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OpenAir Inc.

Coming up for air

Tech startup rides software-as-service trend to profitability

Having weathered the dot-com slump, Morris Panter's professional services automation software firm, OpenAir, has increased revenue for 27 consecutive quarters.

W. MARC BERNSAU / BUSINESS JOURNAL

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SPECIAL TO THE JOURNAL

Before his technology startup could scale new heights, Morris Panter needed to clear the air.

The one-time federal prosecutor joined Boston-based **OpenAir Inc.** in 2000 as vice president of operations — just a year after the software firm was launched — and soon became CEO. He had an abundance of faith in the company's value proposition: to deliver business-process software over the Internet rather than requiring users to purchase, install and download expensive enterprise systems.

What Panter hadn't anticipated is that profound changes in the economic

FAST FACTS

Morris Panter, a former attorney with the U.S. Department of Justice, joined Open Air Inc. in April 2000 and was appointed CEO the next year.

The firm's core service is a web-based software application that organizes projects, billable hours, financial best practices and resource allocation for professional services and organizations.

The firm has nearly 250 companies and 20,000 individual users for the subscription-based application.

landscape would cause the air around his dreams to grow thin and force his company into a difficult period of retrenchment. In

fact, he says, the most important thing he believes his company has done for growth is simply survive long enough to grow.

"Instead of this being a rocket ship to easy wealth, it really was a very difficult experience from the standpoint of learning how to manage a business in what I think was as tough a business climate as you can imagine — the dot-com meltdown," says Panter, 43.

Luckily the market did indeed come around: OpenAir has increased its revenue for 27 consecutive quarters, bringing in more than \$4.2 million last year — up from \$225,000 in 2000. At the same time, usership for its subscription-based service, known as OpenAir Complete, has risen to close to 250 firms and just shy of 20,000

OPENAIR: Software over the Net

individual users across the globe.

OpenAir, which has a payroll of 24 employees, sells professional services automation software that helps clients manage such tasks as staffing, project management and billing. It has co-marketing relationships with IBM and salesforce.com as well as \$15 million in angel and venture funding to date.

Panner says the key to the company's survival and renewed profitability came from an unwavering belief in its potential. "The core business model has never really changed: The notion that you could use these broader changes in technology — the Internet, the browser — and deliver quality software over that," he says.

Rob Bois, research director at AMR Research in Boston, says that advances in wireless connectivity have enabled Internet-based software delivery to thrive, particularly in the customer relationship management market, where the hosting and subscription model is expected to grow at a rate of 29 percent over the next five years. "Fundamentally, it makes it much cheaper for software vendors to make enterprise

software available to the masses," says Bois.

For Panner, the validity of the model has allowed OpenAir to close the door on a painful chapter in its past: the dot-com crash, which was in full swing by the time he was appointed CEO in 2001. The firm already had already lined up sizable VC backing and began to build out the infrastructure for its Web-based system at a hosted facility in Waltham — at a cost that reached about \$1 million.

But after watching nearly 66 percent of his business "walk out the door" in the aftermath of the crash, Panner says he was forced to do a difficult corporate restructuring that ultimately slashed its employee count from 50 to 15 by 2001.

"It was one of those things where we all felt we had affirmed something about the business," Panner says. "When you do something that dramatic, you have to believe that there's something worth saving."

Mikko Suonenlahti, a partner at investor 3i Group of Waltham, one of OpenAir's backers, concurs that the company took the appropriate steps to stay afloat.

"Morris scaled back," he says. "He said, 'Let's invest enough to make this company cash positive in the short term.' He focused on profitability with the existing team and the existing balance sheet."

By focusing on middle-market customers and dispensing with some free and discounted pricing, Panner says he was slowly able to rebuild his customer base and eventually reached a net profit margin of about 25 percent last year.

The one-time U.S. Department of Justice attorney insists he's never regretted his decision to try his hand in the corporate sector.

"I haven't thought about this as a financial exercise," he says. "I think I'm going to look back at this as a really formative period that changed everything I think about politics and markets. In some ways, it's been a wonderful place for my values to find expression."

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