Companies move from the New Economy to the Now Economy
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IBM, Microsoft and Sun are vesting huge amounts of money in order to take the lead in Web Services, the new environment meant to become the support for all kind of entrepreneurial activities, rebaptised as the Now Economy.

In the last two years the concept of web services has made an unusually strong appearance. The top three competitors in this business, IBM, Microsoft and Sun, invested more than 6,280 million euros in 2001, a figure higher than the total Spanish spending on R&D in the same year. What makes this technology deserve such dedication?

Web services are a set of protocols and languages that allow the executing, publishing, and consumption of applications via any computer connected to the Internet, independent of its origin. It is a question of the evolution of the concept "the computer is the net" announced by Sun at the start of the nineties and it responds to the idea that in a connected world, in order for costs to come down, what is necessary is an automation of processes without the need for human intervention. This has very important implications for companies. In this way, the data bases that carry out various corporate functions like customer relationship management (CRM), enterprise resource planning (ERP) and human resource management (HRM) will have to be integrated and available via the Internet and intranets in order to bring about what the magazine The Economist calls the Now Economy.

Cost
Traditionally the integration of different software systems that operate separately in the company has come up against a big obstacle: the cost. This is due to the fact that it is a question of connecting what is not designed to be connected. According to a study by Millward Brown IntelliQuest, the integration and updating of systems will be the main cause of an increase in spending in technology in 2002. The development of web services could modify this panorama making the software suppliers themselves the ones who, via the Internet, integrate the different company computer systems. But the importance of web services is not limited to connectivity. The software companies have understood that whoever controls the standard model for web services will dominate the future development of the Internet. The owner of the standard model will be able to impose a price for the licensing or use of a software that will be housed outside the system of the user, similar to a supplier of active server pages (ASP).

IDC estimates that web services will generate a volume of business of 39,000 million euros in 2007. It remains paradoxical that a technology that foresaw the supply of
connectivity could end up being run aground in the battle for the control of standard models. To avoid this risk, the Web Services Interoperability Organisation (WS-I) has recently been created, headed by BEA Systems, IBM and Microsoft. All analysts of the sector point out that web services will continue their unstoppable growth.

The Stencil Group, a consultancy firm, recently stated in a report that by 2005 the use of web services will have become generalised amongst North American companies. However, its popularisation will depend on three aspects. The first has to do with the fact that the rush to invest in information technology has its best days behind it. Although web services promise savings in time and money, their adoption will only be possible if the return on investment (ROI) advises it.

Secondly, it is not that clear that companies are prepared to invest in proprietary systems that tie them to only one supplier of software. A good example of this has been the movement against Microsoft’s licensing policy, which tried to oblige companies to renew their applications automatically through the Internet. Lastly, there has to be security. The concept of web services hopes to have company systems fully accessible via the Internet. Lack of confidence on the part of companies and problems of security, which without doubt will appear, could hold back the introduction of web services.

"What risks are there that standard models of web services could be proprietary?"

A long term guarantee
Josep Valor, IESE Professor
To understand the impact of standard models of web communication it will suffice to compare the excel spreadsheet with the model of electronic mail. In order to exchange spreadsheets, the Microsoft programme has been converted into a language used by the majority of companies, to such an extent that if one does not have the said application available, one is practically cut off from the point of view of spreadsheets. This forces companies to buy excel, not necessarily because of its performance qualities, but rather because of its penetration in the market. E-mail, on the other hand, is very different, as the standard model used (SMTP) is public and does not belong to any one single company. There exist many mail programmes from different companies, some of them even free to the user. If a company manages to get its own standard model used on the communication web, its financial health will be assured for many years.

Towards an overall definition
Fernando Millán, Senior Manager, PwC
The fact that standard models of web services are proprietary obliges users and companies investing in technology to opt for closed environments with regard to the interoperation of applications and platforms. At the moment, manufacturers are carrying out two simultaneous and contradictory movements. On the one hand, they are launching on the market solutions for the implementation of web services so that planners of integration policies and designers can link their environments basing themselves on a standard basic technology. On the other, the grouping of manufacturers around an overall definition of a standard must be emphasised as this helps to set web
services in motion. Given the scarcity of leadership in the world of technologies that intervene in the setting in motion of web services it will be more interesting to reach an accepted definition of what constitutes the standard, which can later be used by manufacturers and designers.