

## **Storing Information for Profit**

*James Flanigan*

BPO Management Services of Anaheim, Calif., wants small to midsize companies to hand over their confidential files and corporate documents. So does Cloudworks, of Thousand Oaks, Calif. Docstoc.com of Beverly Hills, Calif., is seeking to make all business and legal documents available online to small companies and counsel them on their use.

The three entrepreneurial firms see opportunity in changing smaller companies' perceptions about computers. Rather than keeping all corporate data, confidential and otherwise, in software programs within the organization, the three firms would hold it online.

"We will take all the payment and receivable accounts, invoices, payroll, employee health insurance documents and keep them up to date in our servers," said Patrick Dolan, founder and chairman of BPO Management (the initials stand for business process outsourcing).

Mr. Dolan, who has worked in the information services field for 27 years, was a founder of BPO in 2005. It has 180 employees, annual revenue in the tens of millions and last year raised \$20 million in two private placements of its stock because he wants BPO to be much larger. "I'd like BPO to do for companies in the \$10 million to \$100 million range in revenues what Accenture and I.B.M. do for the Fortune 500 giants," he said in an interview.

Mike Eaton, founder and chief executive of Cloudworks, said he would also like his firm of 12 employees to grow. In 1997, Mr. Eaton left a job as computer technology manager at Amgen, the large biotechnology company, to found Cloudworks. Initially, he handled computerized accounts for nonprofit organizations like Casa Pacifica, a home for abused and emotionally disturbed children, and the Camarillo, Calif., school district. Then Cloudworks attracted clients among small businesses and law firms and now has 300 customers, Mr. Eaton said. "We can relieve a small business of the need to maintain and constantly upgrade information systems," he said.

Cloudworks currently has annual revenue of a "couple of million dollars," he said, but is reaching out to venture capital firms for money for expansion. "I would like to have a facility for our servers in Phoenix," Mr. Eaton said, "because our customers are very concerned with security." He seemed to be alluding to the fact that the Santa Monica Mountains area of Thousand Oaks is probably more prone to earthquakes and brush fires than the Arizona desert.

As to customers' possible concerns about the confidentiality of their data when they hand control to Cloudworks, Mr. Eaton said, "We are about 100 percent more secure than they could be because we can afford more powerful security programs and devices," like the Ironport e-mail security server his company uses.

Computer services, Mr. Dolan said, have become a global industry in the last three decades as desktop and laptop computers have become pervasive in business. When he first worked in the field in the early 1980s, after graduating from New York University, he recalled, "banks and credit unions were the chief customers needing help with their data."

Mr. Dolan said he worked for industry pioneers, including Electronic Data Systems, before founding a series of service companies in Orange County, Calif., with associates who are also founders of BPO Management. The technological and business trends now favor the total outsourcing of a company's data — all the records and paperwork, digitized and stored under various degrees of confidentiality, in data centers provided by small firms like BPO and large ones like I.B.M. and Google.

The concept is called cloud computing, after the cloud symbol that technical people use for information that is stored on the World Wide Web and not in a single company's operating or applications systems.

"You don't need to have programs stored in your computers and files," Mr. Dolan said. "We can take it all in one of our servers," which are in Pearl River, N.Y. Often, he added, BPO management will recommend policies to customers on data needs and software upgrades. In that way, his data storage and maintenance business adds a profitable consulting service to its offerings.

The attraction to a medium-size firm is cost savings. Mr. Dolan calculates that a company with \$100 million in annual revenue, for example, spends about \$7 million a year on information technology. "We can reduce that cost by 25 percent," he said, which could add almost \$2 million "to the customer's bottom line." BPO can achieve such cost savings, he adds, because it spreads its expenditures for software and servers over 400 customers and, therefore, has a lower unit cost.

Docstoc.com, a company formed four months ago, offers a different example of Internet commerce. It is a Web site containing samples of business and legal documents, including business plans, employment forms, noncompete contracts, living trusts and so forth. The founder and chief executive, Jason Nazar, got the idea almost two years ago while studying for law and master of business degrees at Pepperdine University. Then 25, he had already founded two companies, a reference service for entrepreneurs seeking venture capital and a training site for motivational speakers.

"Millions of people have professional documents on their computers that are just sitting there," Mr. Nazar said in an interview. "What would happen if we shared this stuff? So I built the first version of the Web site. Alon Schwartz, now our chief technology officer, worked with me when I finished law school and the first demonstration model got a lot of people excited."

Mr. Nazar raised \$750,000 in investment backing from three other serial entrepreneurs — founders of the Baidu search engine, MP3 music download service and the Intermix firm that had helped develop MySpace — and Docstoc.com started up last October. The Web site now has thousands of professional documents contributed by users of the site, and the company has five employees. Docstoc has no revenue yet but plans to serve as a consulting and referral service. "We'll have millions of documents on the site, and we will be able to refer people to exactly the company or individual who can best help them," Mr. Nazar said. "As you go to YouTube for videos, you'll come to Docstoc for documents."

To computer industry veterans like Mr. Dolan, Web-based commerce, which depends on powerful centers of computing power, recalls an old concept, "that the computing industry would evolve as the electrical industry did, with central power plants" feeding remote distribution outlets.

For Mr. Eaton of Cloudworks, the expansion of Web-based commerce promises broader horizons for his company's market, now concentrated in the Ventura County area north of Los Angeles. "If I can raise capital for more servers," he said, "I can serve customers in Florida or Seattle, Chicago or anywhere."

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