Making the right choice
CTO's guide towards choosing between SaaS and Traditional Software

Software products are known for simplifying tasks and provision of reports which offer in-depth analytics that assist in decision making, planning and forecasting. Over the years the way Software is transacted has passed through major phases which both come with its challenges and benefits. The software development team has managed to pass through most of the phases over the last 17 years.

In the early times, in order for an enterprise to own software there was a necessity to undertake a prior preparation which would involve procurement of hardware such as servers, networking cables, and sometimes even hiring support staff to be on a go any time something goes wrong with the system. At the time, Software solutions were deemed to be very expensive due to the associated costs that come with the Software adoption. This form of Software Adoption is called - Traditional Software/ Stand-alone Software.

However, with the development of technology, a modern form of trading software by a Pay-as-you-Go approach was invented – Cloud Computing. With this capability, the client pays per subscription (#of users, #of transactions, server fees etc) – commonly known as Software as a Service (SaaS). With SaaS approach of trading Software, the client doesn't have to worry about hardware and human resources as all this is outsourced to the vendor and its payment is included within the subscription fee.

Prior the On-Demand (SaaS) mode of software usage, Traditional software applications were characterized with large upfront licensing costs with periodic support and maintenance costs.

On top of that, the client is responsible with the provision of funding for hardware deployment, servers, backup and network implementation to achieve information flow between users.

This article aims at pointing out the major differences between SaaS and Traditional Software to the key decision makers and stakeholders of the company to make the right choice when faced with the dilemma between Traditional Software and SaaS:

Understand the Total Cost of Ownership

Software as a Service also know as On-Demand approach of procuring software services offers clients the capability to pay for exactly what they use (The fee includes the cost of hardware and people services)while Traditional software pricing is limited to the cost of the software application, in most cases an upfront fee in exchange for a perpetual user license. It is up to the customer to determine the cost of the hardware and the people services.

Therefore, while deciding for the right fit leaders need to take into consideration of the TCO of the software and justify the necessity of having to invest in hardware, internal support, maintenance etc. This also depends on the IT Budget available for the TCO of the Software.

If it's not core, Outsource it!

It is clear that in order to effectively focus on your core objectives of being in business, it critical to outsource the non-core functionalities to a vendor who treats them as core and also best at it. There is always a vendor who is best at your non-core functionalities.

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In the real world, many organizations fail to compete because of trying to keep non-core functionalities in-house leading to a blurry mission and vision in the long run.

The simple diagram below by Geofrey Moore illustrates that all the mission focused and core IT functionalities should be handled with a Traditional software which you can have control of, other than that SaaS is the best decision business leaders need to go with:
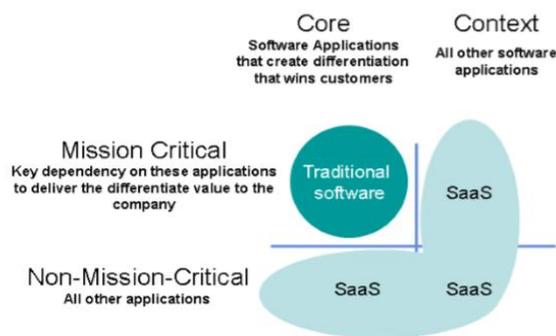
Geofrey Moore's core vs. context grid adopted for Software industry.

Internal people services capability
Decision makers should understand their in-house staff strength to make a sustainable choice between SaaS and Traditional Software. It should be well understood from the start that implementing a Traditional software is accompanies with continuous ability to keep your IT Staff up to date and capable of maintaining and supporting the system.

Failure to that might lead to incurring large amount of charges to bring a specialist from the Vendor's company to assist. While on the other -

- hand, SaaS Vendor handles all the maintenance and support related issues which are all covered within the subscription fee.

Make the right choice!
Making the right choice regarding an approach to which you want to procure your IT Solutions is very crucial for the sustainability of the usage of the solution. Many companies fail to maximize on the investment of new software brought into their company due to lack of undertaking a holistic approach on the factors above.

Apart of Internal Cultural Resistance, Failure to invest on the right software solution in terms of having it in-house or SaaS is also a major source of IT Projects failing to reach their objectives and ending up being obsolete. Therefore the leaders need to take this choice very seriously as it might affect the future of the company in the long run.