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What, Me Worry? You Bet!

By George Schussel

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I'm worried. we are in the middle of the worst it recession in the history of data processing. And since I started programming on machines such as the UNIVAC I, Bendix G20 and IBM 7090, I can claim to have been around for the entire history of IT. Leading companies such as Sun and Oracle have lost more than 75 percent of their market value, and the situation is even worse for smaller companies: Many have gone out of business. As for venture-capital-funded startups, many never even came into existence in the first place.

This recession will end, but what concerns me is the possibility of lasting damage. IT budgets have been cut to a dangerous level. Companies are spending less on hardware, software and services. Thus, vendors have less income to invest in research and development and will reduce the number of innovative products they introduce.

Equally dangerous, enrollment in IT and e-business-related courses has plummeted to less than one-third its level in 2000, according to my friends at schools such as Wharton, MIT, Carnegie Mellon and Cornell.

Then there are cuts in vendors' marketing budgets. Less advertising, smaller conferences, fewer market experts—all in all, much less information gets exchanged.

You may think, "This is not my problem. After all, hasn't IT matured?" That's a logical conclusion if you agree with the viewpoint expressed by Nicholas G. Carr in the recent Harvard Business Review article "IT Doesn't Matter" (May 2003). Carr argues that our industry is rapidly moving toward commodity status. He says IT is reaching the level of railroads and electrical power.

I disagree. The most successful companies of our time have achieved their success on the back of a superior investment in and strategy for IT. Winners such as Wal-Mart, Dell, Expedia, eBay, FedEx and UPS have built hugely successful enterprises in this way. Do I think no more companies will do the same? Not for a minute.

Strategic IT is, by definition, not a commodity. If we starve our investment in IT, we can't count on the rest of the world to stand still. For some companies, the answer is outsourcing. They're outsourcing the design of their basic application infrastructure to companies such as SAP, PeopleSoft, Siebel and J.D. Edwards. They're outsourcing custom application work and help desk support to companies in such countries as India. They're outsourcing their thinking to analyst groups such as Gartner, Forrester and Meta.

This isn't good. Once you've outsourced everything, you've made Carr's vision your reality. Where is your competitive advantage? Maybe you should worry.

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