

How important is IT? - The sequel



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by [Marc Buyens](#), Xpragma
marc.buyens@xpragma.com

The May edition of the influential [Harvard Business Review](#) magazine gave us an interesting article written by Nicholas G. Carr, entitled "IT Doesn't Matter". In this article, Carr argues that information technology has largely become a commodity resource and therefore, no longer yields real competitive differentiation. Do we agree?

Carr argues that the evolution of information technology has been very similar to the evolution of other types of "infrastructure" technologies such as railroads, telephony and electricity and now also has become a commodity resource. As for telephony and electricity, almost everyone will agree that these are indispensable resources today. However, hardly any company will really try to exploit these resources to create a competitive advantage.

According to Carr, the same is now true for IT. Networks, data storage, data processing, they all have become ubiquitous and are available to any organisation at a reasonable cost. Therefore, companies should no longer try to build a competitive advantage based upon such commodity resource. Instead, companies must try to *"achieve competitively necessary levels of IT capability at the lowest possible cost and risk"*.

As expected, almost the complete IT press and many analysts published some form of reaction. However, there are some valid points in Carr's argumentation. We can even say that he has been rather positive about the IT paradigm. Indeed, some might even question the fact whether IT has ever been the basis for real competitive differentiation.

According to Carr, competitive differentiation can only be gained during the built-up phase of a new infrastructure technology, while the availability of such resource is still limited and proprietary approaches prevail. Unfortunately, I do fear that few companies really have exploited this scarcity. Especially during the first decades of information technology, IT hardly ever was an important element of the business strategy. Only during the past few years, largely driven by the Internet hype, IT has become more visible on the strategic agenda.

In addition, Carr's article is not the first one that downscopes the importance of IT.

In [The quest for the agile enterprise](#) we already mentioned one of the conclusions of the "Good to great" book of Jim Collins.

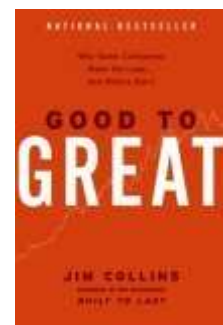
This analysis of the management practices of a series of "great" companies showed that *"Technology and technology-driven change has virtually nothing to do with igniting a transformation from good to great. Technology can accelerate a transformation, but technology cannot cause a transformation."*

So, what does this mean? If we follow Carr's advice, companies should do as they do for other infrastructure resources that are both indispensable and commoditised: get hold of this resource at the lowest possible cost and risk.

If we do so, we get some clear guidelines for the IT department: cost reduction, quality, standardisation, and outsourcing.

However, this also creates some dilemma.

Be it that IT is not the most important element in a business strategy, innovative organisations still will want



Good to great
Why some companies make
the leap and others don't
Jim Collins

to exploit the opportunities that are offered by emerging technology. Indeed, whatever the argumentation of Carr, the evolution of the IT "product" has not yet ended and new capabilities continue to emerge that can be exploited in innovative ways.

However, if the complete IT-department is focused on cost control, proven technology and standardisation, how will they be able to handle these new opportunities? Even worse, who will be the person who will detect and assess the possibilities offered by this new technology?

Well, there is some challenge here. Personally, I do think that organisations must decide for a clear separation of duties in the IT department. On the one hand, there is this reality of more commoditisation, so we need an IT group that is clearly focused on infrastructure development and deployment. The guidelines for this group will be long-term based, without any linkage to specific projects or initiatives, and will indeed include things such as cost control and standardisation.

On the other hand, an organisation has to maintain a competency of awareness of the possibilities of new technological developments and of facilitation of the deployment of new technologies within the organisation.

Whether all of this has to be handled with its own staff is a completely different question. Both the infrastructure and the "innovative" activities are in essence activities that only support a business strategy and are not really the core business of most organisations. Therefore, companies still should evaluate the possibilities for outsourcing large parts of these activities.

What does this mean for the position of the CIO? Well, I do fear that the duality that we discussed above will make that we also have to split this position. As a result, we might have to rephrase the CIO acronym as now being "Chief Infrastructure Officer". On the other hand, we might have to add the position of a so-called "Chief Opportunity Officer", although that acronym is of course no longer available today.

Have fun.

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Xpragma bvba - Mechelsesteenweg 254 - 2820 Bonheiden - Belgium
Tel. +32-(0)15-340 845 - info@xpragma.com - www.xpragma.com



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