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**The End Is Near**

On the heels of their late '90s growth run, state's software makers hit a speed bump called Y2K

There is little doubt that software is Connecticut's fastest-growing technology industry.

The industry added more than 8,000 jobs between 1990 and 1996 and average wages in technology service sectors like software increased at nearly twice the rate (15.4 percent) of other services sectors (7.8 percent).

The Connecticut Technology Council's Fast 50, which ranks the state's fastest growing technology companies, named software companies in the top three positions, ahead of companies in the biotechnology and emerging photonics industries.

Exactly half of the Fast 50 list comprised software companies, averaging in excess of 1,000-percent annual revenue growth between 1993 and 1997. Seven out of the top 10 were software companies; payroll at those top ten firms averaged more than \$63,000 per employee.

The Fast 50, part of Deloitte & Touche's national Fast 500 program, enumerates Connecticut's fastest growing technology companies based on percentage revenue growth over a five-year period. The list was released in October.

Whether our state or our region is booming ahead of the rest of the world is yet to be determined.

"Connecticut is not an island," cautions Laura Kent, CTC's executive director. "What goes on in Connecticut reflects what goes on elsewhere."

Business New Haven  
5/3/1999  
By: Elizabeth Guertin Regan

CTC's recent report on "The Role of Technology in the Connecticut Economy" reveals that the positive statistics surrounding start-up technology companies are skewed by the fact that there has been a decline in the number of new businesses overall. While some states are actually adding technology businesses in enormous numbers, Connecticut's technology new-business formation "remained flat from 1990 to 1996," the report notes.

In fact, only five Connecticut software companies were recognized by Software Magazine's top 500 list, which identifies public and private companies in the software industry alone, as opposed to companies in any technological field.

FlexiInternational, a Shelton-based developer of financial and accounting software and CTC's No. 1 Fast 50 choice, ranked No. 244 in Software Magazine's 1997 list. (The 1998 list will be published in early summer.) Deloitte & Touche recognized the company as the fastest-growing enterprise software company between 1992 and 1997, when FlexiInternational took its stock public, offering three million shares at \$11 a share.

Then the bottom fell out. During 1998, despite \$30.2 million in sales (representing nearly 40-percent growth over the previous year), Flexi's stock dropped to an all-time low of less than \$1 per share.

In April, Flexi announced a shortfall in revenues, citing industry-wide problem of reduced customer spending due to Y2K-phobia.

According to the announcement, Flexi officials believe that "Large corporations have suspended acquisition of new software application systems pending completion of Year-2000 compliance testing."

Industry analysts expect that to be the case for the remainder of 1999, says Flexi.

FlexiInternational is not the only software firm feeling the Y2K pinch. "Y2K is driving a lot of the industry right now," explains Rick Bassett, president of Bassett Computer Systems, a North Haven-based consulting firm.

With ten employees, Bassett Computer Systems works with small to mid-sized companies to outfit them with prepackaged software where possible and, if necessary, to write customized software to fit their individual needs.

There is "vertical software," or industry-specific



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software for every kind of business, Bassett says - even funeral directors.

Much of the work of software consultants like Bassett Computer Systems, a \$2 million firm, centers around new versions of software that come out every 18 to 24 months - too often in Bassett's opinion.

Remember when Windows '95 was the "must-have" operating system? Then, 22 months later, came Windows '98, and Windows 2000 is expected on the market later this year.

"It's great for us, we're certainly making money," Bassett says. "But I hate to go back to my clients and say, 'Remember that software I sold you last year as the end-all and be-all? Well....' You get a lot of egg on your face."

As a result, many companies skip entire generations of software. The problem then arises when new work stations are added that operate with a newer version. It becomes more difficult to transfer files - particularly word-processing files, between employees with different versions of the same software.

The impending Millennium has caused many of Bassett's clients to take a look at their systems that perhaps haven't been upgraded in several years, and to make necessary changes as well as some changes that may not be required.

Looking ahead to January 1, what will happen to the software industry? Will thousands of programmers and testers that have been working for the last decade on Y2K be out of work? Will consulting companies that have made a living off of Y2K begin to fold?

"I don't like to predict," says CTC's Kent, "but I think that depends on the vision of the management team of a company."

New products, new services and new marketing tools will be critical for success after Y2K has come and gone. Already new terms like "enterprise software" and "middleware" are being bandied about. (Both refer to software that integrates data from different systems within a company or between company and client.)

For example, FlexiInternational announced its newest product earlier this year: the Flexi Financial Enterprise Suite that integrates the financial reporting and operational functions of Flexi and non-Flexi systems.

Bassett expects that the dearth of information

technology employees that has plagued the state, the nation and, really, the global computer market will self-correct in the first years of the next century.

"A lot of it [the shortage of IT people] is Y2K," says Bassett. "But they'll be plenty of things for us to do, as long as the software companies keep coming out with new versions," he predicts.

Consider the effort to upgrade an operating system at a company with 500 work stations. At two to three hours per computer for 500 computers, that's 1,500 hours, or nearly 75 percent of a programmer's annual time.

"That's if there are no problems," Bassett says. "And there are always problems."

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