the leading solution for a given problem, they attract an ecosystem.

Jim Boomer • Dec. 17, 2013

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Over the last 5 years, one of the most common arguments I hear about moving to the cloud involves data integration. I'm often asked, "Why would I want to give up my tightly integrated suite of on-premise software to move to a bunch of disparate cloud systems?"

The answer is the cloud ecosystems that are developing before our eyes. In the cloud

a set of partners (often referred to as add-ons) that work directly with the SaaS vendor to fill functionality gaps and increase the value of both. In layman's terms it is about the sum of the parts exceeding the value of each on its own. And when all the gaps in the ecosystem are filled, users are now able to have the best of both worlds – an integrated suite made up of best-of-breed solutions.

An example of this is the ecosystems rapidly developing around many of the leading cloud accounting solutions such as Intacct, Intuit and Xero. While these SaaS vendors focus on their core competencies of accounting and integrated payroll solutions, they are attracting an army of third-party cloud service providers that are filling gaps like reporting tools, dashboards, work papers, workflow, project management and CRM. Combined, the ecosystem covers the majority of a firm's software needs. And any holes that remain will likely be filled by a partner joining the ecosystem in the near future.

Open vs. Closed Architecture

This is a new chapter in a long standing battle between open and closed architectures. The infamous battle between Apple and Microsoft over the operating system and office productivity software is a perfect example. Microsoft ultimately won out with an open approach and history would support that most of the time, the open model will prevail over the closed. The underlying force behind this is that consumers prefer choices.

I believe an open architecture is critical to the success of providers in the rapidly evolving cloud world as well. Those cloud providers that accept they can't be all things to all people will adopt an open, collaborative approach and will win. Those who hold on to a closed, proprietary model will likely get left behind as they frantically try to hold on to the market share of their legacy, on-premise software.

A New Phenomenon?

Another recent example is what the mobile operating systems have done in building out application ecosystems. Apple, Google, Blackberry and Microsoft have all been luring independent developers to build their apps on top of their platform in an effort to become the most valuable mobile ecosystem. As with cloud ecosystems, mobile operating systems depend on their developers as part of their business models.

Make Ecosystems Part of Your Decision

Next time you find yourself evaluating a cloud solution, ask yourself if the service is part of a larger ecosystem. You have to evaluate the whole group of solutions rather than analyzing a single solution in isolation. Don't rule out an option simply because it's missing a key feature. That feature might be covered by another third-party tool that is tightly integrated with the cloud offering in question. As cloud ecosystems continue to grow, so will our dependency on them in the software evaluation process.

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