



Empowering Business Agility through As-A- Service Solutions

Article

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1. Introduction

In the current business landscape, marked by ongoing economic fluctuations and operational hurdles, the significance of maintaining a robust financial foundation cannot be overstated. The global pandemic has magnified the challenges, revealing that liquidity is not just a buffer but a strategic asset. With a significant portion of [small- and medium-sized businesses \(SMEs\) expressing concerns over dwindling cash reserves](#), the quest for sustainable cash flow management strategies is more critical than ever.

This environment has catalyzed a strategic pivot from traditional capital expenditure (CapEx) models toward an operational expenditure (OpEx)-focused approach, encapsulated in the "As-A-Service" (XaaS) model. This shift spans across a diverse range of offerings, from IT infrastructure and software to more specialized equipment and technologies, signifying a broader move towards service-oriented procurement and utilization practices.

2. Moving on from Light-As-A-Service

Reflecting on my experience in 2020, while leading the Services Business at Signify, I wrote an article focused on Light-As-A-Service (LaaS). This piece, drawing from direct industry insights, highlighted the transformative potential of the As-A-Service business model in revolutionizing how businesses approach their lighting needs, emphasizing the operational and financial benefits of shifting from CapEx to OpEx models. The principles and advantages articulated in that context—ranging from enhanced flexibility and scalability to improved financial reporting under IFRS 16—resonate across sectors, underscoring how “As-A-Service” can be appealing to companies searching for growth.

The motivations, goals, structures, and challenges faced by businesses in adopting LaaS can indeed be extrapolated to other industries. The underlying drivers—seeking operational efficiency, financial flexibility, and strategic agility—remain consistent across domains. Particularly with the advent of IFRS 16, the financial reporting landscape has evolved to further incentivize the shift towards

service-based models, making XaaS an even more needed proposition for businesses aiming to optimize their balance sheets and enhance their competitive edge.

3. Opportunity for other industries

The core appeal of the XaaS model lies in its simplicity and flexibility, enabling organizations to access the latest technologies without the hassles of ownership, including upfront costs and maintenance. This approach eases financial pressures and shifts maintenance responsibilities to service providers, allowing businesses to swiftly adapt to market and technology changes. XaaS offers predictable expenses, enhancing budgeting and cash flow management, and provides contractual flexibility to match service use, boosting both operational and financial efficiency. This adaptability is increasingly important in light of evolving standards like IFRS 16.

IFRS 16, an International Financial Reporting Standard which took effect in early 2019, mandates putting operating leases on a company balance sheet, but it lets services payments stay off. The upshot is that, under the new accounting regime, XaaS can help keep a company's balance sheet light. That will make it easier for the company to raise cash, among other benefits.

4. Benefits of “As-A-Service”

Enhanced Flexibility and Scalability

The XaaS model empowers organizations with unparalleled adaptability, enabling them to access and integrate the latest technologies without the constraints of asset ownership. This flexibility ensures that businesses can swiftly respond to market changes and technological advancements, maintaining a competitive edge. Customizable service agreements allow for scalability, ensuring resources are aligned with demand, and avoiding the pitfalls of overinvestment in rapidly depreciating assets.

Predictable and Manageable Expenses

Transitioning from CapEx to OpEx models, XaaS offers predictable, regular payments that facilitate easier budgeting and financial planning. This shift not only aids in smoothing out cash flow but also in transitioning from large, unpredictable expenditures to a model that aligns costs directly with usage, enhancing financial predictability and control.

Operational Agility

The As-A-Service model supports operational agility, allowing businesses to quickly adapt their technology and infrastructure needs to evolving operational requirements. This agility is critical in today's fast-paced business environment, where the ability to pivot and scale operations efficiently can differentiate market leaders from followers.

Improved Financial Reporting and Balance Sheet Management

Under financial reporting standards like IFRS 16, XaaS offers advantages by keeping certain liabilities off the balance sheet, thereby improving financial ratios and the overall health of the balance sheet. This aspect is particularly beneficial for companies looking to enhance their borrowing capacity or attract investment, as it presents a more favorable financial position.

Guaranteed Performance and Support

XaaS contracts typically include service level agreements (SLAs) that guarantee performance, uptime, and support. This assurance allows companies to rely on consistent and high-quality service delivery, with the added benefit of around-the-clock support from providers, surpassing the capabilities of most in-house solutions.

Access to the Latest Technologies

Through the XaaS model, companies can continually benefit from the latest technological innovations without the need for significant capital investments or the risk of obsolescence. This ongoing access ensures that businesses can

leverage cutting-edge solutions to drive efficiency, productivity, and competitive advantage.

Streamlined Adoption and Implementation

The service-based nature of XaaS simplifies the process of adopting and implementing new technologies and solutions. Without the need for extensive capital outlay or complex implementation projects, businesses can rapidly deploy new services, enhancing their ability to respond to market opportunities and operational demands.

5. What's next

The burgeoning growth of the XaaS market, projected to expand from \$93.8 billion in 2018 to \$344.3 billion by 2024, underscores its increasing adoption and the recognition of its value proposition across industries. This growth trajectory, indicative of a 24% CAGR, reflects the escalating shift towards service-based consumption models.

Senior executives are taking note of the transformative impact of XaaS on industry dynamics, business models, and product offerings, with 75% acknowledging its positive influence. Moreover, the model levels the competitive landscape for SMEs, granting them access to technologies and solutions previously beyond their financial reach. This democratization of technology not only enhances operational efficiencies but also propels innovation, fostering a competitive edge in the global market.

The transition to an As-A-Service model is reshaping business strategies, emphasizing the importance of agility, financial flexibility, and strategic foresight. By adopting XaaS, companies can secure a competitive advantage, ensuring they are well-positioned to navigate the complexities of the modern business ecosystem.