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Covisint Didn't Die; It Just Went To The Cloud

**Joann Muller** Forbes Staff

Transportation

I write about industrial innovation and the global auto industry

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In the olden days of the Internet -- way back in 2000, before it was called "the cloud" -- everybody thought they could get rich on the Web, even stodgy [Detroit](#) automakers. So [General Motors](#), [Ford Motor](#) and DaimlerChrysler (still a happy newlywed couple back then) got together with Nissan, [Renault](#) and Peugeot and invested \$500 million in an online start-up called Covisint. The goal was to develop a secure, online auto parts exchange that would make it easier and less costly for carmakers to manage their complex supply chains.

But Covisint was beset by problems from the get-go -- not the least of which was the failure of big car companies to agree on anything -- and when the dot-com bubble burst, the exchange almost went belly-up. By 2004, Compuware, a large Detroit tech company active in the health care industry, scooped up Covisint's assets for a mere \$7 million, tiny fraction of what the carmakers had invested.

Fast-forward to today, and Covisint finds itself in an enviable position. Its core technology -- helping people and systems to communicate and collaborate securely



Covisint headquarters (Photo credit: Covisint)

over the Internet -- is very much in demand, not just by automakers, but also in the healthcare and energy industries, among others.

Covisint's growth is accelerating. Revenues for the fiscal year ended March 31 rose 34 percent, to \$74 million, and are expected to grow another 38 percent in the coming year. Operating profit fell to \$1 million, from \$4 million in fiscal 2011, as the company funneled more of its cash into seeding future growth. Now Compuware is looking to spin it off through an initial public stock offering.

"They really were pioneers in what is now calling cloud computing," said Sally Hudson, an analyst with IDC, a market data research and consulting firm based in Framingham, Mass. "If anything," she added, "they might have been too early."

The timing is right now, she says, because the explosion of internet and distributed computing is changing the way companies talk to each other. In the past, they'd share documents or data using secure electronic data interchange messages. "With everybody online, it became easier and more effective to conduct business with your partners over the internet rather than trying to get your private network to talk to other private networks."

Though no longer the auction site its founders originally envisioned, Covisint still exists today because its basic technology foundation -- federated identity management, which enables users from different organizations to log in once and access secure data in hundreds of locations -- remains relevant. Now, however, that technology is not just allowing auto suppliers to access carmakers' production schedules. It's also enabling doctors to see labwork and X-rays ordered by other physicians, for instance, and allowing oil drillers to collaborate with their joint venture partners in geological engineering.

"There's this idea that we tried something in 2000 and it didn't work so we threw it away and reinvented ourselves," says Dave Miller, who has been Covisint's chief technology officer since its inception. "No. We tried something in 2000, we got rid of the things that didn't work and we kept everything else. It's the same system. The idea of a supplier logging into one place and being able to look at quality data so that he c

see a trend because he supplies five or six carmakers is no different than a physician logging into one place because he needs to be able to know that Dave Miller broke his leg and he needs to be able to see all his medical information."

Ironically, it was one of Covisint's early challenges that gave the company its staying power. Just weeks after the company was formed, the Federal Trade Commission, worried about price-fixing, launched an investigation. The probe, said Miller, forced Covisint to verify that carmakers' secure networks wouldn't be compromised by its centralized login procedure. "The FTC said we can't have direct network connectivity back to the mother ship." So Covisint developed a patented technology that lets a person log into one network for the purpose of getting to hundreds of other networks "There was always this idea of independent, but shared," he said.

It was that core technology that Compuware founder Peter Karmanos spotted in 2000 hoping to incorporate it into the health care industry, notoriously lagging when it came to information technology.

"It's impressive how they were able to leverage their capabilities in health care," said Hudson. "Early on this was not a technology that was easy to sell to people. There was a lot of consumer education in that but I think they were able to demonstrate to the health care industry that they would help them save money and streamline communication." With a single login, doctors can access a patient's complete medical history, even if it's stored at different hospitals or medical labs.

The next frontier for Covisint is providing identity management for connected vehicles. "My interaction with my car doesn't always happen in my car," said Miller, noting that motorists can now control some features of their car from their computer or smartphone. It's important that thieves cannot hack into your car to steal personal information. "The car is the next big device, after your computer, smartphone and tablet."

And so, Covisint is back to where it began -- the auto industry.

**Joann Muller**[Follow](#)

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