

FOREWORD BY KIRK KRAPPE

Founder of Apttus and author of Intelligent Quote-to-Cash

PAY PER IDENTITY ACTION™

HOW AI IS REWRITING THE ECONOMICS OF EVERY ENTERPRISE SAAS APP

NELSON A. CICCHITTO

Founder and CEO, Avatier

Pay Per Identity Action™

How AI Is Rewriting the Economics of Every Enterprise SaaS App

Nelson A. Cicchitto

Foreword by Kirk Krappe

11

Creators, Partners, and the End of the Project

When building gets cheap, the project stops being the product.

Ask Verify Act Prove Pay

Part Three puts all five steps to work.

Executive brief

The shift

For thirty years, getting value from identity software meant a long implementation project that often cost more than the software. Prebuilt actions, standard interfaces and AI-assisted building now put the first result in the first week, and the project turns into a steady stream of improvements around a working core.

Why it matters now

Every month a project runs before go-live is a month of savings that never arrives. And the largest vendors are caught in what this chapter calls the Incumbent's Trap: their revenue, their best customers and their cost structures all push them to keep selling the old way, even when their leaders can see the new one coming.

The decision this chapter asks of you

Before approving another identity statement of work, measure the whole iceberg, ask what you'd have in the first week without the project, and ask every vendor how its cost structure shows up in your price.

Who should read closely

CIOs, architects and engineers, managed service providers, systems integrators, investors, and any CFO who has signed a services line larger than the software line.

In one sentence

When identity actions arrive ready to use and paid per result, value starts in the first week, and the vendors built for the old model are the last ones able to follow.

The Statement of Work

The statement of work runs to forty pages. Discovery workshops, a design phase, custom connectors for six applications, a testing phase, and a go-live nine months out. The services line is larger than three years of software. The integrator is reputable, the plan is sensible, and everyone in the room has seen this movie before. They also know how the second act goes.

Four months in, the company reorganizes two divisions. The roles designed in the discovery workshops no longer match the org chart, so there's a change order. One of the six applications is being replaced, so its connector is paused and another change order follows. Go-live slides from month nine to month thirteen.

Nobody did anything wrong, and that's the uncomfortable part. A project is a bet that the business will hold still while identity catches up. Businesses stopped holding still years ago. Meanwhile the help desk keeps resetting passwords by hand, departing employees keep access they shouldn't have, and the savings in the business case drift a year further out.

This scene is a composite. Details are illustrative.

Named idea

The Services Iceberg

The license is the tip you can see. Services, your own people's time, change orders and the cost of waiting sit below the waterline, and together they're usually far larger.

When most organizations price identity, they look at the license. That's the part of the iceberg above the water, and it's usually the smallest part.

Below the waterline sit the implementation services, which often outweigh the license on their own. Below those sit your own people: the architects, administrators and project managers pulled onto the project for months. Below them sit the change orders that arrive every time the business moves. And at the very bottom, invisible in almost every business case, sits the cost of waiting, which is all the value the program was supposed to deliver while it isn't delivering anything yet.

The whole iceberg, year one

License + services + internal project time + change orders + cost of waiting

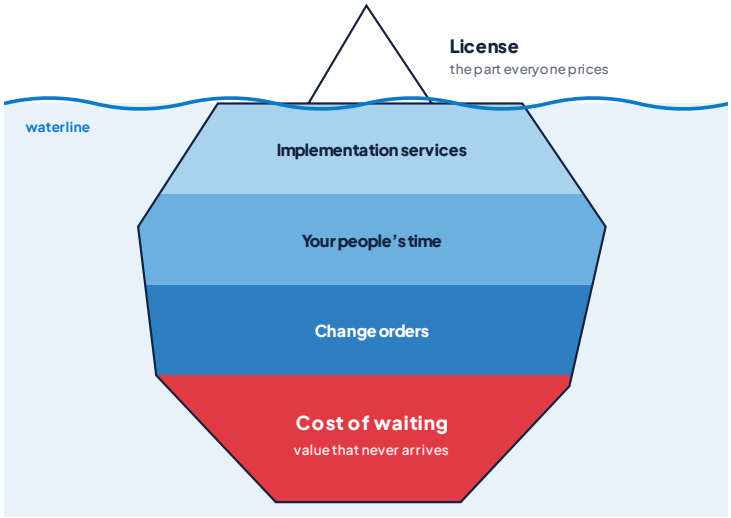


Figure 11.1 The Services Iceberg. The license sits above the waterline. Below it, from top to bottom: implementation services, your own people's time on the project, change orders, and at the deepest and largest layer, the cost of waiting for value that hasn't arrived yet.

Most identity decisions compare the tip of one iceberg with the tip of another. Measure the whole thing and the comparison changes completely.

Why Projects Got So Big

The iceberg grew for understandable reasons. Every organization's directories, applications and policies were different, so every deployment was configured by hand. The specialists who could do it were scarce and expensive. Connecting one more application meant custom code. And because services are billed by the hour, a longer project is a more profitable one, whether or not anybody intends that.

So the license bought the right to begin a project, and the project held most of the cost, the risk and the delay. Buyers accepted it because there was nothing else to buy.

What Changed

Three things arrived at roughly the same time. Identity actions started coming ready to use, with verification, policy checks and the record built in, so a reset or a leaver event can run before anyone designs anything. Standard interfaces such as the Model Context Protocol let applications and AI assistants request those actions the same way a portal does, without a custom integration for each. And AI coding tools made it possible for developers, administrators and even business specialists to build an onboarding flow or a contractor self-service page in days.

Combine those with pay per identity action and the project loses its reason to exist. You no longer need to finish building before value starts. You need a working core on day one and a habit of improving it.

Named idea

First Result in the First Week

Judge an identity program by how quickly the first real action finishes, measured in days. Until then, everything is a promise.

Buyers have learned to expect something from consumer software that enterprise software rarely offered: they try it first, and they pay once it works. That expectation has arrived in identity, and the right response is to meet it.

The moment that matters is the first finished action. A real employee resets a real password, or a real leaver's access is removed everywhere, with a record to prove it. Until that happens, everything is a promise. After it happens, the product has started selling itself, because the people who used it will tell others.

That's why a free start matters so much. It removes the procurement gate in front of the first result. A team can connect a directory, run real actions and see real records before anyone negotiates a contract. The metric worth watching in those early weeks is time to first result. Measure it in days, and be suspicious of any plan that measures it in quarters.

> **Until the first action finishes, everything is a promise. After it finishes, the product starts selling itself.**

The Cost of Waiting

Chapter 9 worked out that a 2,000-person company could save about $406,000 a year on eight kinds of routine identity work. That's roughly $33,850 a month.

Cost of waiting

Monthly savings × months before the first result

$33,850 × 9 months = **about $305,000 in savings never realized**

That's before a single services invoice, and before the four-month slip in the opening scene, which adds another $135,000. It sits at the bottom of the iceberg, which is why almost nobody writes it down.

Named idea

The Incumbent's Trap

Four sensible decisions about revenue, customers, costs and focus that keep large vendors selling the old way, even when their leaders can see the new one coming.

If pay per identity action is better for buyers, why don't the largest identity vendors simply switch? Their leaders are smart. Many of them can see this shift as clearly as anyone. The answer is that their businesses are built so that every sensible decision keeps them where they are. The trap is made entirely of good decisions, and it has four walls.

Revenue. Wall Street pays a premium for predictable recurring revenue and punishes surprises. Public vendors guide analysts every quarter on bookings and multi-year contract value. Private-equity owners, who often financed their purchase with debt, need the steady cash from long prepaid contracts to pay that debt down. Moving to per-action pricing means a stretch where revenue dips before usage grows into it, and few boards or owners will volunteer for that. So the old way keeps getting sold, because the people the vendor answers to are paid to prefer it.

Customers. A large vendor's biggest customers ask for more features, more customization and more integrations, and the services arm is happy to provide them. In years of quarterly business reviews, almost nobody asks to pay less per result. So the roadmap keeps serving the old model, because that's what the best customers are asking for.

Costs. Large vendors carry direct sales teams paid on big bookings, services organizations that need to stay busy, broad product portfolios and the integration work left over from acquisitions. A customer

paying for a few thousand actions a month doesn't cover the cost of selling to them. On that cost base, the per-action deal looks like a bad deal, and by the incumbent's own math, it is.

Focus. Put the first three walls together and the incumbent rationally walks away from the work that looks too small: mid-sized companies, frontline workers, clients served by managed service providers, the routine actions nobody writes a large purchase order for. That's precisely where a lean, per-action vendor starts.

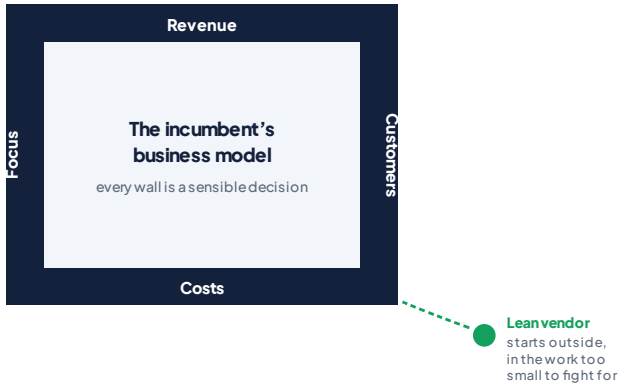


Figure 11.2 The Incumbent's Trap. Four walls surround the incumbent's business model: revenue, customers, costs and focus. Each one is a sensible decision. A lean vendor starts outside the walls, in work the incumbent finds too small to compete for, and moves upmarket from there.

This is how the shift happens. The new model takes hold in the work the incumbent finds too small to fight for. It proves itself there, one finished action at a time, and moves upmarket as the proof accumulates. By the time the work it's doing looks big enough to matter, the incumbent's cost base still won't let it compete on price.

Named idea

The Server Room Precedent

Pay-as-you-go computing took hold first with small teams the big vendors overlooked, then became the default for new computing.

This has happened before, in a part of IT every reader will remember. For decades, companies bought servers years in advance, sized for their busiest day, and paid for them whether they ran at full capacity or sat idle. Then pay-as-you-go computing arrived, and companies could rent capacity by the hour and pay only for what they used.

The early adopters weren't the largest enterprises. They were startups and small teams that couldn't afford a server room and didn't want to wait for one. Many established vendors were slow to respond, for the same four reasons in the Incumbent's Trap. Their revenue, their customers and their costs were built around the old purchase. Within a decade, paying for what you use had gone from an oddity to the default for new computing.

Identity is earlier in the same story. For a buyer, the shift itself is close to settled. The open question is whether you'd rather keep paying for the server room or start paying for the hours you actually use.

Why a Lean Vendor Can Charge Less

Every vendor's price has to cover its costs, so the cost structure behind a price matters as much as the price itself. A vendor built for pay per identity action can run on a very different cost base. AI-assisted engineering lets a small team build and maintain a broad catalog of actions. A free start replaces much of the long sales cycle. Deployment is included rather than sold. And partners reach customers the vendor

could never reach alone. That's the structural reason a smaller vendor can profit from charging per finished action and still price below the old model.

You don't have to take that on faith. Ask every vendor four questions, and listen closely to the answers.

- What share of my first-year cost is services?
- Is deployment included, or sold separately?
- What's the minimum term?
- If my usage fell by half next year, what would happen to my bill?

Named idea

Land, Prove, Expand

Start with a small piece of work, prove the results with records, then expand on evidence. The vendor earns more only when you automate more.

Pay per identity action changes the vendor's incentives in a way buyers should welcome. Under the old model, the vendor's biggest payday came at signature. After that, revenue was locked in whether you got value or not. Under the new model, the vendor earns more only when you automate more work. Revenue grows when value grows.

The healthy pattern looks like this. A customer lands with a small piece of work, often resets and unlocks. The records prove the results. The customer expands into leavers, then joiners, then transfers and governance. Each step is a decision the customer makes on evidence, at a quarterly review like the one in Chapter 10.

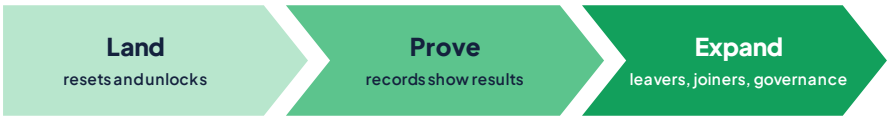


Figure 11.3 Land, Prove, Expand. A customer starts with a small piece of work, proves the results with records, and expands into more kinds of work, each step decided on evidence.

For buyers, the test is simple. Total spend may rise as you automate more, and that's fine as long as cost per result keeps falling and the break-even rate from Chapter 9 stays comfortably above what you pay. For investors, the signal to watch is whether customers use more each year without being pushed, because that's the clearest evidence a per-action vendor is delivering real value.

Creators: Who Builds Now

In this model, the people who shape identity experiences sit closer to the work. An HR operations specialist builds the onboarding request her managers actually use. An administrator sets up contractor self-service in an afternoon. A developer connects a business application to identity actions with an AI coding tool.

Every CISO will ask the same thing: if more people can build, who keeps it safe? The answer is a firm division of labor.

> **Builders can change the experience. The platform keeps the controls.**

Builders choose which actions to offer, where and in what words. The platform keeps verification, policy at the moment of execution, approvals and the record. A flow someone built in an afternoon still

can't reset a password without verifying the person, still can't grant access policy forbids, and still writes the same record as everything else.

Governance for anything a creator builds

- **Approved actions only,** composed from the catalog, with no new ways to change identity data.
- **Inherited policy** and approvals on every action a builder exposes.
- **The same record** for every action, so Chapter 8's evidence covers creator-built tools automatically.
- **No stored secrets.** Experiences act for a signed-in person and never hold passwords or admin credentials.
- **Security review before release,** as for any internal application.

Partners: Paid for Finished Work

Many organizations buy IT through a managed service provider, and this model suits that relationship unusually well. A partner runs identity for many clients from one place, with each client kept as its own organization: separate directories, administrators, policies and records. Partner staff act only where a client has granted access. Some partners bill clients as part of a wider service; others set clients up and let the provider bill directly while they stay on as advisors. Either way, the client should pay the same list price as someone buying direct.

The deeper change is in what gets measured and rewarded. Under the project model, partners and vendor sales teams were paid on bookings and hours, which rewards signing big and building long. In this model, the leading indicators of success are a first verified action within days of signing, a rising share of work finished without a

person, and clients who use more each quarter. Pay partners and account teams on those, and their incentives line up with the customer's from the first day.

Systems integrators keep an important role, and the good ones will thrive in it. Less of their time goes into writing connectors. More goes into the work that still needs experienced people: designing policy, mapping evidence to frameworks, driving adoption so self-service actually gets used, and deciding what to add first and replace later. Clients pay for that advice when they need it, instead of funding a year of building before anything works.

Projects Create Lock-In

A long implementation leaves behind custom code, custom configuration and knowledge that lives with the people who built it. The more you've spent, the harder it is to leave, whether or not the platform is still right. Sunk cost quietly becomes the strongest argument for renewal.

Standard actions, standard interfaces and records you can export take most of that weight away. Switching later becomes a migration rather than an excavation, and the decision stays where Chapter 10 put it: in a quarterly review, on the evidence.

Field example: Avatier

Avatier includes deployment services at no cost, and getting started is free. For builders, Avatier for Claude Code is designed to help enterprise developers, customers and partners create governed identity experiences with Claude Code and Avatier's MCP services. Those experiences call approved identity actions while authentication, authorization, policy enforcement, governance and the audit record stay in the platform.

For partners, a managed service provider sets up each client as its own organization and manages them all from one console, with one bill and one shared credit balance. A partner can create a client's organization in minutes and start every client free. Clients pay the same list price whether they buy through a partner or direct.

Field Notes

For CIOs

Price the whole iceberg before approving any identity project, and ask for the first verified actions in the first week. Fund improvement in quarterly steps after that.

For CFOs

Add cost of waiting to every identity business case. It's often larger than the services fee, and it's the line most likely to be missing.

For architects and engineers

Publish the rules for creators before the first one starts: approved actions only, inherited policy, no stored secrets and review before release.

For MSPs and integrators

Start every client free, measure time to first result, and bring the client's own records to every renewal. Package policy design, evidence mapping and adoption as advisory services.

For investors and boards

When judging an identity vendor, look past bookings. Ask how fast new customers reach their first result and whether existing customers use more each year without being pushed.

What to Measure

- **Time to first result,** in days from signature or free start.
- **The whole iceberg:** first-year license, services, internal time, change orders and cost of waiting.
- **Services as a share** of first-year identity spend.
- **Expansion:** growth in finished actions per customer, year over year, alongside falling cost per result.
- **Creator-built experiences** in production, and how many passed security review on the first attempt.

Five takeaways

1. The license is the tip of the Services Iceberg. Measure the whole thing, including the cost of waiting.
2. Aim for the first result in the first week. A free start removes the gate in front of it.
3. The Incumbent's Trap is built from good decisions about revenue, customers, costs and focus, reinforced by Wall Street and private-equity owners, which is why lean vendors can start where large ones won't follow.
4. In a per-action model, the vendor earns more only when you automate more. Land, prove, then expand on evidence.
5. Builders change the experience, the platform keeps the controls, and partners get paid for finished work.

Projects and platforms are only half the story. The other half is the people on the receiving end: the new hire waiting for access, the employee on her last day and the help desk agent whose job is changing. That's the next chapter.