



cisely and ultimately producing digital products that are much smarter, such as home-security systems that recognize family and friends. And corporate IT wizards are hard at work trying to make software available as Web services. The hope, ultimately, is that they can offer computing like a utility, as easy to tap as power from a socket (page 61).

Getting there will be a wrenching process for everyone involved. Success and even survival in this new era will require big shifts in strategy by startups and giants alike. The largest and strongest may survive dwindling margins and slower sales by building huge economies of scale: Think Hewlett-Packard's purchase of Compaq, Oracle's hostile pursuit of PeopleSoft, and Dell's solitary romp through the computer industry. At the same time, many tech companies will have to adopt brand-new business models. Software makers, for instance, will have to switch from shipping shrink-wrapped boxes to providing services over the Net.

The economy depends on the tech industry getting this right and recharging its growth. Up to 10% of the gross domestic product comes from tech, which accounts for nearly

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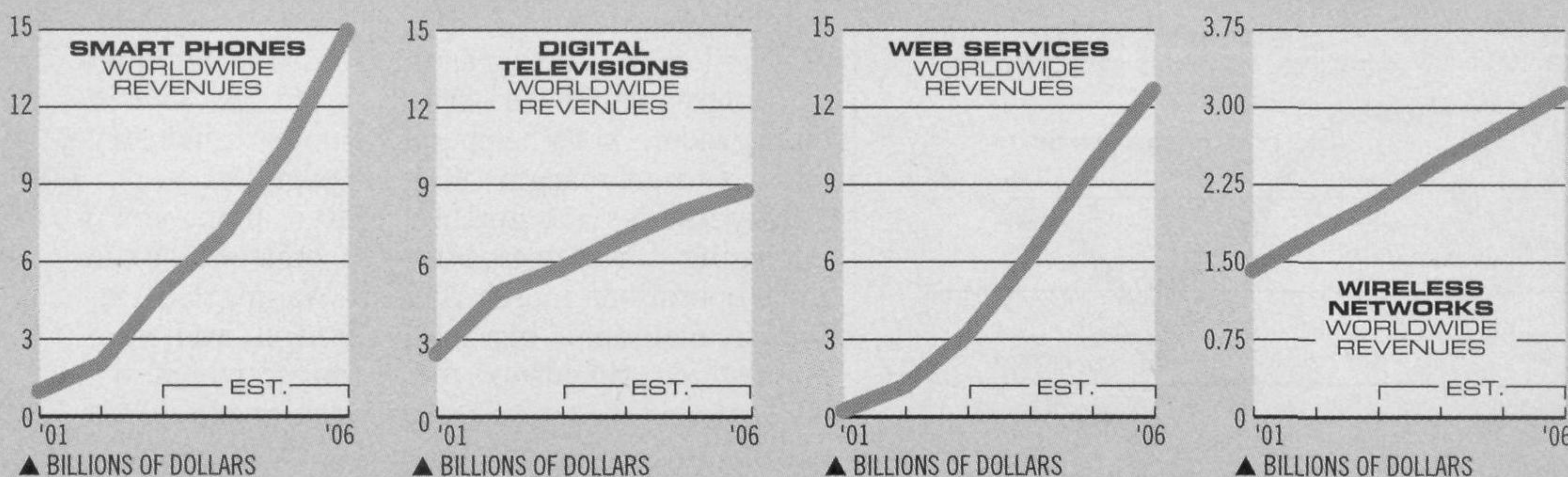
Marts and the General Foods—the overall economy.”

A raft of new technologies hints at the promise. As everything from the transistor radio to the PC to the cell phone has shown, technologies that attract entirely new waves of customers are the key to tech's renewal. And they do it by making tech not just cheaper but also much easier to use. Wireless networks, for instance, are extending the Web to the wide world by cutting our electronic leashes. Networks of tiny sensors give us a digital view into the physical world, allowing inventory to be tracked pre-

50% of all capital spending. Many economists believe IT's productivity benefits fueled much of the prosperity of the 1990s, so it's crucial that advances keep coming for our standard of living to improve (page 40).

Trouble is, obstacles abound. Tech's finance infrastructure remains a mess, with venture capitalists awash in money but timid about investing it in new ideas. Just 15% of venture capital has gone to early-stage companies this year, compared with 35% in 1995. Maybe you can't blame them: Corporate customers are wary of buying technology from startups that may

...NEW HIGH-GROWTH MARKETS EMERGE



Data: Semiconductor Industry Assn., IDC, AMR Research, Gartner Dataquest, Consumer Electronics Assn., Business Communications Co., Synergy Research Group