"AS A SERVICE" AND WHY THE C-SUITE NEEDS TO UNDERSTAND IT

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INTRODUCTION

Perhaps no two places love the acronym more than the modern US military, and the typical American IT shop. From LAVs in the Marine Corps (Light Armored Vehicles) to the SAN (Storage Area Network) being discussed by Bill and Ted down the hall, acronyms are useful in their brevity for those in the know, while they serve as barriers to those on the outside. While understanding every acronym in use by IT types is not necessary for those in executive positions in the American enterprise, there are a few that need to be more than pure alphabet soup. "As a service," or "aaS" and all the acronyms that come with it is a concept that leaders at all levels must understand. It is a phenomenon that fuels so many other initiatives and opportunities, that for the idea to remain merely an IT issue, would be to radically short change the scope of its possible impact.

II

THE CONCEPT OF "AS A SERVICE"

Over the past decade, the concept of "as a service" has emerged, evolved, and developed into an almost matter of fact way of doing business for many. Like many things "tech" related, the idea of "as a service" comes with a host of acronyms that many within the industry use as though all 6 billion people on the planet are familiar with the concept. In fact, even within the IT space, many acronyms are misused, while convention actually allows for the misuse, and therefore, confusion on the part of the non-initiated.

As an example of this phenomenon, one regularly comes across the acronym SaaS, or "Software as a Service." This has become something of an umbrella term, probably because nobody really wants to just say "aaS." In other words, SaaS is a subset of "aaS," but who really wants to be found guilty of using foul language in the workplace when describing a perfectly acceptable concept? When one speaks of SaaS, one could just as easily say, "hosted," or "web based," or even "on demand." In short, the software you are using is not downloaded onto your own servers or computers, but rather, is accessed via the Internet.

The practice of "as a service" is often contrasted to "managed services," and it represents one of the biggest frustrations for end users when the two competing concepts are not truly understood. For example, Juvo Technologies has a Telecom Expense Management platform called "SimplicITy." While Juvo has proprietary software, and while its customers access this platform via the web, it is not sold as "SaaS," because within this market, our customers want more than the ability to track expenses, monitor issues, and maintain visibility across their telecom environment. While they need that, they also benefit from our ability to provide help desk support, consulting, and contract negotiation. They need assistance with concepts that cannot simply be moved to the cloud and removed from human interaction. They need a managed service that is more hands on than what is typically associated with SaaS.

If software can be sent to the cloud and delivered on demand, or as a service, what else lends itself to this model? Most of those who have answered this question within the enterprise have largely come from IT staffs. It has largely been the domain of CTOs and CIOs to champion causes or efforts like "Platforms as a Service," or "Monitoring as a Service," or "Hardware as a Service." What is important to understand here, is that while IT folks might geek out on this type stuff, it is critical for the entire C-Suite to understand the impacts that these sort of changes can have on the organization as a whole. Not only must they understand the ramifications within their enterprise, they must understand what it means for would-be competition.

To some extent, the trepidation surrounding XaaS (anything as a service) sometimes stems from the anxiety surrounding terms like "outsourcing" or "Business Process Outsourcing." No one wants to give up core competencies, so looking at things from an XaaS lens requires asking hard questions about what creates value for customers and shareholders. In the past, having a huge warehouse full of inventory might have been a sign of strength, a predictor of future profits. Now it just looks like you've got poor supply chain management.

The 21st century's move to "as a service" is really an extension of Adam Smith's concept of "Absolute Advantage," and later, David Ricardo's "Comparative Advantage." Quite simply, XaaS recognizes that while you might have the inherent capability to do something (or buy a physical asset), that doesn't mean you should. While these two economists had entire national economies in mind, their concepts apply quite well to the large enterprise looking to remain nimble and competitive, and to the smaller start-ups with a great idea, but little capital.

III

THE EVOLUTION OF "AS A SERVICE"

A great way to understand the evolution of XaaS, is to simply observe the manner in which Uber is now considered innovative while traditional taxi cabs feel incredibly out dated. While the mobile phone was probably good news for cab drivers at some point, the rise of the mobile application leaves the traditional cab company scrambling for relevence. This rise of mobile has obviously changed a great deal of the modern workplace and whether SaaS has pushed mobile, or whether mobility has pushed SaaS is similar to the chicken or the egg debate. What matters is that we're here, and the effects are being felt across nearly every industry.

Another great example of this evolution is Airbnb. Again, like Uber, it is not about owning the assets, but about owning the experience. Airbnb need not own the properties like their hotel counterparts, but rather, they must own the ease of access that their model provides. Within a given day, very few Americans actually spend much time in taxis. Traditional cabs were obviously a volume play. Within a given year, very few Americans really spend that much time in hotels, again, a volume deal. While rewards, points, and memberships have created some degree of brand loyalty for hotel chains and airlines, Airbnb and Uber's ability to see a new reality is something executives of all stripes must strive to do, because the long term health of their organizations probably depends on it.

The attractiveness of the XaaS solution can be broken down into three main components: scalability, cost, and implementation. While these three reasons often explain how small start-ups can attract big money investors, these three reasons also represent questions or concepts that enterprise executives must explore as they evaluate what aspects of their business could be handled as a service. While no one is confusing Instagram with WalMart, there are lessons to be learned from those who have taken advantage of these three key attributes of XaaS.

In the telecom world of just a few decades ago, companies that needed more than a handful of phone lines or equipment would have to purchase a very expensive phone system that required maintenance contracts to keep serviced. As the company began to grow, and Bill in Accounts Payable was promoted to Controller, calling for an office change, simply keeping his number demanded a MACD, or "Move Add Change Delete" be carried out by the carrier, (never a fun experience). Then if that business grew past what that phone system could handle, the business would have to go through the process of purchasing a new phone system that could cost that company thousands of dollars to upgrade. In short, scalability was always a problem in this scenario, and XaaS eliminates most of that problem.

While nearly eliminating problems related to scale, XaaS has a huge impact on how one views capital and operational expenses, as even the purchasing of phones have moved to a predominantly XaaS model. With a hosted or unified communications solution provider, a startup business is able to purchase a phone solution that includes popular features like Auto-Attendant and direct extensions on a per user basis for little to no upfront cost. These unified solutions can be scaled up or down as the business changes with just a phone call or push of a button on a web portal. IT costs can also be cut back because the maintenance and upgrade requirements are normally handled by the solution provider.

As it pertains to implementations, most organizations used to have to balance IT resources and costs, with the understanding that reducing either one, would equate to longer implementation times. Now, most of the implementation of a hosted phone solution is handled before the phones are ever installed. Details such as hunt group orders, busy lamp fields, and auto attendant scripts are all handled with the provider before the equipment has been installed. As long as the necessary internal network is in place, the remaining implementation of a hosted phone system can be as easy as plug and play. This is also another reason IT leaders must assert themselves as strategic partners within their organizations: you need to get this stuff right before it comes into your building, as the expertise resides elsewhere. In other words, IT staffs really need to understand how calls are routed, how things change after hours, and how call volumes affect the overall health of the network.

IV

RECOMMENDATIONS

Like the people within them, organizations come in all shapes, sizes, and dispositions. While consumers might think that CVS and Walgreens are interchangeable, the manner in which they conduct business is oftentimes very different. The Internet continues to change the manner in which we do things, but for too many of our organizations, cloud based initiatives are forced to percolate up due to a lack of executive understanding of all that the cloud could mean. Sure, Amazon has a pretty good sense of what the cloud is all about. Rackspace executives probably can ignore this paper, but for the rest of you, from utilities to health care, from construction to retail, it is imperative that you become a part of this conversation.

It should be noted that the concept of a "conversation" between IT folks and anyone else in the organization is not always easy. At Juvo, we often remark that IT doesn't speak AP. Truthfully, it goes far beyond that. While AP folks do go to the movies and watch Star Wars, there are simply differences between traditional IT departments and everyone else. Rather than lament this current reality, we should accept the idea that when the day arrives that it is not the case, we have truly entered a new economic era. For now, organizational executives must recognize that inertia is not a concept that the modern economy recognizes. There is a reason why business magazines are full of articles about market "disrupters." While inertia says that an object tends to keep moving in a straight line at a constant velocity, the power of XaaS can change an organization's trajectory dramatically. Not surprisingly, it can also do the same for the competition.

So, a couple of recommendations:

1. Forget about core competencies, and focus on value. What does your organization currently do that creates value? Those core competencies need not be ditched outright, as they may truly be part of the value chain, or the value proposition, but don't be too quick to assume your customers care about things you've always done in the past.

2. Recognize that "Software as a Service" is but one tiny concept now, as we have moved into "Anything as a Service," or XaaS. While there is opportunity here, make no mistake, this represents a challenge. Think of the car salesman who must now deal with a customer who knows before entering the dealership exactly what the car is worth, what has been paid for this vehicle in the past few weeks, and how many vehicles have been moved off that lot this month. When perfect information is available to the consumer, you as the provider must be way better than you were last week or last year. As data becomes more accessible, and the ability to find replacement services only expands, it becomes critical that executives understand that "as a Service" can cut two ways.

3. Realize that in the service or knowledge economy, value is never a static proposition, unlike the laws of physics that describe the state of energy in the universe as always remaining at steady state. Value is always being created or destroyed. "As a service" democratizes products and services in a way that is naturally "anti-incumbent," so enterprise leaders must focus on building value, or adding value in ways that they may not have been forced to do in the past. The good news: that can actually be more fun than simply looking at TPS reports.

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