



Getting started with Software as a Managed Service (SaaS) in the Federal Government market.

The following are excerpts from ESCgov work products on the subject:

A Vendor Independent view of SaaS

SaaS is a service-based packaging of COTS software that is tailored through a statement of work to field a defined capability. ***As such, SaaS should always be viewed as a vendor independent wrapper that can incorporate any needed COTS technology*** and be applied with some commonality wherever needed in the organization.

This is a tremendously freeing principle because it means that we do not need to negotiate unusual terms with each software company, nor do we need a fully rationalized software baseline in order to benefit from SaaS. Instead, we can put in place a flexible (generic) software service vehicle and then issue task orders in support of specific requirements as they arise over the ensuing months and years. Each SaaS task order “wraps” a needed COTS technology and a carefully considered statement of work to effectuate the needed service offering.

The alternative to vendor independence is a protracted and bloody fight with each independent software vendor to convince them to stop doing business as they do, and begin doing business as we would prefer them to. Most public software companies are in business to sell software, not managed services - and we are unlikely to change that.

The good news is that we don't need to. Consider Hertz as a service provider that is based on a COTS technology (the automobile). Hertz is successful not because they convinced Ford and Toyota to change their sales model – they didn't. Hertz is successful because they give OEM's what they need (car sales) and they give customers what they need (rental service). In doing so Hertz absorbs some risk but also achieves vendor independence. The Hertz model can just as easily provide a Toyota as a Ford.

In the same way, we should expect that we can initiate service based on any COTS software product because software companies (like car companies) will all readily agree to sell their products. Once we see this, we are right back where we want to be – evaluating products based on their relative merits and costs. Hertz provides Fords and Toyotas, but not at the same price. Customers choose which rental service best fits their requirements based on the cost and features of the two underlying products. We can do the same.

So vendor independence is a key structural component of a successful SaaS initiative. It provides freedom to develop a model that can “plug and play” any COTS technology under relatively standardized

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terms, and the freedom to put a SaaS structure in place now, and use it as a flexible vehicle of transformation in the agency.

SECURITY AND MULTI-TENANCY

At this point, we have “driven” the car analogy about as far as we can. Hertz is essentially a “multi-tenancy” model. In other words, Hertz relies on lots of customers to amortize the cost of a single automobile - and that’s where the analogy breaks down. In most cases security restrictions will prevent Government from co-mingling with other users of the same software license. Government needs a dedicated, on-site SaaS solution that does not rely on other (commercial) customers to amortize cost – and yet is also cost effective. That’s where the other models break. When you remove multi-tenancy from commercial models, they collapse because they cannot be cost effective in the absence of multiple customers.

At this point it is critical to stop and remember that Government has made tremendous advancements over the past ten years to reduce the cost of the software it uses, and none of these advancements has relied on multi-tenancy. There are a host of cost reducing principles and strategies being advanced by the DOD Enterprise Software Initiative, GSA SmartBuy, and by private sector companies like ESCgov. Certain of these principles are being applied to SaaS to essentially replace the cost savings that would otherwise accrue from multi-tenancy. The result is a dedicated, cost effective, vendor independent, onsite and secure Federal software service model.

GETTING STARTED:

We recommend a standard IDIQ task order contract be competed for SaaS. The contract should be independent of any particular software vendor, but instead embody a scope broad enough to include service based on any COTS software in support of the mission. The contract should contain the general terms that will apply to all software service tasks.

The basis of award should be “best value”, with emphasis on past performance and utility terms. The point is to compete this among qualified service providers with demonstrated ability to execute. Based on the existing capacity service awards, there appear to be a sufficient number of existing prime and sub contractors that would be interested.

After award, the Government would issue task orders against the contract to satisfy new required capabilities, to consolidate, rationalize and optimize existing capabilities, and even to bring in new emerging technologies (think capability broker). We view the industry contractor as a key partner in this process and responsible for identifying and proposing services that reduce cost, rationalize the infrastructure, or introduce emerging technologies.

Before a task order is issued, contractor(s) should prepare a proposal which includes a service description, charge metric, and any other terms specific to the task order. The contractor should also provide a business case justification. The justification should compare the ongoing cost of purchasing

the service to the cost of “making” the service using known price points (List, GSA, ESI, etc). Each proposal should be negotiated for compliance with the requirement and price reasonableness.

We also need to carefully consider the transition strategy at the end of the contract. Several important issues are at stake, including:

- How do we protect prior investment in software
 - o If the government stops paying maintenance and converts to a service model, what becomes of those existing (perpetual) licenses?
- How do we provide for continuity of service in the waning months of the contract
 - o Can we expect the contractor to initiate new service in the final few months of the contract? How is that cost amortized?
- How can we assure a seamless transition to follow on contractors?

ESCgov has developed innovative strategies to deal with each of these important issues.

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