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Does IT Matter?

In May of this year, the *Harvard Business Review* published an article entitled, "IT Doesn't Matter." The article was written by Nicholas G. Carr, HBR's editor-at-large. When I first read the article it upset me so much that I decided to let some time pass before I responded. I re-read the article twice this past week and was just as upset as when I read it three months ago.

My first inclination was to think that the article was written just to create some controversy and boost the circulation of HBR. At this point, however, so many people have written about the topic that I decided I ought to treat it as seriously as I can.

Carr begins by defining IT. "Information Technology", he says, is "used for processing, storing and transporting information in digital form." He says elsewhere in the article that, "IT is, first of all, a transport mechanism - it carries digital information just as railroads carry goods and power grids carry electricity."

Carr argues that IT is an "infrastructural technology" that gains value when shared. He cites Moore's Law which, he suggests, "guarantees that the longer you wait to make an IT purchase, the more you'll get for your money."

Carr goes on to argue that the recent dot.com crash was like the crash that followed the railroad building boom in the Nineteenth Century. He concludes that IT is no longer a strategic resource. "What makes a resource truly strategic" - Carr says - "what gives it the capacity to be the basis for a sustained competitive advantage - is not ubiquity, but scarcity." He argues that IT is now cheap and widely available and therefore no longer of strategic interest to senior managers. He recommends that senior executives spend less on IT, put off purchases, and focus on vulnerabilities and not on IT opportunities.

In my opinion, Carr's primary misconception is that he assumes that IT is about hardware. Moore's Law, after all, doesn't say software will get cheaper - only that hardware will get cheaper. Carr seems to think that the fact that computer hardware is becoming a commodity means that software will also become a commodity. I don't mind the suggestion that IT hardware has become a commodity and that the acquisition of future hardware won't be a strategic decision. But I don't think that most readers, seeing an article titled, "IT Doesn't Matter," will assume the article is simply focused on hardware. I guess Carr could argue that the acquisition of packaged software applications suggests that applications are also moving toward commodity status. Anyone familiar with the range of software applications used by most companies today knows that packaged

applications are only a small part of the software used by the company. The development of new software applications is still a strategic concern. Any CEO who decides to ignore his or her company's software assets is asking for lots of problems.

Some writers have suggested that the emphasis is about to shift from IT to business processes. David Frankel wrote about this perspective in his September *BPTrends* column and Howard Smith and Peter Fingar have just published a new book entitled, *IT Doesn't Matter - Business Processes Do*. (Meghan-Kiffer Press, 2003). I don't altogether disagree with the approach taken by Frankel, Smith and Fingar, but the approach is too narrow. Don't get me wrong - I think business processes are very important, and I think a widespread emphasis on business processes will make businesses much more efficient. The move to business processes is definitely a strategic issue. What I object to is the suggestion that they agree with Carr's basic position that "IT doesn't matter." I prefer to understand IT as including both hardware and software, agree that hardware is no longer strategic, and argue that software and infrastructure are still very strategic.

I believe, as business process theorists have argued since the early Nineties, that companies have created many problems for themselves by creating software applications to automate existing applications and departmental applications, without considering how they might redesign the overall processes those applications support. Companies need a way to organize their assets. Increasingly, an organization chart based on divisions or departments isn't a very efficient way to organize IT. CIO's often complain about having department heads all asking for new IT applications simultaneously. In the abstract, each department is important and each needs its applications as soon as possible. If software applications are organized around processes, however, the picture changes. Some processes contribute directly to customer satisfaction and some are only support processes. Some processes are meeting all their goals and don't really require immediate improvement, while others are below par and require immediate action if the company is to remain competitive. Organizing applications and data resources in terms of the processes they support gives the company a way to prioritize its IT efforts. Granting that a business process approach is of growing importance, however, doesn't really meet Carr's objections head on. Carr suggests that senior executives should ignore IT and look elsewhere for strategic advantage.

I suggest that the largest gains in productivity that will occur over the course of the next decade will come from using software applications to automate business processes. The Internet has just begun to impact the way we work. In the next decade it will continue to link people more effectively. Managers will increasingly rely on software dashboards that will display real-time information on how processes are performing. Many inventory items will bear radio tags which will make it possible for managers to tell exactly where each inventory item is at any point in time. Rule-based systems will increasingly make routine decisions with minimal human assistance. Customers will soon rely on broadband networks and be able to download and

view dramatic video presentations that will explain the value or the uses of products, dramatically changing marketing and sales. In a sense, even the use of software to automate the management of business processes is simply another example of how software can be used to improve how a business operates. The possibilities have hardly begun to be realized. Companies that take advantage of these opportunities in support of their business processes will gain significant advantage over their competitors.

We are just getting over a recession caused by a stock market bubble. At the same time, the worldwide political system has experienced a major crisis. It was wrong to assume at the height of the dot.com craze that a new economy would transform business overnight. In the current slowdown, it is just as unreasonable to give way to despair and imagine that the IT revolution is over. The acquisition of computer hardware may not provide a strategic advantage during the remainder of this decade, but the development or acquisition of the right software applications to support strategic, core and enabling business processes is going to decide which companies prosper and survive and which disappear. IT matters very much!

Until next time,

Paul Harmon

