SAAS PLAYBOOK: TOP STRATEGIES FOR OPTIMIZING & SCALING YOUR BUSINESS MODEL

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CONTENTS

INTRODUCTION

Market demand and attractive economics continue to drive strong growth in SaaS and subscription services. According to research firm Gartner, SaaS subscription services are expected to deliver a compound annual growth rate of 12% over the next five years.

Companies are racing to capture the potential economic and strategic benefits:

- Margins of 75% or greater

- Greater revenue predictability

- Lower churn and higher net retention

- Greater customer lifetime value

- Access to valuable usage and customer data

This shift represents a different way of operating and engaging customers. Success requires rigorous effort, specific attention to detail, and effective collaboration across various organizational functions.

In this playbook, we'll illustrate the archetype SaaS profile—one that's maximizing its margin and enterprise multiple potential. We'll also share a framework for developing an operating model that can deliver on that potential, give you best practices for achieving growth, and allow you to dive deeper into areas that might be challenging for your organization today. Ultimately, the goal is to find the best ways in this playbook to optimize and scale your subscription business.

Few companies are realizing their full potential today

While the move toward a subscription-based or SaaS-based model has been underway for some time, the degree of progress has varied. Our analysis found that some companies have succeeded in making the shift, but many more have ways to go in order to realize its true economic potential.

Our analysis of more than 150 public software companies (Figure 1) highlights two distinct margin profiles: hybrid models with margins typically below 60%, and "pure play" SaaS models with margins often above 75%—with a high degree of performance variability on both sides.

Top performers are benefiting from the significant performance upside—with higher SaaS margins and enterprise value multiples typically eight times or more greater than revenues. However, our research found that a relatively small percentage of those analyzed fall into this category.

Most software companies currently reside in the lower left quadrant with lower margins and revenues. This indicates room for improvement to fully develop a SaaS or subscription operating model and bring it to scale.

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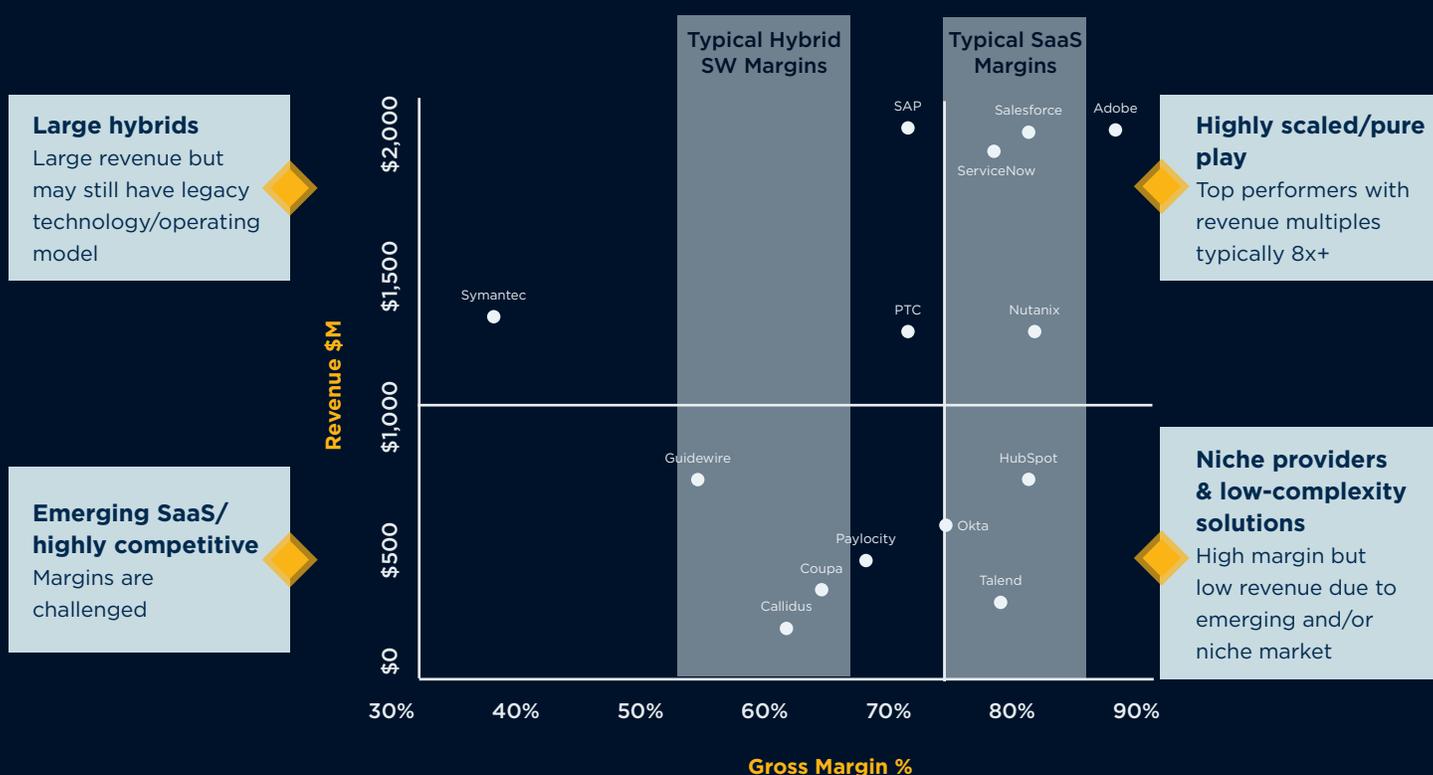## Revenue and margin analysis of 150+ public software companies

Figure 1 | Data from West Monroe index of 150+ Public Software/SaaS companies

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What success looks like

We looked further at the characteristics and cost profiles of leaders in both the hybrid and pure play SaaS categories (Figure 2). While just a snapshot, it can provide useful guidance for setting performance expectations and targets.

Characteristics of SaaS companies with strong gross margins

	Hybrid Software Leaders Gross Margins 55-65%	Pure Play SaaS Leaders Gross Margin 75-85%
Product Portfolio	Mix of on-premise and cloud Complex products, highly customized deployments	All Cloud Simpler portfolios Scaled businesses
Customer Engagement	White glove/high touch service Large service ticket volume	High net retention 110%+ Invested in customer success at scale Self-service customer support Monetizing services
Monetization	Custom pricing: SW + Hosting + Labor Variance in customer profitability	Multiple tiers Sophisticated pricing Renewals
Technology Platform	Commercial third party OEM SW Lift and shift from on-premise Single-tenant architecture	Use of open source components Cloud native architecture Multi-tenant architecture
Cost Structure (COGS)		
Customer Support	5-10%	4-8%
Customer Success	4-8%	3-5%
Hosting/Cloud Ops	10-20%	5-10%
3rd Party SW Licenses	1-10%	1-5%

Achieving this performance and cost structure requires the right SaaS operating model. There are many cogs in an effective SaaS operation. In fact, we have found that at least eight functional groups—product, finance and operations, sales, professional services, customer success, support operations, cloud operations, and IT/systems—typically play key roles in designing and rolling out change to the operating model. All need to be working in tandem instead of silos to drive optimal performance.

With a good partner, a complete transformation and customer migration can be accomplished in three to five years. Optimizing is an ongoing process, and something you will need to continue to refine. It's important in both cases to have a well-conceived and comprehensive plan, guided by an established framework for SaaS growth that considers all the necessary elements and coordinates of all the involved functions.

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A framework for driving growth

While the target may be clear, the road for getting there is filled with potholes, speedbumps, and potential wrong turns. That's why we recommend working from a comprehensive SaaS business model framework.

Our SaaS framework (Figure 3) considers the changes that must take place across an organization, from defining the offering portfolio, to adapting the sales and go-to-market strategies and delivery model, to retooling back-office and program support capabilities. Our approach is built on lessons learned and best practices from extensive work with dozens of leading software and hardware companies that have made successful transformations to a SaaS model. In our experience, this is what matters. If not managed well and holistically, it can draw down margins and inhibit growth potential.

More importantly, we've found that using a comprehensive framework that considers all of the essential elements of change can help companies migrate faster—and begin reaping the performance advantages sooner.

The following pages explain each of these areas in greater detail.

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West Monroe's SaaS optimization framework

OFFERING PORTFOLIO

☐ **Create a portfolio map**
- Current portfolio mapped to opportunity/need
- Competitive market trends reviewed & gaps identified
- Pricing, packaging, GTM considerations outlined
- Target 3-5-year portfolio roadmap developed

SALES & GO-TO-MARKET

☐ **Develop go-to-market strategy**
- Demand gen/marketing campaigns created
- Selling model/structure & enablement developed
- Channels enabled for SaaS
- Comp/incentives model adjusted for subscription
- Customer migration strategy

PRODUCT

☐ **Assess product readiness**
- Architectural style/multi-tenancy/third-party SW
- Scalability, stability extensibility, maintainability
- Integration with other product systems or services
- Fit for cloud (architecture, cost model, security profile)

Product to Market Fit

CUSTOMER JOURNEY & OPERATING MODEL

☐ **Assess gaps in lifecycle processes, metrics, org structure, & tools and develop roadmap to transform operating model**

Professional Services	Customer Success & Renewals	Support	Cloud Operations	Engineering & R&D
• Fast time-to-value • Delivery model updated • Post-sale service offerings developed	• Function stood up & charter defined • Engagement model developed • Renewal's process designed	• Proactive support structured • Case management tools implemented • Offerings & SLAs developed	• Deployment options outlined • Integrated ITIL process • Remote monitoring capabilities • Cybersecurity	• SDLC methodology updated • Scalable product architecture • Release management modeled • Sustaining engineering in place

Foundational Operating Model Components

BACK OFFICE & PROGRAM

☐ **Update systems, define financial targets & metrics, and put in place program to transform organization**

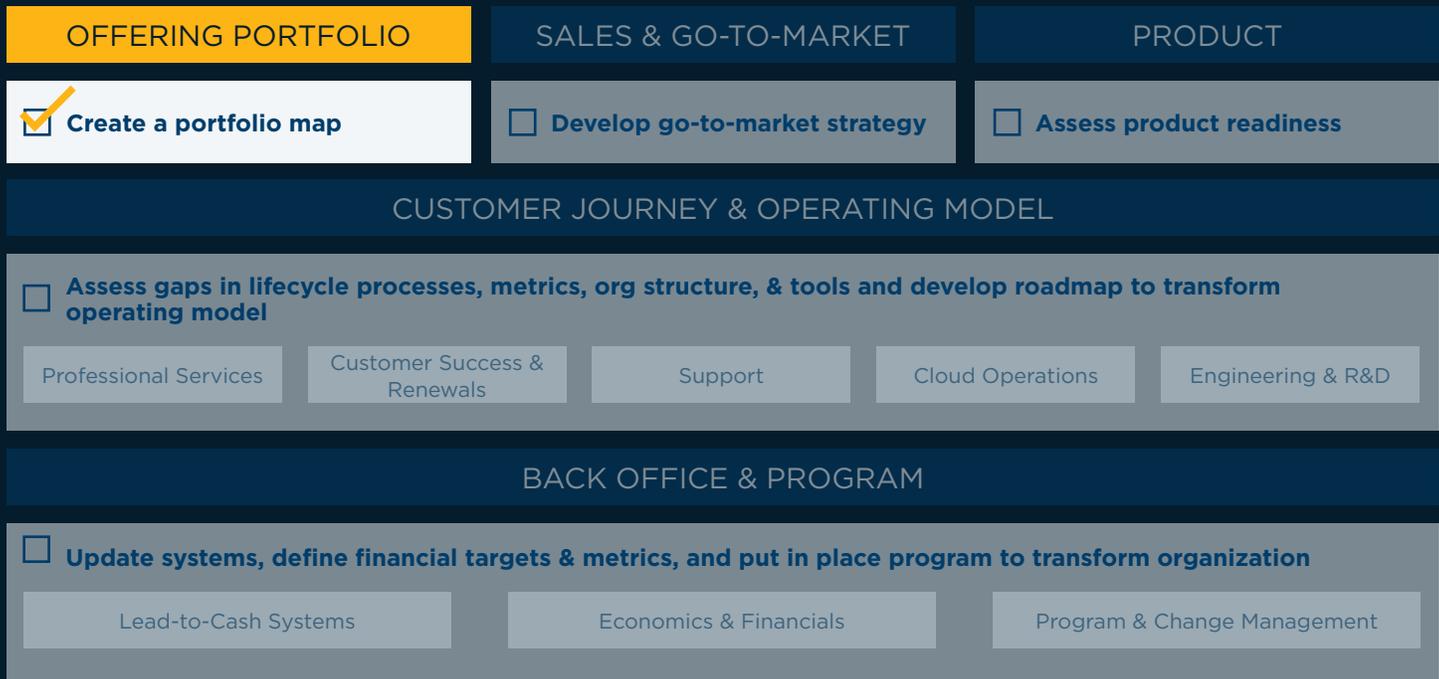| Lead-to-Cash Systems	Economics & Financials	Program & Change Management
• CRM tracks subscription opportunities • CPQ designed for subscription revenue • Contracting & CLM configured • ERP updated (order management, billing & invoicing, chart of accounts, rev rec, collections)	• Revenue modeled based on portfolio evolution • Margin implications outlined • Investment needs Identified • Baseline subscription metrics defined	• Org & culture changes outlined (talent, structure, behavior) • KPI/metrics changed to foster transformation • Subscription task force in place • Communications plan created • Change management, including cross-functional alignment

Enablement & Metrics

OFFERING PORTFOLIO

OFFERING PORTFOLIO	SALES & GO-TO-MARKET	PRODUCT
☑ **Create a portfolio map**	☐ **Develop go-to-market strategy**	☐ **Assess product readiness**

CUSTOMER JOURNEY & OPERATING MODEL

☐ **Assess gaps in lifecycle processes, metrics, org structure, & tools and develop roadmap to transform operating model**

Professional Services	Customer Success & Renewals	Support	Cloud Operations	Engineering & R&D

BACK OFFICE & PROGRAM

☐ **Update systems, define financial targets & metrics, and put in place program to transform organization**

Lead-to-Cash Systems	Economics & Financials	Program & Change Management

CREATE THE PORTFOLIO MAP

Creating an optimal portfolio is complex, with a number of design considerations around packaging, pricing, policies, and practices. Keep in mind that you must be able to deliver and service what you sell without substantially adding to the cost structure, so aim to keep design simple. Pricing should be understandable and correlated with both cost structure and a clear customer value proposition. Bundling of product features can help add differentiation across tiers.

One of the chief concerns is the customer's willingness to pay. Today's customers have a wide range of appetites when it comes to purchasing. Some prefer to purchase solutions as one-time transactions, either due to capital budgeting constraints or simply because they're accustomed to that method of purchase.

Other customers prefer a subscription that frees up capital for other ventures and doesn't lock them into working with a single vendor. These differences vary by industry and customer type and are crucial

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considerations when designing subscription pricing, bundling, and discounting features.
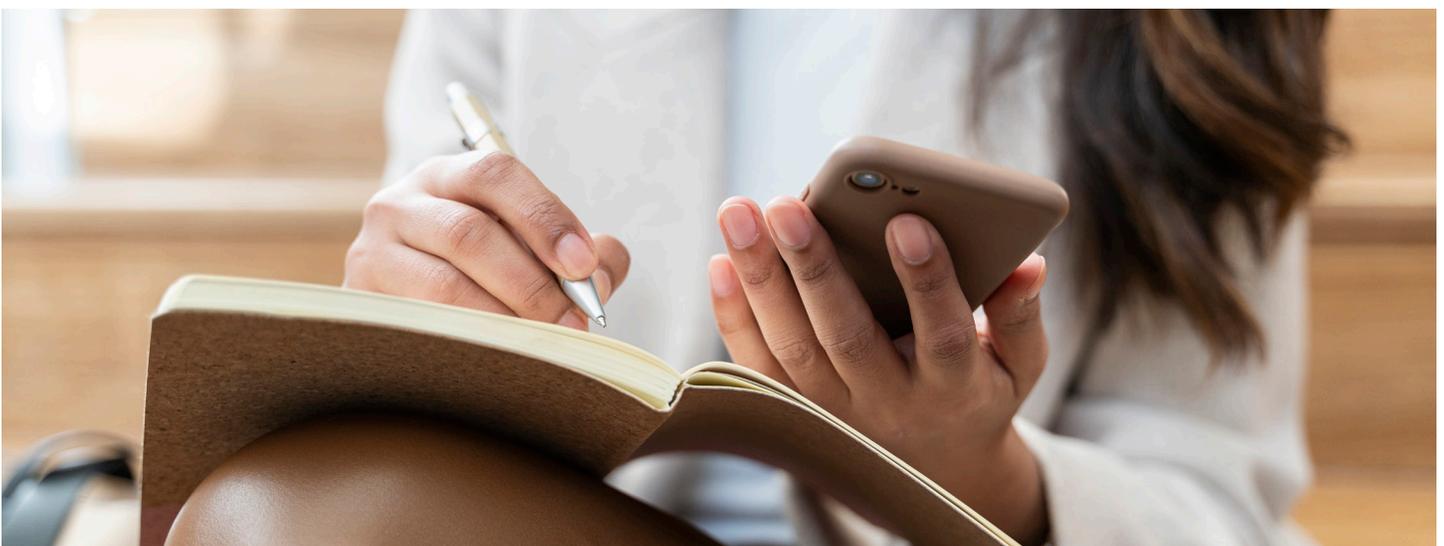
Designing and maintaining a viable subscription portfolio requires enhanced intelligence activity to make sure you have continuous insight into competitive and market trends as well as customer needs, their use of the product, and the outcomes they expect to achieve.

Key actions required:

- Map current portfolio to opportunities or needs

- Review competitive market trends and identify gaps

- Outline pricing, packaging, and go-to-market considerations

- Develop a target portfolio roadmap

CLIENT STORY

A client in the education technology space was launching its first SaaS offering. We worked with the company to conduct voice-of-customer interviews in order to develop budget dynamics and competitive pricing details. We then used this insight to determine the price point and unit of measure that would resonate most in the market, as well as the right incentives from a bundling and discounting perspective to drive the highest amount of adoption while still retaining strong margins.

SALES AND GO-TO-MARKET STRATEGY

OFFERING PORTFOLIO	SALES & GO-TO-MARKET	PRODUCT
☐ **Create a portfolio map**	☑ **Develop go-to-market strategy**	☐ **Assess product readiness**

CUSTOMER JOURNEY & OPERATING MODEL

☐ **Assess gaps in lifecycle processes, metrics, org structure, & tools and develop roadmap to transform operating model**

Professional Services	Customer Success & Renewals	Support	Cloud Operations	Engineering & R&D

BACK OFFICE & PROGRAM

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Lead-to-Cash Systems	Economics & Financials	Program & Change Management

DEFINE THE SALES AND GO-TO-MARKET STRATEGY

A major hurdle in transitioning to a subscription model is sales enablement. A SaaS model is different in nature from on-premise software, and the sales organization must have a clear understanding of these differences in order to effectively communicate the value to customers. Customers who are accustomed to traditional on-premise deployment models need to be aware of new types of value such as greater flexibility,

faster implementation, access to the latest features and upgrades, lower cost of ownership, and reduced IT costs.

To support the sales process, you will need new demand generation and marketing campaign capabilities as well as channels enabled for selling. The sales structure and process will be different, with teams adapting to a more customer value-centered approach to selling focused not just on the sale but eventually renewal.

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This will require new enablement capabilities—including training, incentives, and compensation adjusted to promote success in a different operating model. The sales organization should be prepared to run old and new sales models at the same time. Laying the foundation for these changes early in the process will be critical to getting a new sales model off the ground.

- Create demand-generation/marketing campaigns

- Develop sales model, structure, and enablement capabilities

- Enable sales channels for SaaS

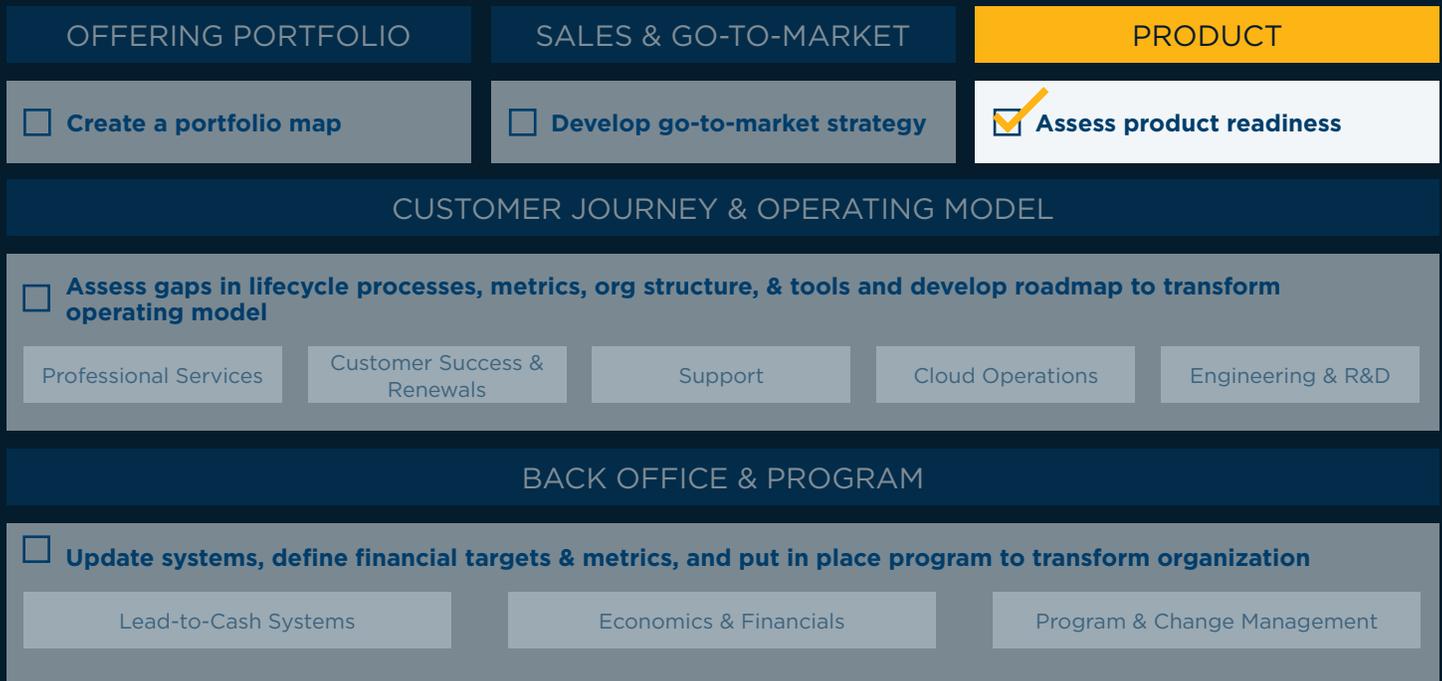- Adjust compensation and incentives for subscription model

Key actions required:

CLIENT STORY

A hardware/product OEM provider asked us for help in determining operational imperatives for launching SaaS solutions. Based on our recommendation, the company augmented its existing sales team with SaaS sales specialists who were already familiar with educating customers and positioning SaaS solutions. As a result, it experienced 50%+ growth of its SaaS products relative to flat growth the previous year.

💻 PRODUCT

OFFERING PORTFOLIO	SALES & GO-TO-MARKET	PRODUCT
☐ **Create a portfolio map**	☐ **Develop go-to-market strategy**	☑ **Assess product readiness**

CUSTOMER JOURNEY & OPERATING MODEL

☐ **Assess gaps in lifecycle processes, metrics, org structure, & tools and develop roadmap to transform operating model**

Professional Services	Customer Success & Renewals	Support	Cloud Operations	Engineering & R&D

BACK OFFICE & PROGRAM

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DESIGN PRODUCT ARCHITECTURE TO ENABLE CLOUD DEPLOYMENT AND SERVICEABILITY

Along with core architectural concerns of providing reliability, maintainability, extensibility, and scalability to suit the product, SaaS-based products have additional architectural constraints and challenges to address:

- Multi-tenant design addressing shared and isolated resources in the architecture (e.g. databases, messaging tools, storage, backups, etc.)

- API and extensibility design and stability for customers along with cost/chargeback model for that

- DevOps approach and level of automation required to operate efficiently and within stringent SLA expectations

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- Usage-based licensing, billing and subscription tools, along with data collection, monitoring, and throttling to calculate usage

- Operational, infrastructure, and packaged software cost profile required to achieve expected margins

Early architecture choices can introduce pitfalls and challenges when establishing a new SaaS product or migrating an existing platform. This could impact economics of the business, for example: managing third-party software, licensing costs reliance on expensive cloud-based storage resources, etc.

Key actions required:

- Architectural style/multi-tenancy/third-party software

- Scalability, stability extensibility, maintainability

- Integration with other product systems or services

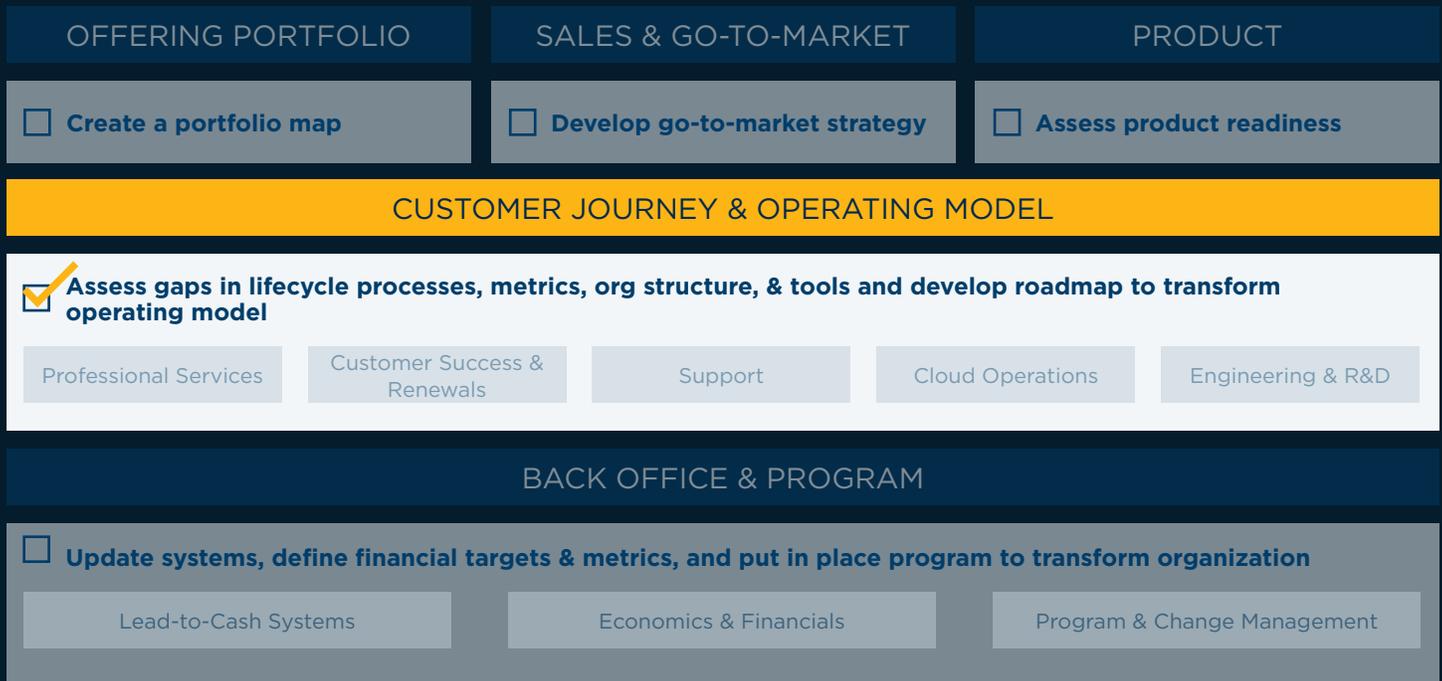- Fit for cloud (architecture, cost model, security profile)

CLIENT STORY

A hospitality solutions provider sought to modernize their software and attract a broader audience by moving to a SaaS-based solution. They needed support with rebuilding and modernizing their legacy platform to a multi-tenant SaaS solution, built out in AWS, in order to develop a more scalable and modular product offering for the market.

In order to capture a broader target market, they needed to make the new solution an easy-to-use UX, highly configurable, and on-demand solutions for both enterprise and SMB customers. West Monroe helped design the technical architecture of the new solution, leveraging best practices and established industry standards. West Monroe also worked to ensure that the new architecture and underlying technology was optimized to reduce the cost structure and ensure profitability. The project succeeded in enabling the business to be ripe for acquisition and the company was acquired shortly after the engagement.

DELIVERY MODEL

OFFERING PORTFOLIO	SALES & GO-TO-MARKET	PRODUCT
☐ **Create a portfolio map**	☐ **Develop go-to-market strategy**	☐ **Assess product readiness**

CUSTOMER JOURNEY & OPERATING MODEL

✔ **Assess gaps in lifecycle processes, metrics, org structure, & tools and develop roadmap to transform operating model**

Professional Services	Customer Success & Renewals	Support	Cloud Operations	Engineering & R&D

BACK OFFICE & PROGRAM

☐ **Update systems, define financial targets & metrics, and put in place program to transform organization**

Lead-to-Cash Systems	Economics & Financials	Program & Change Management

UPDATE YOUR PROFESSIONAL SERVICES CHARTER

Professional services teams often take on a broader role in delivering upon the desired customer experience for SaaS relative to license/on-premise models. Not only are they responsible for implementing the core products efficiently, but they also need to be positioned to support customers across the lifecycle in order to drive ARR growth. This means that oftentimes companies will rethink the financial targets for the services business, trading off professional services revenue and margin for the ARR retention and expansion. Doing so required a rethink to the service portfolio and operating model, which can be quite a challenge for leadership to embrace and evolve.

Key actions required:

- Update delivery model to increase time to value

- Develop post-sale service offerings

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CLIENT STORY

A client asked us to refresh the portfolio strategy for its professional services organization. We recommended that the company expand its post-implementation workshops and offerings to help educate customers on how to translate their technology investments into business outcomes. This increased upsell and cross-sell opportunities for its products.
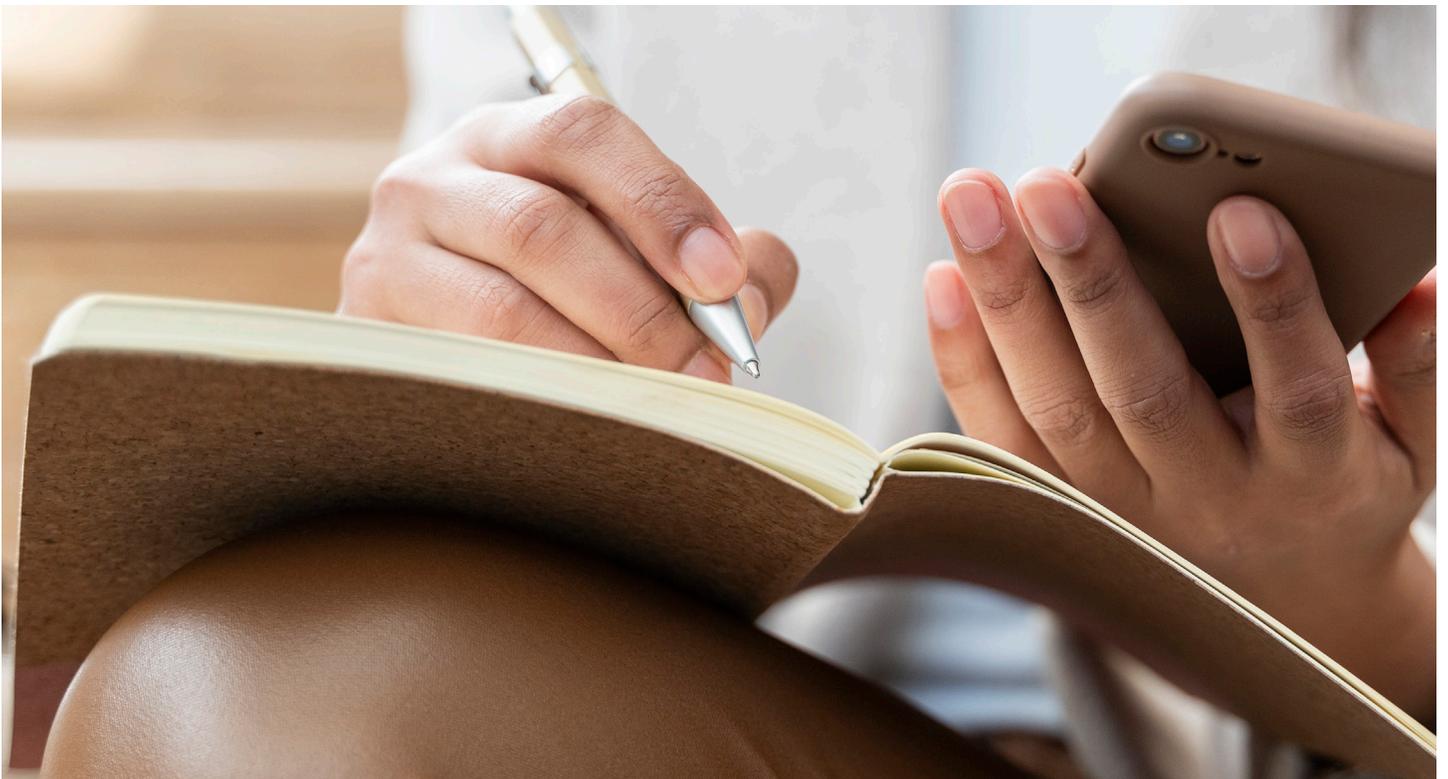
SUPPORT CUSTOMERS AND EXECUTE RENEWALS

A key facet in scaling subscription models is the increasing importance of customer success—the personnel and activities involved in proactive account management. The core challenge with a SaaS model is that most of the revenue has yet to be recognized. If customers aren't happy with the solution, they will simply cancel, known in the industry as "churn."

Accordingly, your strategy should ensure that customers deploy the solution effectively, increase user adoption, and derive business value so that they choose to retain it when their contract comes up for renewal. Building a customer success and renewals playbook across the product catalog is also critical to growing existing accounts and achieving target SaaS financials.

Key actions required:

- Stand up customer success function ;define its charter

- Outline the customer journey

- Develop a customer engagement model

- Design the renewal process

CLIENT STORY

A company recently moved to a SaaS model and wanted to develop the charter for its new customer success team, which focused on nurturing existing customer relationships by promoting user adoption and customer retention. We created customer success playbooks and KPIs to measure the team's effectiveness and return on investment. Additionally, given the importance of cross-functional coordination, we helped the company develop a customer engagement model that involved the sales, product, services, and support teams. Finally, West Monroe helped put in place customer success playbooks and KPIs to measure the success and ROI of the team.

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ACCELERATE DIGITAL ENABLEMENT TO PROVIDE SUPPORT AT SCALE

Moving to a model of continuous and proactive customer engagement and service will require more touchpoints. This will quickly strain resources if not planned carefully. As you plan for servicing customers across the lifecycle, consider ways to use digital automation to support implementation and ongoing support and services. Leveraging customer usage insights to tailor engagement during different points in the journey is critical to an enriched experience.

For example, providing contextual self-help with sophisticated search capabilities or fostering a thriving community can aid your support functions, enabling them to maintain high engagement without substantial increases in resources.

Key actions required:

- Define the proactive support model and structure

- Implement case management tools

- Develop offerings and service level agreements

CLIENT STORY

Our client, a $100 million workforce management software provider, was launching a new SaaS product with a high forecasted customer growth. They needed to scale support while maintaining high CSAT. Given their support team was already operating at top capacity, they looked to West Monroe for ways to keep up with expanding customer base while finding opportunities to increase efficiency.

West Monroe collaborated with support leaders and the executive team to assess the current support business, identify areas for efficiency and customer experience improvements, and develop a plan for efficient resource expansion and investment to meet projected growth needs. We then conducted an external review of the competitive support landscape based on secret shopping research, interviews with ex-employees, and support leaders. Finally, we developed a go-forward plan for resource growth, services delivery evolution, and investment in efficiency tools and processes to facilitate ticket deflection as customer expansion ramped up. The plan was a success, with headcount additions growing at a lower rate than ARR growth (~25-50% lower rate), which still maintained high productivity and CSAT relative to benchmarks.

CLOUD OPERATIONS

Unique challenges SaaS providers face when operating technology platforms for customers include:

- Developing the right operating model and skill sets to work effectively with product, customer support, and IT teams

- Rightsizing technology spends across dynamic environments

- Disparate customer operational requirements for availability and change

- Multi-tenant architecture complications

Companies that do cloud ops well tend to have a tight interlock between product strategy and cloud operations, streamlined provisioning process, well-defined case and incident management procedures, and robust cloud governance model.

Key actions required:

- Trained and flexible teams

- Automation of repetitive tasks

- Comprehensive observability

- Continuous architecture improvement

CLIENT STORY

West Monroe collaborated with a large SaaS provider client to determine reasons for expanding technology and labor costs of their hybrid cloud, highly customized product offering. West Monroe worked with client technology and product teams to identify root causes and implement a cost reduction roadmap.

West Monroe reviewed cloud provider consumption, labor rations, customer profitability, product level P&L performance, and recommended cloud-native technology adoption, and updated third-party contract terms. We also enhanced cloud governance and labor efficiencies to grow margins by 7%+ over two to three years.

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R&D

Succeeding in a SaaS model requires that companies embrace a continuous delivery of value to stay competitive in a dynamic marketplace to retain and grow their base of subscribers. Product and engineering teams then must fundamentally change the way they develop, release, and upgrade their software.

R&D teams moving into a SaaS software environment often struggle to keep up with this pace of innovation. This may be attributed to a variety of factors, including lack of understanding and embracing of a true agile approach to product delivery, a lack of understanding of requirements for cloud deployment, or an ineffective release governance model and orchestration.

Characteristics of top SaaS engineering teams include

process and practices that maximize value delivery to customers. These are enabled by well-articulated release management strategies that let customers know what's coming ahead of time and are designed to minimize version proliferation, templatized and automated upgrade paths, and high degrees of collaboration with product management, customer success, sales, support, cloud, and customers to inform feature enhancement roadmap and prioritization.

Key actions required:

• SDLC methodology updated

• Scalable product architecture

• Release management modeled

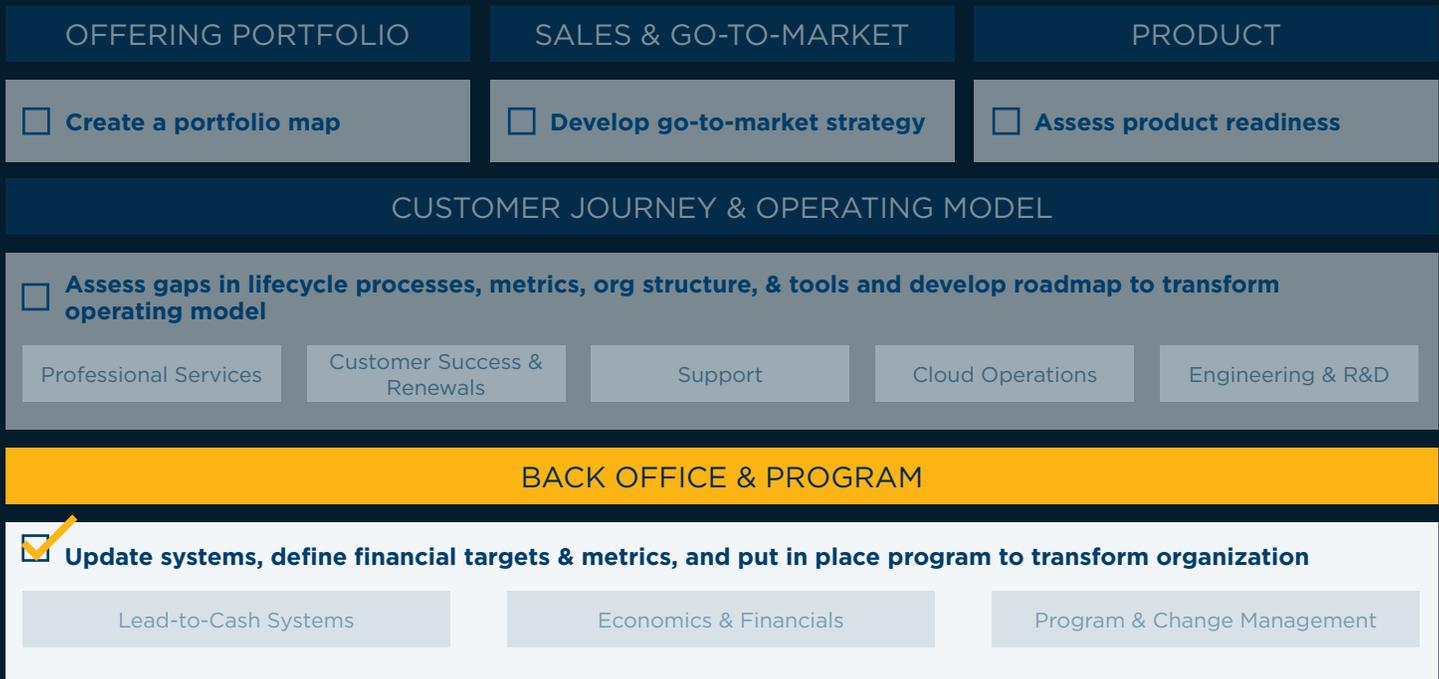• Sustaining engineering in place

CLIENT STORY

An EdTech provider, having recently migrated from an on-premise to a SaaS model, was spending well above industry benchmarks on R&D and hosting to support the new model. They engaged West Monroe to identify cost-saving opportunities in their new SaaS delivery model. West Monroe identified process inefficiencies and redesigned the organization structure and processes for product management, software development, quality assessment, DevOps, and release management.

New processes included SDLC and PMLC improvements to achieve an estimated 25% gain in efficiency and an estimated 10% gain in quality, and documented a model and approach for evaluating and adopting a scalable methodology (selecting between SAFe and LeSS). Additionally, the team defined a technical roadmap to achieve an estimated 50% reduction in AWS hosting costs for the application.

These recommendations ultimately enabled the business to achieve the targeted profitability of their new SaaS solutions in addition to enabling the pace of innovation retain and grow market share.

BACK OFFICE AND PROGRAM

OFFERING PORTFOLIO	SALES & GO-TO-MARKET	PRODUCT
☐ **Create a portfolio map**	☐ **Develop go-to-market strategy**	☐ **Assess product readiness**

CUSTOMER JOURNEY & OPERATING MODEL

☐ **Assess gaps in lifecycle processes, metrics, org structure, & tools and develop roadmap to transform operating model**

Professional Services	Customer Success & Renewals	Support	Cloud Operations	Engineering & R&D

BACK OFFICE & PROGRAM

☑ **Update systems, define financial targets & metrics, and put in place program to transform organization**

Lead-to-Cash Systems	Economics & Financials	Program & Change Management

IDENTIFY THE REQUIRED FRONT- AND BACK-OFFICE SYSTEM UPGRADES TO SUPPORT SAAS REVENUE

Enabling quote-to-cash systems for subscription transactions is a significant undertaking, and companies often fall short for a variety of reasons, including:

- Knowledge of subscription lifecycle management requirements to effectively design and build new or updated systems

- Lack of alignment between IT and business teams that results in underfunded projects, delayed timetables, and missed requirements

- Siloed development of various quote-to-cash systems (CPQ, Billing, Entitlement Mgmt., etc.) resulting in gaps in end-to-end workflow

- Updating or integrating legacy IT systems to communicate with new or updated systems geared for subscription

Keys to successful transformation systems that enable subscription include:

- Dedicating a full-time project manager with robust knowledge of subscription business models and technical systems functionality

- Plan and invest for the long haul—tools are expensive and require on average 1-2 years to build an MVP

- Build a business case for subscription to generate

executive level alignment and prioritization for subscription within IT leadership

Key actions required:

- CRM tracks subscription opportunities

- CPQ designed for subscription revenue

- Contracting & CLM configured

- ERP updated (order management, billing & invoicing, chart of accounts, rev rec, collections)

CLIENT STORY

A recent client moving their software business to SaaS and subscription engaged West Monroe to conduct a readiness assessment of their current IT systems infrastructure to support a subscription model. Their goal was to move the majority of the business to SaaS, but their IT systems and teams were historically geared for transactional license model sales.

West Monroe identified major gaps in their quoting and billing tools and helped the client select a new vendor for subscription billing. We then used our intimate knowledge of subscription business models to help build requirements for transacting in a subscription world, including multi-year contracts, co-terming, and upgrades and downgrades in order to design, build, and configure the new CPQ and subscription billing tools.

MANAGE THE NEW ECONOMICS

A subscription program brings new economic and financial considerations and assumptions, which require effective communication with investors and key stakeholders.

There is no historical revenue for companies launching a new offering and, thus, no potential losses to mitigate. However, challenges arise when a company is migrating from a license-based software model to a SaaS model. SaaS subscriptions are typically priced at 25-40% of their perpetual software and maintenance equivalent. This means if you were to migrate every customer to a SaaS model, revenue would take a 60-75% hit in the first year. While higher growth rates will make up for that in the long run, the challenge lies in managing the short-term impacts on revenue, margins, and cash flow. This process is what we refer to as "managing the trough."

You will need to establish a distinct P&L for the subscription revenue streams, with modeling capabilities to project revenue and margin based on portfolio evolution. It will also be necessary to develop a clear understanding of the investment required to drive customer migration—and ensure the organization is committed to making the necessary investments throughout the transition.

Migrating to a subscription model requires some new financial and operational metrics to effectively track performance and measure success. You will need to establish baseline subscription metrics for reporting purposes, including a mix of financial metrics (annual recurring revenue, net retention rates, logo churn rates, etc.), customer metrics (customer lifetime value, customer health, customer satisfaction, etc.), and operational metrics (customer acquisition cost, time to go-live, community engagement, etc.).

Key actions required:

- Model revenue based on portfolio evolution

- Define margin implications

- Identify required investments

- Define baseline subscription metrics

CLIENT STORY

A company in the midst of SaaS transformation was adding new customers rapidly but saw its revenue growth stall. They didn't have the necessary metrics in place to determine the source of the declining growth. Our analysis found that attrition and downgrades were the primary sources of revenue decline. We helped implement new metrics not only to track churn and price decreases going forward but also to generate advanced warning signs. Then we helped the company's services team establish a process for using these warning signs to engage customers proactively and mitigate negative events.

ENSURE ADEQUATE CHANGE MANAGEMENT

Perhaps the most overlooked aspect of SaaS transformation is the immense impact to culture and talent required to succeed in the subscription world and the programmatic approach it takes to drive that impact. Companies must instill a customer-centric mentality into their employees while also cultivating new skillsets and key performance indicators (KPIs) internally.

Key challenges to transforming the culture of the organization include:

• Generating enough buy-in from executives down to frontline employees across each major function within the organization that translates into a change in behavior

• Attracting new talent to inject SaaS acumen into the organization

• Re-skilling employees to deliver in a new SaaS-oriented operating model

Companies that excel in SaaS have done so through a highly intentional and vigorous change management strategy that includes:

• Setting a well-defined vision for SaaS and the amount of operating model transformation required to achieve that vision

• Standing up a transformation owner and governance model to orchestrate and execute the company-wide transformation that is SaaS

• Developing a robust messaging and communication strategy to articulate the why and the what being asked of all impacted stakeholders

Key actions required:

• Organization and culture changes outlined (talent, structure, behavior)

• KPI/metrics changed to foster transformation

• Subscription task force in place

• Communications plan created

• Change management, including cross-functional alignment

CLIENT STORY

A hardware company looking to grow their software business revenue stream was finding that their execution timeline to stand up an MVP was continuously delayed given many employees were still prioritizing activities associated with managing their legacy business model. They engaged West Monroe's organization change management team to help drive change into the team and accelerate their transformation to SaaS.

West Monroe conducted a change impact assessment to identify which stakeholders were affected, the degree of change, and employee readiness and alignment of the new model. We then built tailored content to drive the messaging and communications and helped develop training and certification plans for each stakeholder group. Finally, we stood up a change leader network to sponsor the program and act as key agents of change and defined a set of metrics to measure both behavioral change as well as lagging business and financial indicators to ensure success.

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Mobilizing for success

The framework above outlines the key areas to address to ensure a smooth and successful approach to optimizing a SaaS or subscription model business. There are, of course, many layers of detail below each.

In addition to proceeding with the guidance of an established framework, there are several other steps you can take to set your organization up for success. One is to make sure you have effective cross-functional collaboration. A subscription steering committee comprised of representatives from key functions can be helpful for maintaining the necessary level of coordination.

In addition, recognize that the transition to a subscription model will be ongoing. Most companies will continue to sell and deliver traditional product models while new subscription models take hold. This will require the ability to discretely but simultaneously manage the economics and operations of blended solution (on-premise, hosted, SaaS) and pricing (license and subscription) models.

This is a journey where experience counts. Our approach is built on our extensive work with high tech and software organizations of all types, and our team is available to provide relevant "rocket fuel" to help you advance in this journey and propel your organization into the realm of top performers.

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ABOUT WEST MONROE

West Monroe is a digital consulting firm that was born in technology but built for business—partnering with companies in transformative industries to deliver quantifiable financial value. We believe that digital is a mindset—not a project, a team, or a destination—and it's something companies become, not something they do. That's why we work in diverse, multidisciplinary teams that blend industry expertise with deep operational and technology capabilities—moving clients from traditional to digital operating models and creating products and experiences that transcend the digital and physical worlds. Our 2,000 employees have the opportunity to own a stake in the company, so when you partner with us you know we are committed— because your success is our success. Our undeniably different approach breeds undeniable results. **Visit westmonroe.com to learn more.**

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