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The Information Technology service industry is changing, but that probably is not a big surprise. Technology consultants (or geeks as they are affectionately referred to) have historically been compensated by the hour. However, that is all beginning to change. Technology consulting providers are becoming MSPs or Managed Service Providers. What this means is that your technology infrastructure is monitored and managed in such a way that your technology investments shift from administrative tasks to strategic investments. Most firms spend about 70 percent on system maintenance and only about 30 percent on new technology. This accounts for the popularity of ASP (Application Service Provider) arrangements like Thomson Tax and Accounting's Virtual Office CS. Most practitioners like the idea of having their own technology infrastructure for the control benefits, but they hate the management hassles and costs that go along with it.

**New Acronyms: SaaS & HaaS**
If you haven't already, you should probably familiarize yourself with a couple of new acronyms: SaaS (Software as a Service) and HaaS (Hardware as a Service). Wikipedia defines SaaS as "a software application delivery model where a software vendor develops a web-native software application and hosts and operates (either independently or through a third-party) the application for use by its customers over the Internet. Customers pay not for owning the software itself but for using it." That sounds a lot like Citrix application servers to me. Microsoft is also entering the SaaS fray with its recent acquisition of Softricity. An example of this is the familiar Microsoft Office suite that now has a beta going on the Windows Live site at http://ideas.live.com along with other hosted applications. We've been used to this for years with

e-mail (ala hotmail, gmail, etc.), but now the idea is moving toward more and



bills — a utility. Firms don't have to worry about when or if they need to replace hardware or software, and they don't have to worry about when to apply operating system patches, spam and anti-virus updates, etc.

**It's Not An Entirely New Concept**
By now, I'm sure you're wondering what planet this columnist was beamed from, but consider those multi-function devices that sit in almost every firm. These are critical to supporting the business or producing the product that comes from professional public accounting firms. And yet most firms are paying for these machines by the copy. Isn't that the same idea?

I just recently returned from the CompTIA Breakaway Conference where top IT consulting firms and vendors gather annually to exchange ideas and information. The majority of the vendors represented at the conference were providing a tool that facilitated the IT consulting firms to provide a level of managed services to their customers.

Consider another event that serves as evidence that this trend is not just coming but, to some degree, is already here:
Amazon offers storage online — $0.15 per gigabyte of storage used per month, plus $0.20 per gigabyte of data transferred. Amazon is referring to this service as Amazon S3. To you financial savvy accountants, HaaS may look like leasing by any other name. It is, in fact, a form of leasing. But rather than the end customer doing the leasing, the technology provider manages the lease for the customer. In this way, the customer is still responsible for the terms of the lease, but the technology provider can then manage and, more importantly, upgrade hardware over the term of the agreement.

**A Win-Win Solution**
This is a win-win for both the technology provider and the firm because, for

the provider, providing maintenance services on hardware provided by the firm



vendors
since they are now the decision-maker for hardware purchases.

**Cultural Issues**
What's going to make this whole idea difficult to accept by many firms is not the technology or even the terms of the agreement, but the cultural bias of the firm. Most firms are conditioned to think about acquiring technology as a capital expense, which lets them expense it over an extended period of time as they depreciate the value of the hardware. In this new model, everything is an operating expense. Culturally, firms may believe they are missing out on a tax benefit. I wonder if the IRS will have to think about regulations for these types of arrangements. I'm guessing that over time the cultural issues will eventually go away as more and more firms accept this type of agreement. And as virtualization technologies continue to isolate software from the underlying hardware, firms will be much more inclined to upgrade more regularly because hardware upgrades no longer will be associated with cataclysmic events.

**You Heard It Here First**
Are you ready for utility computing? Well, I hope you can say you heard it here first, and don't be surprised when your technology consultant suggests such a plan.

Technology