Fewer, bigger, better?

by Richard Bray

WITH $5 BILLION IN annual spending, the federal government is, not only the biggest spender on information technology in Canada today, it has the power to shape the marketplace for years to come. With two major priorities on the agenda, Canada's small- and medium-sized IT businesses are understandably nervous about their role in the future.

First, under the leadership of Ken Cochrane, CEO for Information Technology at Public Works and Government Services Canada, IT spending is going to be rationalized. His branch, probably reconfigured as a special operating agency, plans to reduce the computerized clutter of decades past to a very short list of standardized, simplified choices: managers will pick from two or three enterprise resource planning (ERP) solutions, for example, rather than half a dozen or more.

CATA*Alliance*, the Canadian advanced technology association, believes that the federal government will be closing the door for direct business with the government of Canada to small and medium enterprises. From the perspective of a smaller IT business that specializes in a specific product or operating system, the risks are obvious. If the federal government is picking winners, there are going to be losers. (Ironically, the bigger companies that get dropped from the federal government's list are probably in a better position to weather the storm, because almost by definition, they are operating on a global basis.)

The second major trend to influence the IT marketplace may be more philosophical than financial, but no less real. Reg Alcock, the president of Treasury Board, believes it is time for technology to finally fulfill the promise it has been holding out for so many years and so many billions of dollars. As he puts it, "We have to now start to think about the heavy lifting."

Alcock has been thinking about the impacts of advanced technology for decades, as a bureaucrat in the Manitoba government, as an academic and in recent years, as the Member of Parliament for "High Technology North."

He believes it is now time we started taking information technology for granted. "It's time to get rid of the 'Es'," he says. "The 'Es' focus our attention on the magic." Our collective investments in information technology should by now have created an infrastructure that makes it possible to see the whole organization. Once visible, it can be transformed.

The reality today, however, is disappointment and frustration. As a civil servant experimenting with computers 25 years ago, Alcock says, he could see the value, "… and I couldn't deliver it." And even today, "You can see the value. You just can't realize it."

He asks, "How do you manage something you can't fully sense, can't fully see?" At the most basic level, federal government departments and agencies aren't tracking either performance or service delivery costs on a consistent basis; cannot collect meaningful data because there are no commonly understood definitions or methods to collect data; and, even if good numbers were available, there is no shared mechanism to use this knowledge across government. The answer is centralization.

Taken together, Cochrane's push to simplify IT services and Alcock's vision of true government-wide information-sharing mean fundamental change for vendors. The bigger companies, especially in the ERP field, know they are competing for a bigger prize. The smaller companies, however, are wondering if they will be able to compete at all. In many cases, their fortunes are tied to the success or failure of the larger companies whose products they support.

CATA*Alliance* president John Reid says small and medium enterprises will rightly conclude that they are simply "… not eligible to sell to their own government. While the response may be to recommend that SMEs partner with the selected larger companies, the larger companies will have no incentive to do so once the contract has been awarded. They do not necessarily have a vested interest in their partner's innovation and export sales."

Massive change to federal IT procurement will not happen overnight. Even if PWGSC wanted to use a 'big bang' approach, it would probably be impossible. As Cochrane says, "We have very practical 'how-to's in terms of how we get to this capability." It could take as long as 10 years, moving in two-year cycles. Smaller companies, however, must make long-term investments in their futures now.

When asked about the impact of changing federal government procurement on opportunities for small- and medium-sized IT businesses, Alcock says, "They will grow, not shrink." As president of Treasury Board, nobody is in a better position to make that prediction a reality. ⌁

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