to address a broad range of common questions. In addition, we provide a rich report design environment that allows more advanced users to build ad-hoc graphical reports.

- Operations - as mentioned previously, the concept of SaaS is relatively simple, but the idea of being dependent on a service provider to deliver the application in a reliable and secure manner is not necessarily an easy leap for customers to make. This move to a service provider is especially daunting for those in heavily regulated industries such as healthcare, pharmaceuticals or for those dealing with sensitive employee information (i.e. compensation or performance scores). Plateau has a solid history of working with customers in regulated industries and in dealing with sensitive information. And, we built our SaaS solution on a scalable and secure platform to address exactly those requirements. Our SaaS solution is fully SAS 70 certified and is in certified compliance with the EU Safe Harbor privacy principles. We are also one of the few SaaS providers to have a fully validated FDA compliant environment.

Additionally, Plateau's multi-tenant architecture provides each customer with a unique, dedicated database schema to prevent the co-mingling of customer data and provide customers an added level of ease and flexibility in pulling data out of the solution and for reporting. Plateau is further differentiated by our ability to offer customers an opt-in window for upgrades. This allows the customers to decide, within a defined time period, if and when they want to upgrade and implement the new capabilities and enhancements. This affords them the flexibility needed to plan for the potential change management associated with any new release – a reality often overlooked by SaaS solution providers. This customer-focused approach to SaaS is unique to Plateau and reflects our ongoing commitment to delivering the outstanding customer support and comprehensive professional services that make customer projects successful.

- Business Model - Plateau has achieved consistent profitability and growth while demonstrating a clear commitment to customers. Our customer retention rate is best-in-class at over 99%, our five-year compound annual growth rate is 24% and we run a profitable business. Our proven business results, unparalleled commitment to our customers' success and industry leading architecture and products validate Plateau as an industry-leading provider of SaaS talent management solutions.

Summary

SaaS has reached a critical inflection point and is now being broadly adopted across a wide range of industries and company sizes. However, SaaS is not just a product architecture and delivery discussion. It is a business-changing paradigm with new requirements for customers and solution providers alike. Customers must evaluate solution providers against a broader set of criteria that includes both a technology assessment as well as an examination of the business. The provider must have the product, the operations and the proven business results to show that it will be a sustainable business partner. The benefits of SaaS are straightforward, but providers who are not disciplined in delivering the key requirements will not remain viable long-term businesses.

Our thoughtful and thorough approach to SaaS allows customers of all sizes to implement a solution that can be adapted to meet their unique business requirements on a scalable and secure platform. Our platform offers all the efficiencies of a multi-tenant architecture with the added flexibility of opt-in

windows for upgrades and an extremely flexible framework for building extensions. Plateau offers this truly unique architecture, along with a wealth of expertise, experience and a clear commitment to customer satisfaction, to provide one of the industry's leading SaaS -based talent management suites. Our proven business results, unparalleled commitment to our customers' success and industry leading architecture and products validate Plateau as a best-in-class provider of SaaS Talent Management solutions

For more information or to request a demonstration please visit us at <http://www.plateau.com>.

About Plateau

Plateau led the charge in transforming corporate workforces in the mid-'90s with its award-winning [learning management](#) system ([LMS](#)) platform, which streamlined the management and delivery of learning and training across some of the world's most respected organizations, including General Electric, the United States Air Force and Capital One Services. [Plateau](#) expanded its [LMS](#) platform, and in early 2000 delivered the industry's first fully integrated, Java-based [talent management](#) platform, which allowed organizations to link learning and training with employee performance to ensure that employee goals aligned with corporate objectives. Today, organizations around the world rely on [Plateau's](#) enterprise-class SaaS solutions to drive innovation, facilitate collaboration and connect people in ways that support the organization's most critical business objectives. Customers and industry analysts continue to recognize [Plateau](#) as a [customer satisfaction](#) leader and for its continued leadership, vision and technology innovation. [Plateau](#) is headquartered in Arlington, Virginia and has offices across the United States, Europe and Asia Pacific. For more information, please visit www.Plateau.com.