Opportunity is knocking. Are you answering?

Getting the most from your SaaS investment

KPMG and HFS Research Cloud Adoption Survey 2023

Executive summary

Cloud has opened a myriad of doors that had otherwise been closed—or only partly open—to organizations for years.

Knowing where and how to access all that cloud offers can accelerate transformation so you can capitalize on new technology, draw insights from enterprise data, and nimbly pivot amid constant change.

Companies are increasingly adopting software as a service (SaaS) throughout the enterprise. But when you move systems to the cloud, you don't flip the switch and call it a day. Getting long-term value from cloud investments requires ongoing evolution beyond implementation. It means keeping up with the rapid innovation cycle of SaaS providers, who release new functionality through ongoing software updates.

Opening up new paths to innovation

This new functionality can significantly improve not only speed to market but also data management, security, customer experience, systems integration, collaboration and more. It makes functions more responsive, resilient, and competitive.

Despite this opportunity that's knocking, many companies aren't answering.

In other words, they do not take full advantage of SaaS updates. All too often, potentially game-changing features and other enhancements are simply not deployed—because organizations are not prepared to absorb the impact.

That's according to a recent study that we conducted with HFS Research on SaaS support models, and we're pleased to present the enclosed findings.

One prevailing challenge is that information technology (IT) departments, facing a talent shortage and other constraints, often lack the capacity for deploying substantive releases and managing the change.

An emerging model for SaaS support

How can companies take full advantage of SaaS innovation? According to the study, leading managed services providers are becoming a compelling option.

They help business leaders tap ongoing return from cloud investments, while helping IT deliver greater value to the business.

Dave Brown,
Global Head, KPMG Managed Services
Principal, Advisory, KPMG in the U.S.

About the study

KPMG and HFS Research conducted a study to understand companies' approach to SaaS support after implementation, specifically for Coupa, Ivalua, Microsoft Dynamics, Oracle, ServiceNow, and Workday.

The enclosed findings are based on a survey of decision-makers at 624 firms based in North America, Western Europe, Australia and India. These companies have $500 million or more in revenue across various sectors:

– Energy, utilities, and natural resources

– Financial services:

    – Asset management

    – Banking and capital markets

– Government

– Healthcare and life sciences

– Industrial manufacturing

– Retail, food, drink, and consumer packaged goods

– Technology, media, and telecommunication

Respondents included leaders from numerous business functions including:

– Finance

– Human resources

– IT

– Procurement

– Product development

– Risk and compliance

– Shared services

– Sales and marketing

– Strategy

– Supply chain

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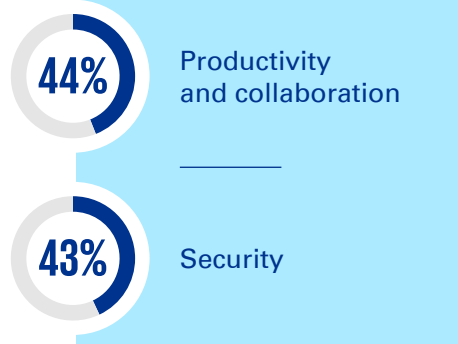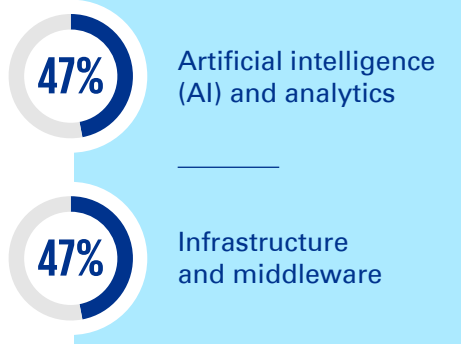
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Key findings

01   Companies are increasingly adopting SaaS.

Adoption of SaaS continues to increase across organizations; however, the full value is limited if new features aren't deployed to deliver business outcomes. This growth is driven by improving the ability of teams to work more effectively, securely, and with access to data and information that matters. SaaS goes beyond traditional IT design, development, deployment, and support. Business stakeholders, internal technology teams, and service management partners must work together to better realize the value created by SaaS. Alignment of business objectives to technology needs, training, and support is critical. Additionally, organizations are becoming more aware of the value added when they adopt the new features released by the cloud vendors.

29% currently use SaaS for **at least half their enterprise applications**
And that share is expected to climb to **40%** in **2024**.

SaaS adoption in the next two years will be highest in:

47% Artificial intelligence (AI) and analytics

47% Infrastructure and middleware

44% Productivity and collaboration

43% Security

Of survey respondents, the top three platforms currently in use are:
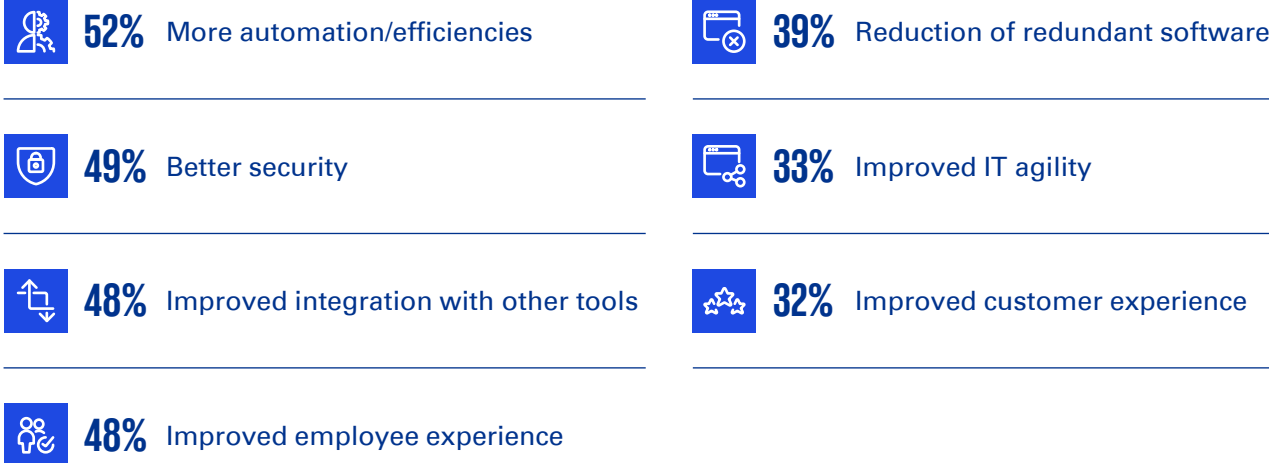Microsoft Dynamics 365 28%, Oracle 23%, Workday 19%

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In many organizations, business leaders are taking up the torch on SaaS optimization. In addition to partnering closely with IT, they often work directly with a managed services provider to capitalize on new functionality and make the most of their platform. This is how they continually improve their apps and drive ongoing transformation.

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Dave Brown,
Global Head, KPMG Managed Services
Principal, Advisory, KPMG in the U.S.

02 Many organizations are leaving value on the table.

Survey respondents are concerned about missing out on the new features that allow for more automation/efficiencies when using the software, as well as functionalities aimed at security improvements. The top seven areas identified as missed opportunities include:
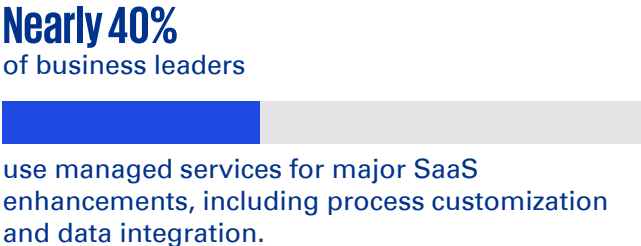
52% More automation/efficiencies

49% Better security

48% Improved integration with other tools

48% Improved employee experience

39% Reduction of redundant software

33% Improved IT agility

32% Improved customer experience

In most companies, **the IT department is responsible** for adopting, deploying, and supporting new SaaS functionality.

But fewer than 15%

of IT departments have dedicated in-house experts for SaaS updates.
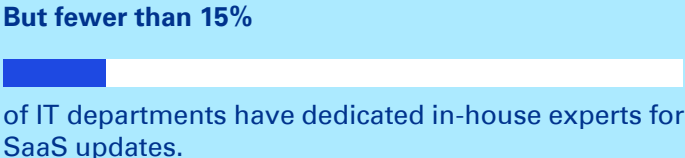
03 Managed services is a way to improve long-term return on cloud investments.

Compared with two years ago, more companies are using a managed services model.

35%
of IT leaders

use managed services for release management.

Nearly 40%
of business leaders

use managed services for major SaaS enhancements, including process customization and data integration.

Managed services

Internal IT teams play an important role in the technology decisions around adopting, testing, and deploying new SaaS functionality. However, these teams are seldom involved in training business users on the software and its new functionality. According to survey respondents, 46% of these efforts go to the managed services or consulting firms, with managed services identified as the most preferred model for training non-IT users on new SaaS functionality.

Challenges in the IT support model

In today's hyper-connected, fast changing world, IT may not always have the complete view of the business when it comes to delivering tech.

That can mean challenges in delivering products and services at market speed, getting insights from enterprise data, or protecting market share from digital challengers.

Indeed, while innovation is important across the business, the IT function has the highest accountability for using it to drive business transformation. As part of that innovation agenda, IT is increasingly adopting SaaS solutions on behalf of business functions. Most companies now use SaaS for 26-50% of their enterprise applications—with more uptake planned in the next two years.

Taking advantage of SaaS updates

To continually transform the business and keep up with change, companies must also keep up with innovation in cloud functionality.

However, IT departments—as the enterprise gatekeepers for adopting, deploying, and supporting SaaS—often do not implement the new functionality in the updates issued by software vendors.

It's usually because IT lacks the capacity to absorb the changes or manage the impact to the organization. In fact, the single biggest barrier to adopting new SaaS functionality is not lack of interest from the business. It's lack of sufficient technical knowledge, and fewer than 15% of IT departments have dedicated in-house experts for deploying SaaS updates.
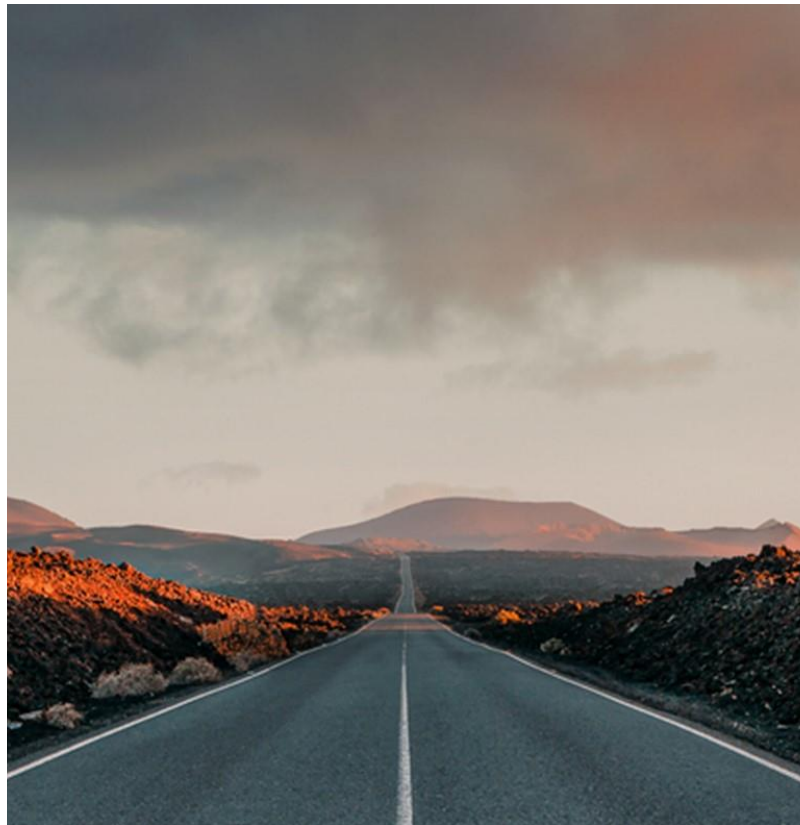
> **When you have several core vendors who all drop functional upgrades and you have reduced IT resources, you can get stressed with the testing, training, deployment, and support required for each incremental SaaS feature upgrade.**
>
> John Pinard,
> Vice president, IT operations,
> infrastructure & cybersecurity,
> DUCA Financial Services Credit Union Ltd.

Other times, IT departments may struggle to manage the mandatory updates that are issued by SaaS vendors. They may not have capacity to assess the impact before the update or test it afterward, which can cause disruption to the organization. That's partly because IT departments face a talent shortage in software lifecycle development. Respondents reported that the highest demand is for platform administration specialists and customer support staff, followed by developers, technical support resources, and configuration specialists.

What is the single biggest barrier to adopting new SaaS functionality?

Barrier	Percentage
Technical knowledge of new features	18%
Technical development capacity/resources	17%
Training of non-IT staff and users to use new features	14%
Training of IT staff to implement/support new features	14%
Relevance of new feature to our business	11%
Time for adequate testing of new features in our environment	10%
Documentation on the new functionality	6%
Partner knowledge of SaaS solution	5%
Stakeholder adoption	4%

Ranked by number of responses

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Some updates are mandatory, so whether we like it or not, we have to upgrade to the new version. That means I'm spending my resources to do the work and we have to do a bunch of regression testing to make sure it doesn't break. In my space, I have approximately 200 vendors and 30-plus products, so the complexity is very, very high. If the vendor is trying to release once every quarter, that doesn't always fit my needs, my budget, or my schedule.

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Suresh Mothikuru,
Senior vice president of digital delivery & operations,
Johnson Controls

Aligning SaaS support to the business strategy

IT has well-intentioned efforts to help accelerate business transformation, but these sometimes amount to aspirations versus realities.

Accordingly, when IT departments do take SaaS updates, they may focus more on keeping systems current than enabling the fast-changing needs of the business.

For example, the research suggests that updates are more likely to be taken based on improved security or support tools than new functionality for forecasting, data visualization, or business domains.

In deciding which SaaS functionality to accept, **only one-third** of IT respondents said they consistently consider alignment to the business strategy and target enterprise outcomes.
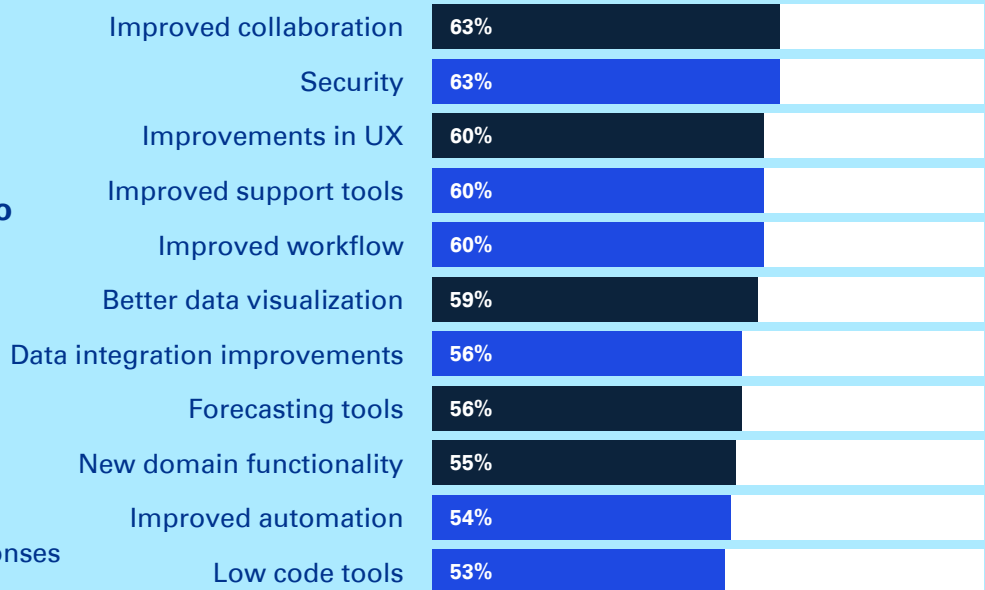
How important is each factor in the decision to take SaaS updates?

■ **Focused more on technical features**

■ **Focused more on business transformation**

Ranked by number of responses

Factor	%
Improved collaboration	63%
Security	63%
Improvements in UX	60%
Improved support tools	60%
Improved workflow	60%
Better data visualization	59%
Data integration improvements	56%
Forecasting tools	56%
New domain functionality	55%
Improved automation	54%
Low code tools	53%

The business is noticing. In considering the effectiveness of internal support models for SaaS, non-IT respondents have a low perception of IT's ability to:

- Manage the release cycle for SaaS updates
- Deliver major enhancements, such as those related to process customization, core systems, or data integration
- Deliver minor enhancements, such as those related to user interface or task-based customizations

Technical and security improvements of course are critical—and, indeed, security is a driver across the enterprise—but so are features that enable ongoing business transformation such as predictive, data-driven insights, or operational improvements in specific functions. These latter updates are often more substantive than lower-hanging fruit like improved user experience (UX)—and may require more domain-specific knowledge.

Capturing value from SaaS updates

Given the capacity challenges in IT, only 27% of companies have adopted more than half of vendor-released features in the past two years. But this rate is up from just 16% of respondents in 2020, and the uptake is especially strong in Microsoft Dynamics 365.

Outside of IT, respondents reported that the top business outcome from taking updates is the ability to work more effectively across different parts of the organization.

Inside IT, the number one outcome is improved data management, aligning squarely to the enterprise agenda to create a modern, data-driven business. Another top driver is faster deployment of solutions, helping IT move at the speed of business. However, respondents throughout the enterprise concede that they are leaving significant value on the table by not consistently adopting new SaaS features:

52% of respondents said they are missing out on additional **automation and efficiencies**, and this concern was especially high among respondents in procurement, and sales & marketing.

49% said they are concerned about missed **security** improvements.

48% said they miss out on improved **integration with other tools** they use, which again was of especially high concern in procurement.

48% reported missed opportunities to improved **employee effectiveness**, and this concern was especially prevalent in shared services.

39% of respondents said missed updates keep them from **reducing redundant software**.

33% said they miss out on administration or development features (such as low-code or no-code) that increase the **agility of IT teams.** This concern was especially high among respondents in shared services and business analysis.

32% reported missed opportunities to improve the **customer experience**, and this concern was especially high in HR, legal/risk and supply chain.

In fact, due in part to that missed value, about 17% of respondents have actually cut back on SaaS in the past 12-24 months. **That may put them at a disadvantage as competitors continue investing in the cloud.**

You say you're investing in cloud.

But if these are the typical outcomes, are you really?

Delivering the full vision for your business

The IT department plays a critical role in taking the updates from SaaS providers and keeping apps current. But staying current and advancing the business are two different things.

That's why, when it comes to choosing which enhancements to adopt, these decisions may best rest with the buyer—often the leader of a business function. These executives are the ones whose teams work with the app every day, and they understand how new functionality can drive the strategic needs of the business.

More than 60% of respondents outside of IT said they work directly with their SaaS vendor or third-party advisor on platform enhancements.

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I think if we had a managed services provider who could give us a heads-up on a release and, even more than that, identify the impact of every change and help us get ready for it, that would be a big business benefit.

Joshua Zalen,
Vice president of IT service operations,
Independent Health

"

In this model, the three parties work together in harmony:

Business leaders

As product owners, they understand their processes and request new functionality to improve them.

IT

As the manager of the technical layer, IT is responsible for factors such as release management, systems integration, and tuning within cloud tenants.

Managed services provider

As an objective third party, leading providers bring technical proficiency and detailed knowledge of SaaS releases—plus expertise across functions, processes, industries, and change management. That means they can help business leaders evaluate the benefits and challenges of new functionality, while at the same time helping IT improve its capacity on the technical layer. Leading providers also bring market perspective, helping business leaders understand which functionality their industry peers are adopting—and why.

When moving systems to the cloud, many companies fail to consider the ongoing work that's required to sustain the platform.

"They buy into the 'song of the SaaS'—better, cheaper, faster—without considering the need for continued optimization. To get long-term returns on their cloud investment, companies need to be very intentional about creating a process for it."
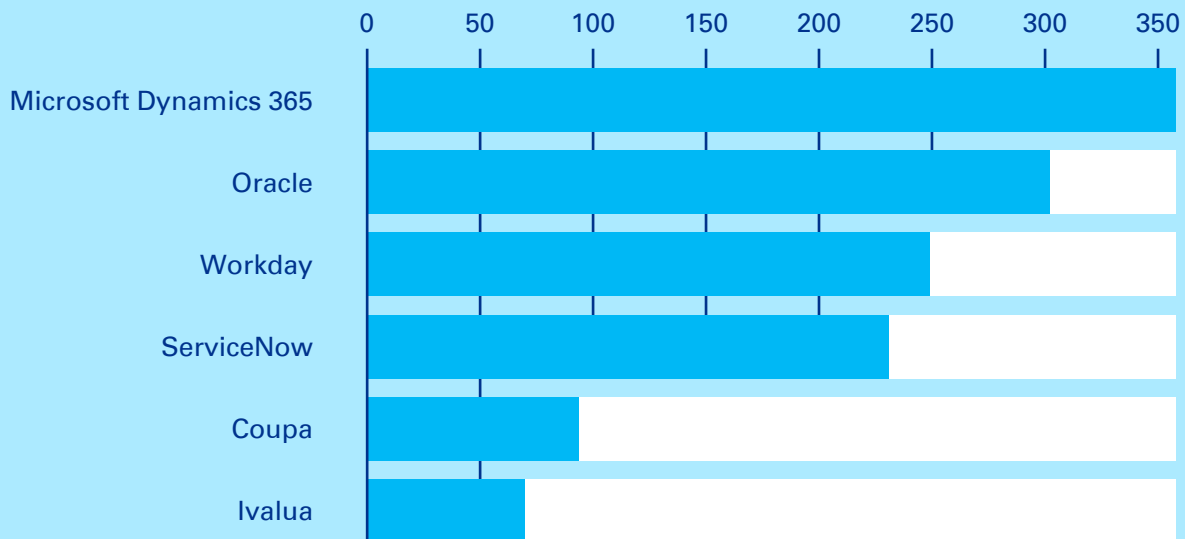
Dave Brown,
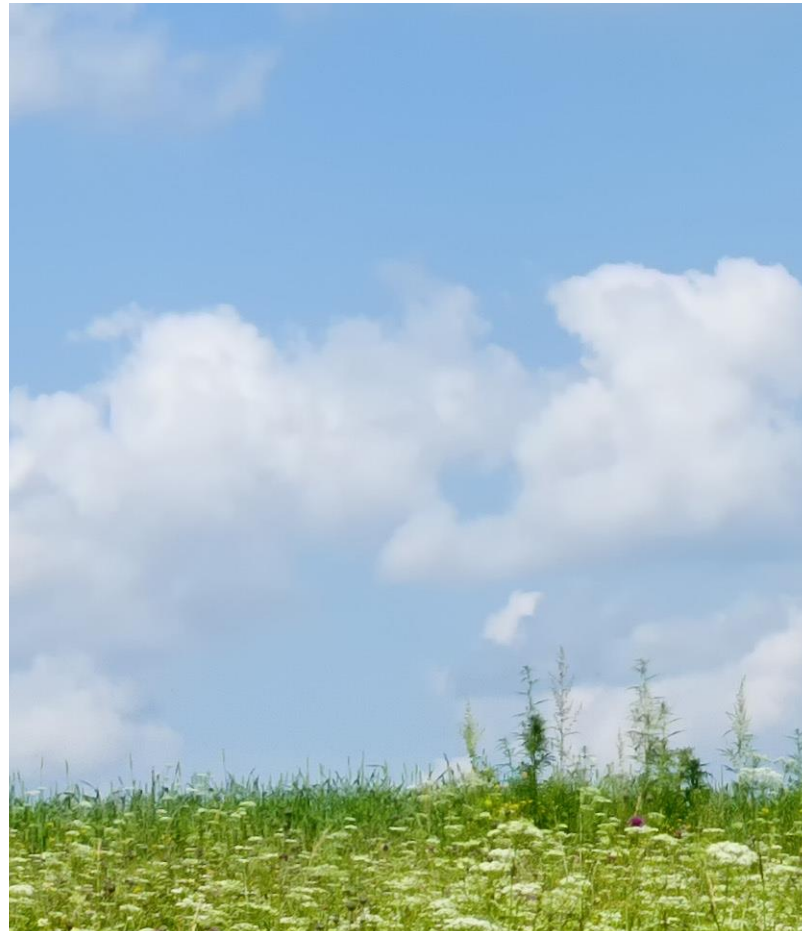Global Head, KPMG Managed Services
Principal, Advisory, KPMG in the U.S.

Uptake of new features by platform
Organizations adopting new vendor-released features in the past 24 months

Platform	Value
Microsoft Dynamics 365	~360
Oracle	~305
Workday	~250
ServiceNow	~230
Coupa	~105
Ivalua	~65

Managed services: a model for opening up new areas for innovation

To realize long-term return on their cloud investment, organizations must find ways to continually capitalize on the innovation from SaaS vendors. And the research shows that managed services providers are becoming critical resources for doing it.

When it comes to assistance in evaluating and deploying new SaaS functionality, 42% of respondents across the business do not view their SaaS vendor favorably, and a third of IT leaders share this opinion.

As a result, this responsibility in most organizations rests with IT, but managed services providers are becoming increasingly involved. In fact, more and more functional leaders, as the product owners, are engaging managed services providers directly.

These providers assess the impact of new SaaS functionality, followed by the testing, deployment, and continual improvement of SaaS solutions. The most capable providers have robust expertise as well as strategic alliances with software vendors, so they know what's coming in releases and how to manage the implications for business processes.

Transformational, not transactional

Managed services for SaaS optimization combine human capabilities, technologies, insights, strategic alliances, and leading practices to help companies achieve a long-term return from cloud investments.

Unlike other kinds of outsourcing, the best managed services go far beyond cost reduction to deliver outcomes such as accelerated innovation, accurate forecasting, security, and stakeholder trust.

To enable the ongoing transformation journey, managed services are typically delivered remotely on a multi-year subscription with predictable costs. These services help SaaS platforms continually evolve to keep pace with changing technology, emerging risks, and new business priorities.

Higher uptake for updates

Today, 35% of IT decision-makers are using managed services for release management.

And beyond IT, nearly 40% of respondents across the organization are using managed services for major enhancements, including process customization, core systems, and data integration.

Meanwhile, when it comes to training on SaaS functionality for users outside of IT, respondents cited managed services providers as their number one choice.
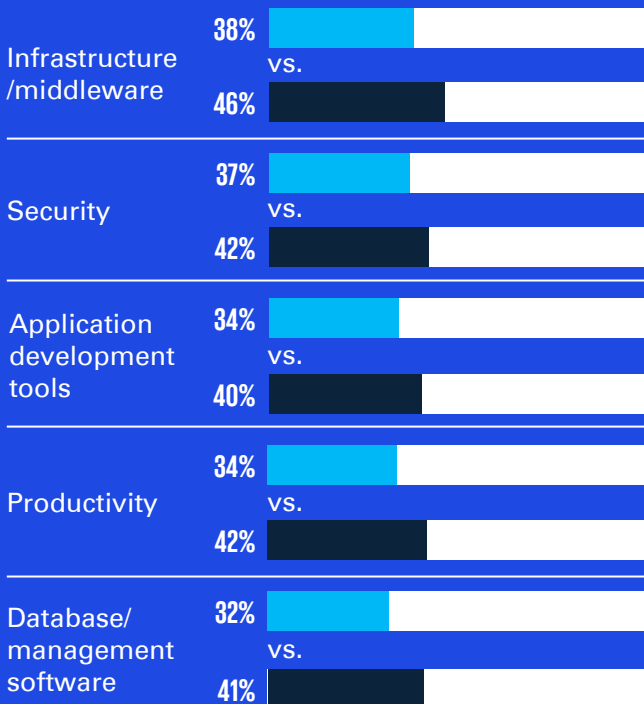

More than 30% of companies use SaaS managed services for:

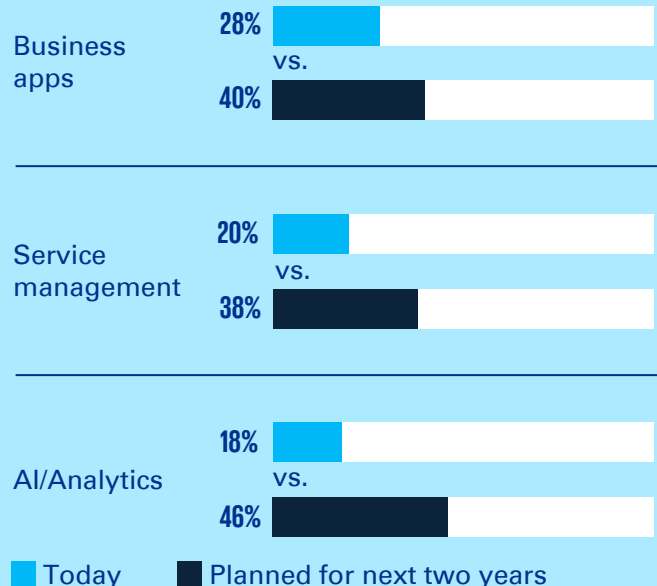|	
Major enhancements	Testing
Help desk	Incident management/ break-fix
IT team training	Cloud provisioning

Expertise across functions, processes, and industries

The ongoing shift from on-premises systems to SaaS is driven largely by investments in complex areas like AI/analytics, application infrastructure and middleware, and security—all of which require significant technical and business expertise. This expertise is what's required to take SaaS management from mere application maintenance and incremental refinement to substantive evolution.

Percentage of enterprise applications delivered via SaaS (today vs. planned for next two years)

Category	Today	Planned for next two years
Infrastructure/middleware	38% vs.	46%
Security	37% vs.	42%
Application development tools	34% vs.	40%
Productivity	34% vs.	42%
Database/management software	32% vs.	41%

Greatest projected increase

Category	Today	Planned for next two years
Business apps	28% vs.	40%
Service management	20% vs.	38%
AI/Analytics	18% vs.	46%

■ Today　■ Planned for next two years

To help with their talent and capacity shortages, IT departments expect managed services providers to bring specific skills to the table. In fact, more than 75% of IT respondents rated the following areas of expertise as very important or essential:

| Data architects | Business process architects | Solution architects | Application-specific resources | Cloud architects |

Across the organization, respondents said it is essential for SaaS managed services providers to also deliver:

| A superior employee experience | Business consulting services | Domain expertise | Industry expertise | Operational excellence |

That's because companies not only want help assessing and deploying new SaaS functionality. They also see SaaS as an enabler of ongoing transformation, and they're looking to managed services providers as strategic collaborators on the journey.

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77% of business and technology leaders we surveyed see the adoption of new functionality as critical to creating business value from their on-going investments in the SaaS applications running their core operations. To succeed, it is **critical for the CTO and CIO to work with a managed services partner who can help** to assess, adopt, run, and maintain this new functionality, create better user experiences, and deliver differentiated services to the market.

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Joel Martin,
Executive Research Leader,
HFS Research
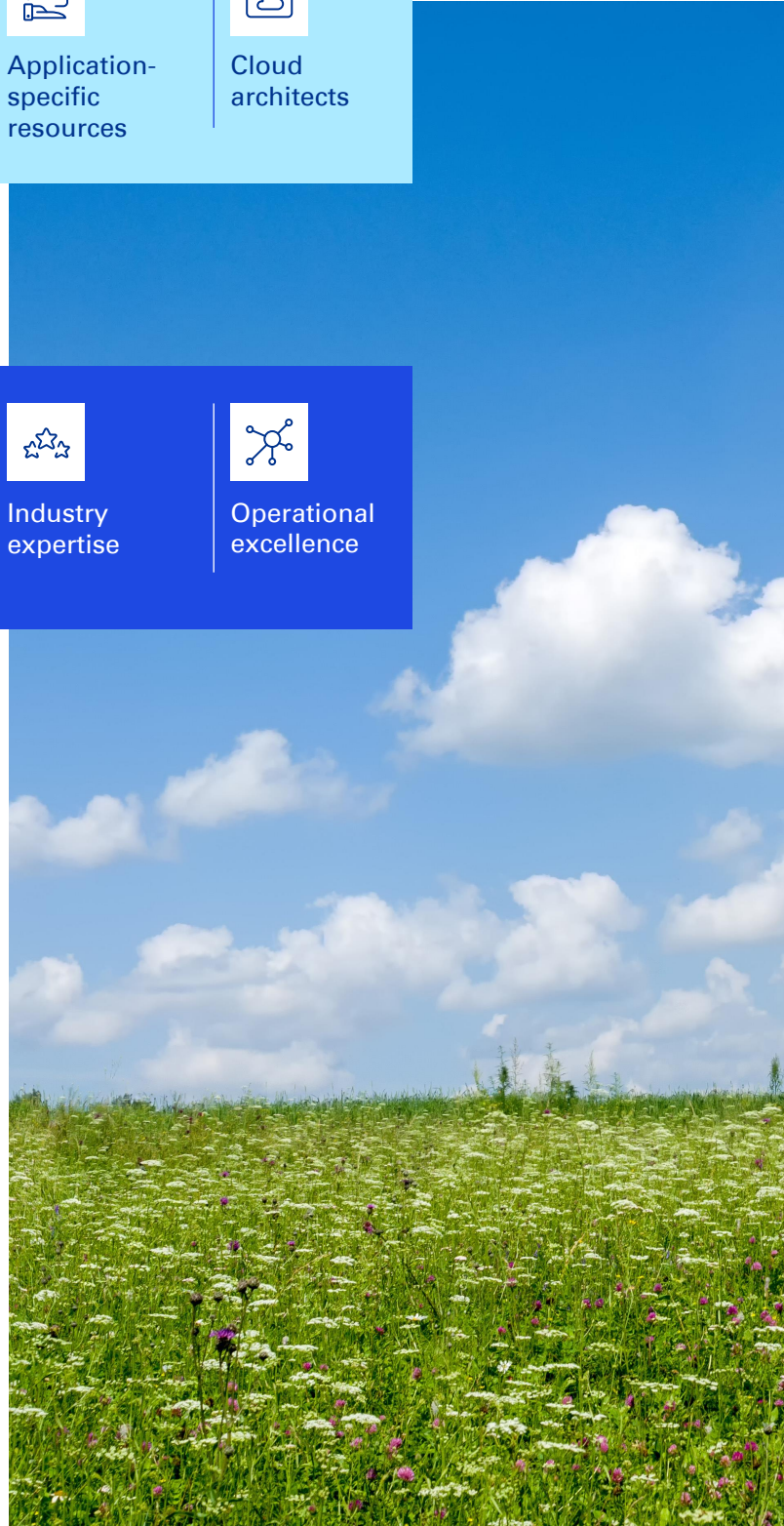
Taking a long-term view

To compete effectively in the digital world, it's simply not enough to move systems to the cloud.

Here are three key approaches to consider:

1. Focus on continually evolving your systems to keep up with innovation. That way you can enable your growth strategy and build business functions that can flex at the speed of the market.

2. Recognize that IT and functional leaders are in prime position to make this happen. By partnering with leading managed services providers to continually optimize SaaS applications, you can take advantage of platforms for ongoing transformation.

3. Use your managed services providers to get more value from enterprise systems, harness data and insights across various clouds, and turn them into enduring assets for improving your business.

The opportunity for SaaS innovation is knocking. And it's time to answer.

About KPMG Managed Services

Business transformation is the path to sustained advantage. But transformation is not a fixed destination; it's an ongoing journey. How can you continually evolve your business functions to keep up with ever-changing targets?

KPMG Managed Services can help.

We combine advanced technology with functional and sector expertise to handle knowledge-intensive processes across your enterprise—on a subscription, as-a-service basis. In addition to reducing your costs, we drive outcomes like resilience, customer retention, stakeholder trust, and competitive advantage.

We help you operationalize your growth ambition, so you can accelerate your transformation journey while minimizing disruption and risk.

Learn more about KPMG Managed Services

About KPMG Powered Evolution

KPMG Powered Evolution is a managed service designed to continually optimize a functional transformation, helping you get lasting value after implementation of a software-as-a-service (SaaS) platform.

Drawing from our renowned expertise across functions, processes, and industries—plus alliances with the world's leading SaaS providers—we help you absorb software updates, capitalize on emerging innovation and leading practice, nimbly pivot amid changing priorities, and drive ongoing return from your cloud investment.

KPMG Powered Evolution, delivered through a multi-year subscription with predictable costs, is part of our approach to help you shape a new future through business transformation. We call it Connected. Powered. Trusted.

Learn more about KPMG Powered Evolution

About HFS Research

HFS Research is a widely acclaimed global industry analyst firm covering the critical people, process, and technology strategies impacting major organizations. The HFS mission is to provide visionary insight into the major innovations impacting business operations: Automation, Artificial Intelligence, Blockchain, Internet of Things, Digital Business Models, and Smart Analytics. HFS defines and visualizes the future of business operations across key industries with its OneOffice™ Framework. Led by award-winning analyst Phil Fersht, with analyst teams based in North America, Europe, and Asia/Pacific, HFS is leading the industry with its accessible digital research model that has over two million visitors per year. HFS influences the strategies of enterprise customers, to help them develop OneOffice backbones to be competitive and to partner with capable services providers, technology suppliers, and third-party advisors. The "As-a-Service Economy" and "OneOffice" are revolutionizing the industry.

Learn more about HFS Research here

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