Your AI strategy must heed your SaaS mistakes

Insight

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Far too many enterprises today sign off on deals that put their data – and often their systems – under the control of other companies, companies that rarely share your company's objectives and priorities. This is like taking out a reverse mortgage on your most sensitive, mission-critical corporate capabilities.

The heart of your business is the accumulation and combination of the hardware, software, and skills at the foundation, along with the associated business capabilities, process knowledge, and data assets that operate the organization. However, many companies dig a chasm between their business capabilities and IT assets. That chasm forms the distance and cost between an organization's current capabilities and the capabilities it will need tomorrow to compete and perform.

Organizations that have made short-term budgetary choices, pursued short-term strategies, and taken the lesser path over the past several decades will find themselves paying more to maintain systems that deliver less value. They were promised lower total cost of ownership (TCO), but that never included opportunity cost and future present value.

This directly causes them to pay higher service costs for lower service-level agreements. They may be burdened by archaic technology rather than AI-ready technology and data estates fueling powerful AI investments. They may often discover that the key skills needed to bridge the business to technology effectively have evaporated through cycles of outsourcing

We call these essential abilities "*glue*" skills, as in Global and Local Understanding of the Enterprise. *Glue* fills in the chasms. Outsourcing is the single greatest remover of *glue* from an organization. Any budget decision that deprioritizes continuation of knowledge, acumen, expertise, and sophistication scrapes away the *glue*. As the distance between what your IT strategy should look like and what it actually looks like grows farther apart, the cost of advancing toward tomorrow's capabilities increases.

Many companies are waiting for Godot. They are waiting for a consultant to tell them that they can obtain everything they need at little cost. They are surrounded by systems integrators that will underbid an implementation or transformation and then overwhelm them with change orders, or push the hard tasks under the rug. They are looking for a third party that will promise to perform all the heavy lifting while insisting that the client needs to invest little, if anything, in change management, a project management office, or capability transformation.

Today, everyone has begun waiting for GenAI and agentic AI to make all these problems disappear. And the ecosystem is full of vendors and partners willing to play the charade of how robust the technology is and how easy the implementation will be.

The irony is that companies that have kept their organizations healthy and lean, investing in internal architecture capabilities against the trend, while continuously adopting current technologies, tools, and methods, are now able to step into the world of AI. Those that have waited for a magical fix, however, may find themselves shut out of that world.

What was true for SAAS and now more true for AI, is that a proper strategy includes human capabilities, organizational ontologies, and process acumen – not merely technological components. Technology may be the most tangible part of the problem, but it is only one part.

The question, then, is where to begin.

In the martial art of Karate, the Kata is a central learning device to develop skill, power, and mastery over time. Kata offers a useful analogy. Kata mandates that every move is sequenced: eyes, feet, and hands. The practitioner begins with the eyes, looking in the direction of the next movement. The feet follow, moving into a stable foundation that prepares the body for action. The hands come last, executing a block, or a strike.

In transformation, the eyes represent the strategy and roadmap for business and technology capabilities. The feet – the foundation -represent the architecture plan for hardware, software, data, and process capabilities. Finally, the hands represent the service model and sourcing strategy: the internal and external people who will be brought to bear to make the changes required to benefit from technological advancement.

Companies that keep their eyes closed (i.e., agile theatrics, with no strategy), feet still (i.e., architecture by vendor), and just wave their hands in the air (i.e., application management services via RFP) are not only ineffective in the moment, but they accumulate the inability to effectively move to what is needed down the road. As time goes on, they find the portion of ever-shrinking budgets needed for maintenance, downtime, recovery, and support grows unfettered. When they receive the output of the latest “free” assessment/diagnostic/rapid strategy “Phase 0” from the *vendor du jour*, the real cost of catch-up has grown.

Those who seek to achieve the most in the era of AI and SaaS will develop business-driven, finance-grounded transformation strategies. They will apply modern architecture methods to define detailed blueprints, standards, platforms, and governance – slowing down in the beginning to go faster over time. And they will develop and procure better fit-for-purpose implementation services and resources that address the whole capability – process, data, org, change, and software development – just to name a few.

For far too long, the mere idea of that investment might have been blasphemous. But today we have a new paradox – AI may open the door to success with…AI. Today, AI-assisted delivery can now change almost everything. Senior designers and engineers can operate at 10x pace. Junior Developers can contribute at a senior level. And the prosaic methodologies of Enterprise Architecture, CMMI Software Development, and ITIL best practices can be applied by the new generation in a flexible and cost-effective way.