The State of Business Technology

Recent research from major Wall Street firms is suggesting that the tech recovery we have all be anxiously awaiting will require yet a bit more of our patience. It seems businesses are simply not planning to make major technology purchases in the coming twelve months. Some, like Merrill Lynch, caution that renewed corporate spending might not occur in any significant way until 2005.

There are some analyst groups that present a rosier picture. Gartner Group, for example, forecast increased spending by 5.4%, making the growth of the tech sector more substantial than that of the overall U.S. economy.

The good news is that all the analyst groups – those seeing no growth, and those seeing relatively significant growth – all agree that the downturn that has rocked the market and erased billions in public wealth is behind us.

The better days lay ahead.

In order to hasten the arrival of the better days there is a great deal of debate as to the cause of the big gloom (as opposed to the big boom). Many analysts point out that spending has not stopped, but rather has slowed down quite a bit. One reason put forth is that companies need to absorb the technologies they have already purchased. Also, most sectors have been hit by the double whammy of the internet crash and the post-9/11 recession, Rather than buying new technologies, or upgrading existing systems, companies are spending their time, energy and resources on healing their financial ills.

Other industry insiders point to a slow down in government acquisition of technologies, a market usually good for 12%-15% of the overall technology sales in the United States. The government too has been digesting the technologies it has already purchased, as well as reacting to the overall business climate.

Perhaps the most critical analysis suggests that the boom can’t return without some significant changes in the way technology companies are financially supported and nurtured. The criticism is largely directed toward the venture capital community, which supported and drove perhaps the most frenzied period of technological growth in the history of mankind. The underlying criticism is that the VCs both passed on worthy technologies in their pursuit of billion dollar valuations, as well as promoted companies with me-too technologies until the markets were saturated with technologies that differed not in the benefits they offered, but merely in how they delivered those benefits (if they differed at all).

Finally, the technology companies themselves need to shoulder some of the responsibility as they promoted their products as silver bullet solutions that more often than not failed to deliver fully on the promises made. Companies buying these technologies, understandingly, got tired of miracles claims that were never realized. The efforts of technology companies to patch the deficiencies only served to lower their credibility, as business came to realize that the technology train might be the sort of ride from which they won’t ever be able to get off. So, many opted not to get on, or to simply halt the train.

On some level the steam has run out, Was a time when employees at technology companies all saw themselves as start-ups in waiting. They were leaving the corporate giants in pursuit of wealth and glory in streams. Now, with layoffs in the tens of thousands, people are thrilled just to be employed. Will this hurt the next wave of technologies? Perhaps. Maybe some great ideas won't get through. But overall, the analysts believe it will lead to a more focused, better organized, and significantly more attractive technology market.