

Student Presentation

The performance development of software-as-a-service ventures

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The transition to software-as-a-service (SaaS) business models has significantly affected software providers' operations. SaaS business models have allowed digital ventures to scale their product on the marketplace rapidly. They also provide a viable business model to entrepreneurs with much lower growth ambitions and fixed company sizes. However, there are significant differences regarding the performance development of SaaS ventures. This project aims to investigate the performance development of SaaS ventures regarding two critical performance measures: their ability to grow the value they create for customers and their ability to capture a share of that value as profit. An empirically validated System Dynamics model has been developed based on growth process theories, which explain the dynamic changes of companies while they grow, and utilising two case companies. The model approximates ventures' abilities to create and capture value as well as accounting measures used in empirical studies to approximate these theoretical performance outcomes. Model simulations show that SaaS ventures that maintain a fixed number of employees have natural performance levels towards which they develop over time. While companies growing their employee number can achieve higher levels of value creation in the long term, they also experience lower shares of value captured in the short term. Thus, managers and entrepreneurs need to ensure that their SaaS ventures can sustain the lower ability to capture value during the growth period until the venture returns to its natural performance level. Moreover, SaaS ventures need to design business models with positive natural performance levels because their companies will develop towards them. SaaS ventures cannot, contrarily to many practitioners' belief, grow themselves profitable.