

November 2006

## A Revolution in Software – Software as a Service

Just in the last few months, Google spent \$1.65 billion on YouTube, an unprofitable video sharing service with 67 employees. YouTube is a software company, much like any other, with lots of talented software developers working together to make a great product that their customers love. What's exceptional about this software company is that its focus is on building software as a service, instead of just a product.



More and more, software companies are building software as a service. You may ask yourself what a Software as a Service (SaaS) application is, and why it is such a big deal. Consider why Microsoft invested an additional \$2 billion dollars this year in R&D to try to catch up to companies like Google. SaaS is not limited to search engines and video sharing. It also applies to major commercial applications used by large organizations like yours. Salesforce, the company that offers market-leading Customer Relationship Management (CRM) software, is an excellent example of this. Salesforce.com continues to be highly successful with their on-demand SaaS application, touting their motto of "No Software!"

### **The Software Revolution**

The software industry is in the middle of a revolution, one that is no less immense than the revolution that swept over the world in the 1980s with the advent of cheap personal computers. The capital markets for traditional software as a product are almost completely gone. Nearly all new investment in software is focused on building SaaS. This is evidenced by the examples mentioned above, where companies are investing billions in the concept of SaaS.

SaaS has made its way into Risk Management Information System (RMIS) applications used by risk managers to manage their information and make decisions. Many risk managers are beginning to see the benefits of a SaaS application versus a locally installed product, in that a SaaS application helps them better manage their risk and focus on their business, without the headache of managing the IT side of their application. SaaS is especially important for risk managers. First, risk data is complex, varied, and requires very complex analytics and reporting. Second, most risk management departments play second fiddle to big HR and other operational applications in their organizations. Getting adequate IT support can be daunting, if not impossible. SaaS removes that problem.

### **So what is SaaS?**

SaaS is a model of software delivery where vendors provide daily technical operation, support, and maintenance to their clients. SaaS delivers both hard, quantifiable benefits and softer, intangible ones:

#### **1. No Maintenance**

Because there is one application and no locally installed software, companies avoid the headaches of software upgrades or aging technology. Software updates are sent automatically to clients, providing seamless, hassle-free updates.

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## 2. No IT Involvement

With a SaaS application, everything is stored, backed up, and secured by the vendor. The vendor's staff is dedicated to only one system and one priority – the client's RMIS. Even if other systems in a company are down, users can still access the SaaS application with an Internet connection. The one thing that Google, YouTube, and Salesforce share in common is that they just work. Users can log in from anywhere in the world.

## 3. Best Practice Functionality

By centrally upgrading one version of the application, every user can access the same latest capability. Incorporating client feedback and providing immediate results is far easier with a SaaS application than with other platforms. Google makes many enhancements to their search technology every day. SaaS applications for risk management work the same way. They are constantly improved with the latest technology and best practices in risk information technology.

## 4. Lower Technology, Training, and Operational Costs

Service is a must for today's RMIS. A typical implementation includes data consolidation, security, a tailored interface, and complex reporting needs. In short, risk information systems require a huge amount of hands-on service. Having easy and secure access to the data means the vendor's service team can focus on serving the clients. SaaS models improve efficiency by enabling vendors to interactively collaborate with clients during implementation.

## 5. Application Security

Many companies do not have the technical skill set or operational capabilities to monitor and respond to security threats to their networks. Software companies that build SaaS applications know firsthand the importance of maintaining appropriate control over access to client data. Also, SaaS applications are built from the ground up for the web, with security in mind. Bolted-on security is never as good as security built into the architecture from the beginning.

## SaaS Versus ASP

Even though lots of systems are available over the web, they are not true SaaS applications. Many software companies are scrambling to catch up by simply "webifying" their existing applications. This approach is called Application Service Provider (ASP) and is often used for client-server applications with an HTML or Citrix front-end. SaaS is focused on delivering what the customer wants rather than what the provider can offer, as is the case with ASP products.

Companies like Google and Salesforce.com are already ahead of the curve with their SaaS applications. Using a RMIS that is truly a SaaS application provides a wealth of benefits to risk managers without the maintenance and overhead of a traditional ASP product. Say "No!" to software as a product and start focusing on managing your risk, not your system.

## SaaS Benefits:

- No Maintenance
- No IT Involvement
- Best Practice Functionality
- Lower Technology, Training, and Operational Costs
- Application Security



Salesforce's "No Software" logo

TAC welcomes feedback on this bulletin and suggestions of topics for future bulletins. Topics and content are the sole discretion of TAC.