On-Premises or SaaS? It Depends on Your Needs

When your existing Document Management System (DMS) is on premise and you want to go to a hosted solution, there are technical, cultural and regulatory considerations that need to be investigated.

Cloud computing has become ubiquitous, but the concept has no strict definition. Ideally, cloud computing is meant to turn computing into a utility, just like water or power. Key features of the concept are: elasticity, availability, improved resource utilization and support for multiple users.

There are three main models of service: Infrastructure as a service (LaaS), platform as a service (PaaS) and software as a service (SaaS). Opting for a hosted solution can aid in law firms with its oft-cited benefits such as cost effectiveness, quick deployment and access to resources beyond the current abilities. While cloud computing continues to emerge, a stamp of approval comes from law firms that continue to adopt a form of cloud computing strategy based on the reports from expert working groups and consultants.

The traditional route for firm's investing in document management resources is to buy the software after looking at the IT infrastructure, budget, and business requirements and then install the software on the enterprise's servers and desktops. With SaaS, a new alternative is offering a considerably more cost effective and easier to manage system; all while requiring less maintenance and storage space then on-premises solutions. There are five areas that need to be considered before moving to a hosted solution: financial, deployment, integration, security and investment priorities.

Financial

In much of the discussion, surrounding SaaS, it is known that it's less expensive than an on premise deployment. The assumption that SaaS saves organizations money is centered on a short-term view based on the fact that the initial outlay for SaaS is considerably less than it is for an on premise solution. However, there are a number of things that need to be considered here…
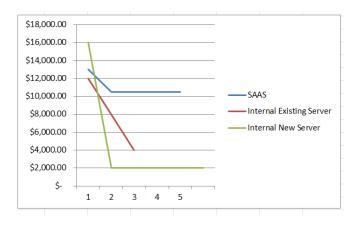
When looking into SaaS, one must also think about hardware costs. For an on premise deployment you need to consider server requirements and whether existing servers will be able to maintain a DMS. While many DMS packages run on MS Windows Server, you still must ensure that you have the required version to run the application. One must also consider whether the new application requires a dedicated server or if it can be located alongside other applications. Your server might need updates or you could potentially have to purchase a new hardware. It's also vital to check if the OS on your firm's workstations supports the DMS.

Another financial aspect to consider is operating costs. Assuming that the servers can support DMS, there are still maintenance costs to take note of. There are costs associated with managing internal servers, backing up data and updating software. The cost of updating software runs between 15-25 percent annually based off of the original purchase price. There is also the cost of ongoing support, which isn't essential but is desirable.

With a SaaS, these are all covered by a monthly fee. Taking an example of a 10-user system over a five year period, hypothetically we may see the following scenario:

- Initial consulting and set up for on premise and SaaS is $2,000.
- Purchase price for on premise is $1,000 per user including maintenance and support calculated at 20% starting at year two.
- If a new server is required, add an additional $5,000 to this scenario.
- SaaS pricing would run at $90 per month per user.
- Please note, internal IT personnel cost are not included in this plan.

In this example, SaaS, as the chart below shows, ends up being more expensive. However, the chart is for illustration purposes only, and there may be other costs included in the on premise versions.

Deployment

With the implementation of SaaS, the vendor takes care of everything. This includes: server preparation, configuration and software initialization, with the firm only having to agree the terms. Keep in mind, deployment on premise usually requires IT help. If your organization doesn't have a dedicated IT team, it's best to hire a consultant with expertise to setup and configure the system.

Integration

With on premise deployments it may be easier to integrate your document management software with existing applications, as it is generally easier to integrate applications that are operating on the same network. However, this is changing. Over the past few months, we have seen the release of connectors and integrations that enable firms to connect their on premise applications with hosted applications. As the technology continues to evolve, firms will be able to leverage integration more easily between SaaS and on premise, but how integration between two or more applications on different SaaS platforms will work, has yet to be clarified.

Security

In both internal and SaaS deployments, it is generally considered best practice to have a centralized repository where all documents can be located with all of the security measures available. With SaaS, this an issue for the hosting site company. But, for an on premise solution, it is an issue for the firm. It is likely the hosting company has more resources to spend on security. The result is that, for SaaS vendors, it is easier to apply several security policies to the repository. However, there are compliance issues here too. Notably, where the data is stored and whether it is located outside the geographical boundaries of the client location and will be in compliance within local regulations. This is still a battle that has to be fought and there are no real answers yet. However, this is something the potential SaaS clients need to ask their vendor before investigating.

A related issue is disaster recovery. By definition, having data backed up off site will increase chances of recovering from data loss. With on premise, regular back-ups will have to be done and a recovery strategy will need to be put in place.

It may seem obvious, but it needs to be considered…how easy will it be to get documents out of the system you are using? What happens if you wish to change systems? And if so, will you be able to move your data from an old system to a new one? Is your data stored in native or proprietary format to enable that move? All questions to ask and consider the options.

Investment Priorities

This relates not only to document management, but to just about every other kind of application as well. For the firms that are trying to save on upfront capital investment, the SaaS approach is clearly better- keeping in mind the above example shows it might be more costly in the long term. Many firms have developed IT competency over time and understand that deploying software internally helps the firm to better leverage those resources.

Conclusion

So, what can be concluded from this? Unfortunately, not a lot except that the options to go one way or the other exist making either option equally valid. It comes back to needs, assessment and planning. The bottom line is, before your firm even starts to look at deployment, it's crucial to weight both sides of the equation. Obvious as that may be, there is an underlying assumption that SaaS will save firms money and is easier to deploy—an assumption that is not necessarily borne out by the facts.

If anything can be drawn from this, it is that firms should really evaluate ALL aspects when looking into investing in SaaS and not be lured into the idea just because the initial costs are appealing. What's good

today may not be ideal tomorrow and could ultimately force a rethink of a strategy that should have been considered in the first place.

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