



Microsoft® works with service providers to enable them to offer hosted versions of popular applications such as Microsoft Exchange. In March, the [Microsoft Dynamics™](#) business and financial software unit announced a program allowing service providers to offer hosted versions of Microsoft Dynamics CRM, according to Kevin Faulkner, product marketing manager for Microsoft CRM, in Redmond, Washington.

Microsoft also has its own SaaS offerings, [Windows Live™](#) and [Microsoft Office Live](#), which offer a rich array of Internet-based business services for an affordable monthly fee.

Over the next five years, the research firm Gartner anticipates that 30 percent of all new software applications will be delivered using the SaaS model. "Our research indicates there are three reasons for its increasing popularity: cost, speed and focus on core competencies," says Ben Pring, vice president of IT services and sources for Gartner, based in Stamford, Connecticut.

### **Deciding What to Rent**

Midsized businesses stand to benefit greatly by adopting standardized business practices in those areas where it may be difficult to derive competitive advantage, such as financial or account management. As applications like ERP and CRM have matured, the software and related business processes have become more standard—in many respects, perfect for renting.

"The vast majority of back-office applications are not differentiating for an organization, and, consequently, they are ripe for outsourcing," says Pring. There is a caveat, however. Whether or not an application such as CRM is core to the business is a question your company needs to address, he notes. A particular back-office function, like how the company delivers a product (think [Netflix](#)), could be a competitive advantage.

Still, some experts advise running robust business applications like ERP on-site. "You lose flexibility when you outsource. And you're usually getting a 'light' version of the application," says Stephen Ibaraki, a longtime industry analyst based in Toronto and the recipient of *Computing Canada's* Lifetime Achievement Award in 2005.

More important to Ibaraki is the limited ability under SaaS to customize the application or integrate it with in-house data sources. Integrating internal data and the data maintained by your vendor is certainly possible, but it will require extra work, whether done by an employee, the service provider or a third-party consultant.

Another benefit of SaaS is the ability to try before you buy: rent an application and then have the option to bring it in-house later. Renting an application does not wed you to any vendor, giving your growing company the ultimate flexibility.

When and if your company gives renting a shot, get the most out of the experience by taking advantage of the opportunity to reengineer your processes. For example, one of Bois' customers, a \$150 million manufacturer, recently went through an on-demand software implementation. "They realized they had two different types of salespeople, the hunters and the farmers. They realigned their sales processes to account for that—the renewable part of their business versus the one-time sales opportunities," says Bois. "View this as a catalyst to review how you do business."

### **Related Links**

[Hosted Exchange Server Partner Directory](#)

[Microsoft Dynamics CRM 3.0 Expands Customer Choice with New Hosting and Connector Initiatives](#)

**Lauren Gibbons Paul, from Waban, Massachusetts, writes often on midsize business technology issues and is a contributor to the Microsoft Midsize Business Center.**