



# From the Editor



BY PHIL BECKER

**Identity Management and directory services have been pushed for years based on their ability to provide IT with security, operational efficiency, enhanced productivity, and business agility. Marketing has focused on ROI, and sales have been slowly increasing. Suddenly, however, new identity management deployments are up over 200% and the technology is changing rapidly. Something big is afoot, but exactly what is going on?**

Identity is on the ascendancy, and while some of it is because of the evolution of identity technology itself, much of it has to do with larger cycles happening in the world that are causing identity to “get a push” from things not directly related to it. We are reaching the inflection point of several cycles that will have a significant impact on how identity technology evolves and how deployment will proceed over the next 12 to 18 months. It is important to understand what is driving this building identity momentum.

These cycles are macro changes that proceed across very large parts of the economic, social, and business environment. The legislative environment, economic conditions, etc. exert significant “pull” on many things that happen beneath them – changing trends, amplifying them or, in some cases, retarding their development. These things proceed mostly independently of any specific technology’s progress, but often are why one outcome ends up occurring instead of others. This is happening today with identity.

## The Economic Cycle and Innovation

One significant macro cycle affecting identity is that the economy has been booming for a couple of years now, but it has been doing so against a background of continual skepticism about how long that will continue. Note that in this case it is the attitude of people that forms the feedback for the cycle, not the reality of whatever will later be learned to have actually happened. That is important, because this feeling that the boom could end at any time inhibits long term focus on the use of profits that are piling up in enterprises.

The most immediate way to use surplus profits is to buy something. This is giving rise to one of the largest M&A cycles we have seen in several decades (excluding the over-investment driven cycle of 1998/1999.) Even bearish deal lawyer Marty Lipton of Wachtell, Lipton, Rosen & Katz, admits “it appears that there will be an M&A boom in 2005.” The rising cash reserves in companies create a desire to use them to quickly “lock in” revenue growth before the boom ends. The human instinct is to buy something and add it to what you are doing – the result is aggressive M&A.

We are already seeing the start of that trend in identity. And the prospect of easier acquisition will mean more innovative small companies receiving more VC money to develop their ideas into products that meet needs. We are seeing far more announcements of VC funding of identity startups than we have seen before, and this will drive innovation in identity.

## The Regulatory Cycle

Nothing affects long term business and innovation cycles nearly as much as government regulation. This is why technology should always keep an eye on the regulatory and legal trends, because they will affect it mightily whenever they change.

When the U.S. government reacted to the corporate scandals of the late 90s by demanding better control and visibility into financial systems, it put in motion a long term cycle that is having global impact in many ways. That trend has created a “wind at the back” of identity management and other identity technology. The past six



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months have demonstrated how that trend is opening up the market for identity technology by exposing the truth of the current state of identity in most enterprise IT infrastructures during regulatory driven audits.

### Exposing Identity Problems

Every company has an “identity management system,” the only question is how much of it is manual and how much is automated. As the Sarbanes-Oxley process audits came in last Fall, they revealed that many, if not most, IT departments had significant issues with identity life cycle management. With these identity problems exposed, and new penalties in place for a failure to deal with the issues, companies are no longer free to ignore what they see and take their chances.

As 2005 began the realization was dawning that compliance is not a one time event, but a recurring process. This is bringing the costs of manual compliance auditing into focus – and creating an imperative that they be reduced in out years. One result is that identity management sales are rocking as projects are occurring because of compliance that weren't going to happen before.

### The Universal Application

By the end of the first quarter the realization was dawning that compliance is now driving nearly all of the spending in security and identity management. This tran-

sition came as a surprise to most in the industry, but they have been quick to see what's happening and get compliance and identity into their marketing messages. For the first time identity technology is being “pulled” by customers rather than “pushed” by those who make it.

Without anyone quite realizing it, compliance has created the first universal application for identity infrastructure. That is, the first use of identity that every company will have to eventually deploy. The presence of a universal application causes a technology to converge far more rapidly on what the customers demand, and this is happening with identity. The scope of compliance is already forcing standards discussions to converge rapidly, because interoperability is no longer optional – it is a requirement to deliver the universal application.

### Marketplace Shift

Vendors are responding to the marketplace shift compliance is causing in quite different ways. Some know they must aggressively change their outlook and products, while others are content that they “own” their market position. This is starting to shake out so clearly, that I feel quite safe now in predicting that we will see significant variation in the “fit” of various vendors' identity products to customers' needs by the end of this year. This may well be a prelude to some unexpected player gaining a surprise high profile, while others suddenly look like their technology is badly dated. This has already happened in small ways, but

it seems certain to accelerate noticeably this year.

Understanding the significant nature of the paradigm shift that compliance is forcing into being through identity is essential. Dismissing it as some “side feature” of technology that is otherwise the same as it ever was is a mistake of the first order. During the rise of the PC, the favorite parlor game was the search for the “killer app.” That was the application that would change everything. There haven't been many, but automating compliance will be one. And it will drive identity technology into widespread deployment, even as it changes that technology and our understanding of it dramatically.

### The Impact of Compliance on Technology

Our feature section opens with Compliance Ignites the Identity Marketplace, where we provide an overview of what is really going on in compliance and identity and how it is affecting technology and sales. Provisioning: The Foundation of Compliance Automation examines how provisioning is being used to begin the automation of compliance, and how this has already started to change that technology.

Why Compliance Will Change Identity Management examines more deeply the longer term changes that will occur because of the emergence of compliance as a universal application, and the require-

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ments compliance automation puts on identity technology.

### The First Steps Toward Compliance

Reflecting the significance of compliance as a market driver, nearly every article in this issue touches on compliance. Our identity case stories all focus on deployments that used identity to automate compliance. In *Affymetrix Adds Identity to IT's DNA* we examine a case where identity management was originally deployed for security and management reasons, but showed its effectiveness when compliance issues arose.

Sarbanes-Oxley gets the lion's share of compliance focus today, but HIPAA and other regulations are also becoming identity deployment drivers. In *California Pacific Medical Center Fingers Compliance* we explore how a hospital used identity to achieve HIPAA compliance. *SSHA Deploys Managed Identity Service* looks at how the Canadian province of Ontario is building a managed network to integrate its health care service information and created an identity service to help applications comply with PIPEDA.

### Identity Integration

One of the things compliance will do is force the integration of identity across all technology types from legacy to web services. Identity Management was born to handle web access control, but it is now being forced to grow much broader in scope. In *Web Services, Authentication, and Identity Management* we bring you an article with more technical detail than we normally address, because it is important to see how identity management will become integrated with web services. As identity becomes integrated across

both administrative boundaries and technological boundaries, compliance will force a move beyond federating identity to the federation of policy. The entire area of expressing policy so that it can cross boundaries is one that has much innovation remaining. But compliance to policy can only be automated if the policy can propagate everywhere a user accesses relevant information.

This will force identity to become far more robust than it has so far been, including giving it the ability to understand the context in which it is being invoked. In *The Second Wave: Linking Identities To Contexts* Michel Prompt reveals how context can be made self creating and turned into directory style trees by virtual technology. Whether or not this is how the problem will be solved, this article provides a lot of food for thought to understand both virtual directory technology and the problem of identity context.

### True Compliance

In *Identity Linkage: Biometrics and "True Compliance"* Max Most explores a fundamental identity concept that compliance elevates in importance. It is not enough to know that whoever is making an access possesses a good credential, what she calls "true compliance" requires verification of who the person making the access really is. This elevates the position of biometrics in the strong authentication realm significantly.

Archie Reed typically brings us provocative points of view on identity technology. This issue he views it as provocative to counsel a bit of caution in *Don't Let The Circus Distract You*.

### The Digital ID World Conference

As you can see, a lot is changing rapidly in the identity marketplace. Identity is in the midst of finding its form in distributed networked infrastructure, driven by the universal application of automating compliance. The next 24 months are the last chance it will have to mold its form as an emerging technology. After that, the paradigm shift will be over, and everyone will see that computing has completely changed.

We are only three weeks from the May Digital ID World conference. If you miss this conference, you are missing the only event that will let you experience how this paradigm shift is affecting every part of the industry – designers, deployers, users, and policy creators. We work very hard to make this the most high-value conference you can possibly attend, with a content quality unmatched anywhere and providing context that is simply not available elsewhere.

The next Digital ID World conference will be May 9-12, 2005 at the Hyatt Embarcadero in San Francisco. You can peruse the details in the 10 page advertisement for the conference elsewhere in this issue, but I can save you the time – you don't want to miss it, so register now. ■



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