



***With various forces combining to transform the IT landscape, how do you see the role of the IT department evolving?***

With the panoply of cloud-based systems and applications we no longer need a staff of programmers and developers to the extent that we used to. Essentially, we are able to get our systems developed and hosted for us and the only development work is the middleware integration, and even that can easily be outsourced to the SaaS provider. As a result, we are able to downsize the programming side of our IT group while retaining the customer side. Consequently, our IT group becomes almost entirely a "help desk" group rather than a development group. Of course, the help desk skills are very different from programming skills so retraining is necessary.

Another interesting offshoot of cloud-based solutions is the cost accounting impacts. Essentially, previous systems that required on-premise hardware/software were capitalized costs, thereby being accounted for on the balance sheet...not the income statement. So, those costs previously had no impact on earnings (except for the maintenance costs). However, with cloud-based solutions there is no on-premise hardware/software and the per-user SaaS fees now hit the income statement. As the use of cloud-based SaaS grows this impact will have a diminishing effect on earnings. This will ultimately have to be dealt with in accounting standards.

***If email takes a backseat to Facebook, Twitter, and SMS for business communications in 5 years, how will that change your business strategy? What are you doing today to prepare for that possibility?***

As a publicly-traded company we are required by regulatory bodies to retain all written/electronic communications. Because company email is provided via a server we can easily retain the emails. However, if social media and/or texting communications were to become used for business communications we would have a serious issue with retention since these types of communications are typically web-based with no central server. Consequently, there needs to be a technology solution to the retention of all electronic communications before publicly-traded companies can incur wide-spread use of alternate communications media. In the interim, we cannot endorse the use of social media/texting for company communications.

***What factors are driving the mega-vendors to buy pure-play SaaS/Cloud vendors?***

Our company is a medium-sized business and we have traditionally not been a target for the mega-vendors. As a result, we have used smaller vendors that are more targeted to our size. However, the cloud-based SaaS providers have a distinct advantage over the mega vendors because they can so easily scale their services up or down market. Consequently, the SaaS providers can reach a significantly broader market than the mega-vendors. Further, with the up-scalability of SaaS platforms, the mega vendors are seeing increased competition in their space and must build or buy the SaaS capability if they are to remain competitive. In many ways, it is much like the transformation our company is undergoing in the cloud-based telecommunications space.

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