

Hope and Change for IT?

HOW WILL BARACK OBAMA'S
ADMINISTRATION AFFECT IT SPENDING
IN THE TRENCHES, WHERE TECHNOLOGY
DECISION MAKERS ARE DEALING
WITH STRAPPED BUDGETS AND
A SHAKY ECONOMY?

BY DENNIS McCAFFERTY



PRESIDENT BARACK OBAMA'S OFFICIAL CAMPAIGN WEB SITE IS A MODEL of how 21st century technology tools can boost a candidate's popularity, building significant buzz via blogs, IM applications and e-merchandising. And Obama's campaign wasn't confined to his own site either, because he chose to expand his presence on social networking sites like Facebook, MySpace, Eons and BlackPlanet. His images and words also constantly popped up at outlets such as Flickr, Digg and YouTube.

All these efforts made Obama an accessible, immediate and appealing figure to both younger voters and older ones who regularly connect to the Internet. Ultimately, they energized his campaign and helped secure a decisive victory for the nation's first African-American president.

Certainly, Obama enters the White House with a reputation as one of the most—if not *the* most—tech-savvy chief executives ever. For starters, he's created the position of a federal chief technology officer to oversee the future of information technology for government agencies.

But how will his administration affect IT spending in the trenches—where technology purchase decision makers in midsize and large organizations must deal with strapped budgets and a shaky economic environment? *Baseline* recently spoke with experts and executives who are on the front lines in dealing with the new administration's impact on IT spending. Here's what they had to say:

Here's the good news/bad news scenario. IT purchase

decision makers can find both heartening and disheartening news in a recent forecast from INPUT, a Reston, Va.-based market research firm. The good news: Obama's economic recovery plan will seek to open up the credit market by broadening deposit assurances for banks and guaranteeing loans. The bad news: Obama's projected policies could have the effect of adding \$281 billion to the federal deficit, INPUT reports, and he'll seek to close corporate tax loopholes.

"There will still be opportunities to spend on IT in 2009 and beyond," says Deniece Peterson, a principal analyst with INPUT. "But that spending will need to be much more focused and tied to enabling priorities. Money will be tighter, and there will be more gates to cross in the decision-making process. Those trying to justify a major IT purchase will be asked more than ever what the impact of the purchase will be and how it ties into the overall mission. What are the short-term and long-term effects of buying or not buying it?"

In other words, it will all come down to figuring out which technologies are considered must-haves. Those defined as nice to have rather than must-haves—such as Web 2.0—may see a potential dip in demand.

All eyes are on security and privacy. IT security obviously remains a high-profile area of concern. The Commission on Cybersecurity for the 44th Presidency, a bipartisan effort on the part of computer security experts, has recommended that Obama set up a high-level post to increase IT security and counter cybercrime, citing intrusions within the computer systems at the Departments of Defense, State, Homeland Security and Commerce.

With the White House and Congress dominated by the Democratic party, privacy is emerging as an equally prominent issue. In a recent survey of industry executive members of the Washington, D.C.-based Centre for Information Policy Leadership, 90.9 percent predicted that an Obama administration would address issues of privacy and information security. More than seven in 10 members believe Congress will enact major privacy legislation, and more than six in 10 feel a better approach is needed to enhance the privacy and security of personal information.

Will IT jobs stay here?

Another IT area in which the new administration could have an impact would be by increasing barriers to the offshoring of IT and other services. Obama's campaign promises included ending tax breaks for firms that move jobs out of the country and awarding tax credits to firms that increase their ratio of U.S. to non-U.S. employees, notes Sean O'Dowd, senior analyst at Financial Insights, a market research company owned by Framingham, Mass.-based IDC.

Still, any meaningful change in this area will take years, not months, even if Obama moves quickly. "You won't see an immediate spike," O'Dowd says. "You'll see more of a slow progression. If the economy continues in a downward slide for the first year of the new administration, companies will be too involved with cost-cutting to put too much focus on this. Besides, if the economy remains in trouble, Obama will have far more critical issues to focus on than outsourcing."

Adding more green to IT. Information technology investments that reduce energy should also get a boost in the new administration, as Obama's New Energy for America will seek a \$150 billion investment over 10 years to encourage development of technologies that reduce energy.

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—Deniece Peterson, INPUT

According to the U.S. Environmental Protection Agency, servers and data centers consume \$4.5 billion worth of energy annually, which is equivalent to the energy used by 5.8 million U.S. households.

Server virtualization and consolidation has emerged as Topic A on the green front among IT purchase decision makers, as the technology can significantly reduce energy consumption and costs. San Antonio-based Rackspace, a Web hosting company, is already reducing its own energy costs via virtualization and consolidation.

"We're doing this primarily because the environment is in a very dangerous state right now," says John Engates, CTO,

"but we have self-serving reasons as well. We save on energy costs, and that puts us in a better financial situation."

Complying with new realities. The new administration—backed by a Democratic majority in Congress—is expected to push for greater regulation of businesses, so IT managers will likely see an increase in options with regard to compliance IT tools. Compliance enhancement, information security, risk management, database auditing and other related software tools should also be in greater demand.

Will progress be hampered by economic realities? Innovation in IT enterprise solutions could increase, as Obama supports making the R&D tax credit permanent and

Presidents and Technology

NOW THAT PRESIDENT BARACK OBAMA IS SETTLING into the White House, how connected—from an IT perspective—will he remain? During his run for the presidency, Obama was clearly a tech-savvy campaigner, who used e-mail and innovative Web 2.0 technologies to stay in touch with his staff and supporters.

However, the new president is likely to face a severe sense of withdrawal as he begins working in the Oval Office. For starters, everyone knows that he must ditch his beloved BlackBerry because of security concerns. But that may be only the start of his disconnect, experts say.

"From the earliest days, presidential enthusiasm for communication and information has been weighed against concerns about security—whether that meant fear of fire in the 19th century or espionage in the days before Pearl Harbor," says Christopher Capozzola, an associate professor of history at MIT who specializes in modern American political history. "So while Obama promises a 'White House 2.0'—and the people serving him may end up using the most advanced security and encryption technologies—Obama himself will probably spend most of his days using the oldest communication 'technology' in the book: face-to-face conversation."

Through the decades, presidents have maintained an on-again/off-again relationship with technology. In 1924, Calvin Coolidge's photographic image was transmitted from New York to London by an early incarnation of the fax machine. Lyndon Johnson was the epitome of the multimedia-watching, multitasking pro: He used multiple TV screens in his office to monitor the news while working several phones at a time. And Nixon had his infamous taping system.

But ironically, even as the world's private sector has arguably made the most significant advances in IT—beginning with the Internet boom of the 1990s—our nation's

chief executives have pretty much remained on the sidelines. Sure, Clinton launched the first official Web site for the White House. But he was hardly hands-on. "He had the enthusiasm for technology, but he hardly used it," says Capozzola. "Clinton liked his legal pads."

The most recent Bush administration was among the most connected, especially when it came to e-mail. Unfortunately, the controversy over a reported 5 million e-mails lost between 2003 and 2005 cast a dark shadow over this practice, especially after public interest groups filed suit over the losses. By the end of his second term, Bush had stopped using e-mail. "Bush closed his e-mail account," Capozzola says. "He had no computer at the end of his administration, even though his father did."

While Obama may be handcuffed with respect to his personal use of technology, he'll still aggressively pursue the benefits of technology when it comes to getting his message out—resorting to more beyond-the-mainstream media outlets than any other president.

"Both Obama and his supporters changed the way technology is used in a political campaign," says Michal Ann Strahilevitz, a professor of marketing at Golden Gate University in San Francisco. "He embraced the era of Web 2.0:

YouTube was flooded with pro-Obama video clips produced by his fans. Social networking sites were filled with people proclaiming their support of his candidacy. Meetup was used to organize his base in local communities and promote voter registration drives. Twitter was used to send text messages about relevant events.

"Using the Internet, Obama will continue to be less reliant on the mainstream media to get his message out. More importantly, his administration will continue to use Web 2.0 tools to engage the public, solicit their ideas and rally their support." —D.M.



reforming the U.S. Patent system to encourage more innovation in technology. “Obama supports a number of positions like these that are encouraging,” says Tom Berquist, executive vice president and CFO at Redwood City, Calif.-based Ingres, an information management company.

“He supports Internet neutrality—meaning he wants to keep the Internet open—and he wants to put broadband in every American consumer’s home,” adds Berquist, who is a former software industry analyst at Citigroup and Goldman Sachs. “Obama wants to double funding for basic research over the next 10 years to help the technology and science industries. He also wants to increase protection for American intellectual property in the United States and abroad, particularly in China.”

That said, as other experts and IT decision makers contend, the staggering economic meltdown and credit crisis of the second half of 2008 will serve as the inevitable elephant in the room—a potential roadblock to anything productive that the new administration will attempt that could enhance IT spending.

“Obama is going to have to dig the country out of a recession, which will focus his attention on consumers and away from businesses over the next two years,” Berquist predicts. “His proposed increase in the capital gains tax rate will hurt stock ownership on the margin and make it more difficult for startup tech companies to get funded.

“The [administration’s proposed] increase in taxes for high-income earners will make them less likely to take risks. And building new technology companies is all about taking risks.”

Though these technology challenges seem daunting, keep in mind that no U.S. president ever achieved greatness without leading the country during turbulent times. Many think Barack Obama will be able to do just that by overcoming our current economic crisis—and benefiting the IT industry in the process. ◀



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Government’s Management Challenge BY FAISAL HOQUE

IN GOVERNMENT, AS WELL AS IN THE PRIVATE SECTOR, making good things happen with technology is primarily a management challenge, not a technological one. Technology investment must flow from a clearly articulated strategy, and technology must be deployed by and in organizational structures that are designed to make holistic decisions about technology—and to take full advantage of it.

President Barack Obama emphasizes open government and education, but there are many other national needs that technology can address:

- The U.S. population grew nearly 20 percent between 1982 and 2001, but traffic increased 236 percent. Roadside sensors, radio frequency tags and global positioning systems can fit in where there is no room for more roads. A smart system in Stockholm resulted in 22 percent less traffic and a 40 percent drop in emissions. London, Brisbane and Singapore also are taking advantage of this technology.
- Intelligent oil-field technology can increase both pump performance and well productivity in a business where only 20 percent to 30 percent of the reservoir is extracted and turned into some form of energy. Meanwhile, we lose between 40 percent and 70 percent of our electrical energy due to “dumb” electric grids.
- Electronic health records and networking could eventually save \$81 billion annually. And Computerized Physician Order Entry (CPOE) increases patient safety by listing instructions for physicians to follow when they prescribe drugs. If installed in all hospitals, CPOE could potentially eliminate 200,000 adverse drug events and save about \$1 billion a year.

The Government Accountability Office has its own list of urgent technology priorities for the Obama administration:

- Preparing for and carrying out the 2010 census

- Crucial large-scale modernization efforts at the Department of Defense, the Federal Aviation Administration and the Internal Revenue Service (IRS)
- Establishing information-sharing mechanisms to improve homeland security
- Protecting the federal government’s information systems and the nation’s critical infrastructures.

Information technology can do a lot to address the problems we face. After all, the Wall Street trading room, the doctor’s office and the anti-terrorism command center are, in essence, information markets. And the Social Security Administration, IRS and Federal Reserve Board are sifters of information. These agencies deal in vital information, yet they don’t do much better than many other organizations in getting their technology functioning well. It all comes down to management, pure and simple.

Over the next five years, those who govern at the federal level will inherit the policy responsibilities for tax and other incentives that make this country attractive for technology manufacturing and research; policies that encourage young people to enter technology fields; private/government R&D partnerships that make it possible to do what corporations can’t afford to do alone; and trade agreements with other nations.

The things that concern us the most—terrorism, the economy, health care and even just a better commute—have technological solutions. And we expect the government to come up with them. Our politicians will succeed or fail based largely on how well they manage the technology.

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