NETWORLD+INTEROP LAS VEGAS 2003

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Strategic Interop
IT Matters

Jim Metzler

Jim@ashtonmetzler.com

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Goals

- <u>Goals of the Conference:</u>
  - To crisply identify where and how IT adds value
  - To describe processes and technologies that the attendees can implement in order to be successful

- <u>Goals of this Session:</u>
  - To highlight the key concepts of "IT Doesn't Matter"
  - To review conference sessions

Carr’s Article

- In 2003, Nicholas Carr published an article in the Harvard Business Review entitled “IT Doesn’t Matter”.
- Judged based just on the title of the article, this would seem to be a frivolous article. IT clearly does matter.
- However, the title of the article does not reflect Carr’s argument.
- A better title for the article would be “IT is Loosing its Strategic Value and Should be Managed Like a Utility”.

Carr's Argument

- What makes a resource truly strategic is not ubiquity, but scarcity.
- You only gain an edge over rivals by having or doing something that they can't have or do.
- By now, the core functions of IT – data storage, data processing, data transport – have become available and affordable to all.
- The IT budget is a cost of doing business that must be paid by all, but which provide distinction to none.

Carr’s Argument

- Carr distinguishes between proprietary technologies and ‘infrastructural’ technologies.
- “Companies can also steal a march on their competitors by having superior insight into the use of a new technology.”
- “Even the way the technology is used begins to become standardized, as best practices come to be widely understood and emulated.”
- “The only meaningful advantage most companies hope to gain from an infrastructural technology after its buildout is a cost advantage – and even that tends to be very hard to sustain.”

Carr’s Argument

- “The point is, however, that the technology’s potential for differentiating one company from the pack – its strategic potential – inexorably declines as it becomes accessible and affordable to all.”
- IT is far more valuable when shared (‘infrastructural”) then when used in isolation (i.e., proprietary).
- “Because most business activities and processes have become embedded in software, they have become replicable, too.”
- Utility computing, over a grid, leads to even greater homogenization of IT services.

Carr's Argument

- IT is subject to rapid price deflation – which has "democratized the computer revolution" and destroyed one of the most important potential barriers to competitors.
- Many companies have gained important advantages through the innovative deployment of IT; i.e., American Airlines, FedEx, eBay.
- In some cases, (I.e., Wal-Mart, Dell) IT innovation conferred additional advantages such as economy of scale, that have proved more durable than the original technological edge.
- The opportunities for gaining IT-based advantages are already dwindling.

Carr's Argument

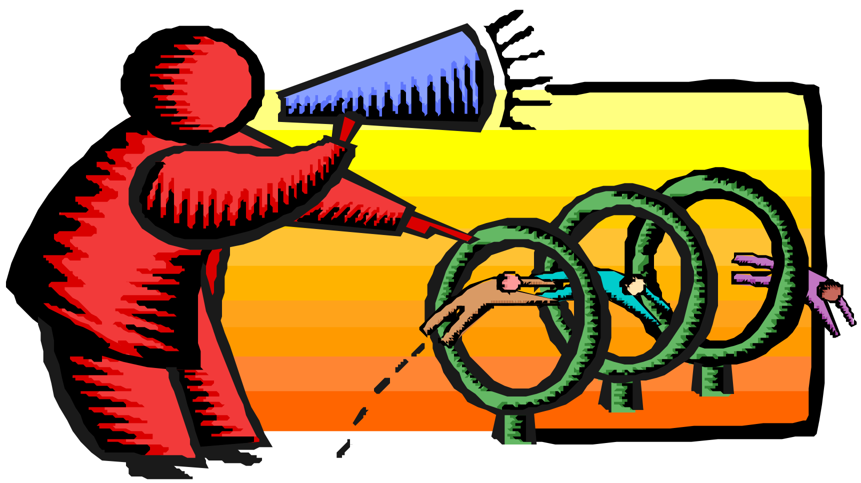
- "History shows that the power of an infrastructural technology to transform industries always diminishes as its build-out nears completion".
- The build-out of IT is near:
  - The price of IT has dropped to where it is affordable to all
  - The capacity of the distribution network (the internet) has caught up with demand
  - IT vendors are positioning themselves as commodity suppliers, or even utilities
  - The investment bubble has burst
- When a technology becomes essential to competition, but inconsequential to strategy, it is best to focus on vulnerabilities, and not opportunities.

Carr’s Recommendations

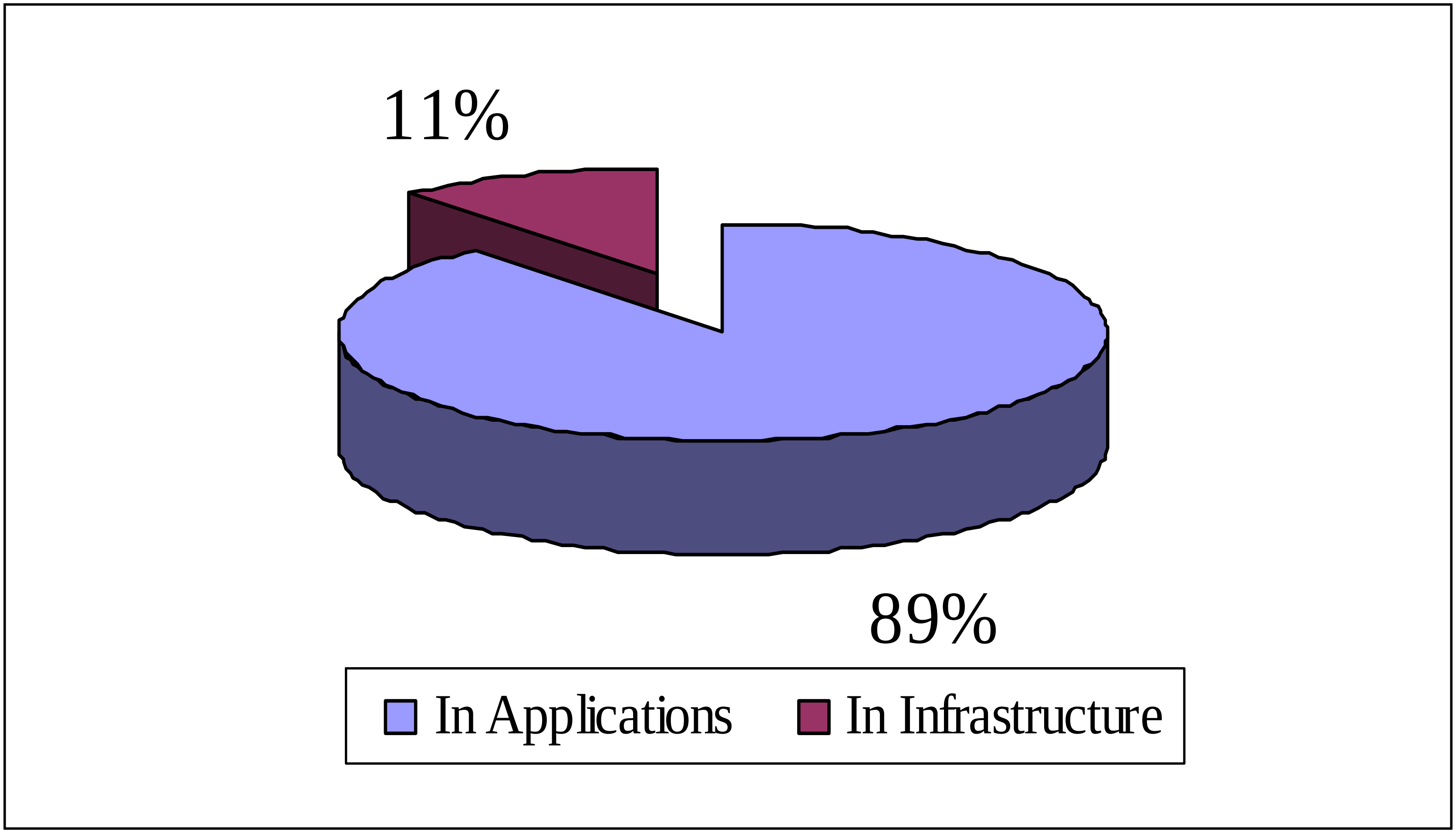
- Spend Less
  - It is increasingly difficult to gain competitive advantage using IT, but it is easy to put your company at a cost disadvantage.
- Follow, Don’t Lead
  - There are times when being on the cutting edge makes sense, but those times are getting fewer. Waiting to deploy a technology ensures a lower cost point as well as reducing the probability of deploying a flawed product.
- Focus on Vulnerabilities, not Opportunities
  - Again, it is difficult to gain a competitive advantage using IT. However, a significant IT failure can paralyze a company.

Jim Metzler's Premise on the Value of IT

A company's business and functional managers usually see the IT infrastructure as something that must be there, and they just want it to work and be inexpensive. They typically see the primary value of IT as coming from the applications that they use on a regular basis.



Are Business Managers more Likely to See Value in Application or in the Infrastructure?



Source: Ashton, Metzler & Associates

What are Applications?

- The Traditional Applications that typically someone else controls:
  - ERP
  - SCM
  - SFA
  - CRM
  - …….
- A New Set of Communications Applications that we have the opportunity to control:
  - Enterprise wide directories
  - Portals
  - Instant messaging
  - Identity
  - …….

Sunday’s Sessions

• The IT Function: The View from the Top	9:00 to 10:00
• BREAK	10:00 to 10:15
• Its all about Applications	10:15 to 11:30
• Utility Computing: Hot Idea or Hot Air?	11:30 to 12:30
• LUNCH	12:30 to 1:30
• Is there a Next Gen LAN?	1:30 to 2:30
• The New IT Infrastructure	2:30 to 3:30
• BREAK	3:30 TO 3:45
• Building the Business Case for Technology	3:45 to 5:00

Monday's Sessions

• Does Washington DC Matter?	8:30 to 9:30
• Implementing an Effective IT Architecture	9:30 to 10:30
• BREAK	10:30 to 10:45
• Updating Network Authentication: Taming the PKI Beast	10:45 to 11:30
• Implementing Effective Security	11:30 to 12:15
• LUNCH	12:15 to 1:15
• Attacking the Challenge of Valuing IT	1:15 to 2:15
• What is the Next Generation Data Center Architecture	2:15 to 3:15
• Break	3:15 to 3:30
• Real Time Collaboration	3:30 to 5:00

Thank You!