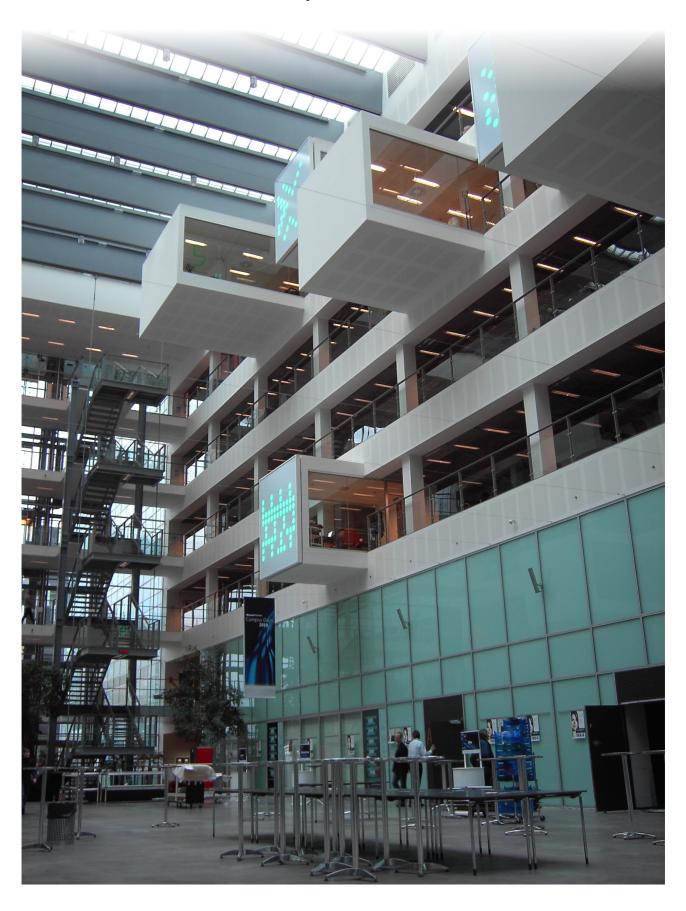# Can IT Make a Competitive Difference:

From a Coherency Architect's Point of View.

The Introduction

Erik Brynjolfsson and Andrew McAfee has written the paper "Investing in the IT That Makes a Competitive Difference" that was published in 2007 in by Harvard Business Review. The paper deals with how enterprises deals with competition in the United States. McAfee & Brynjolfsson argues that most enterprises are in state of hard competition and it will increasingly become more difficult to deal with the competition. They claim that they have found a collaboration between the investment in IT and the way enterprises are able to manage competition.

Premises of the Paper

The first premise of investing in IT that makes a competitive advantage is that the authors claims that the enterprise can gain a competitive advantage through investing in IT. The authors are of the opinion, that they can conclude that investments in IT can create competitive advantages from statistics.

McAfee & Brynjolfsson concludes that many industries experience though (almost perfect) competition. This form of competition has lead to a focus on operational efficiency where IT has become a key factor to achieve operational efficiency. This argument can be supported by Ross & Weill and their research into achieving competitive advantages through IT governance and IT strategies. McAfee & Brynjolfsson works with data that suggest that IT intensive companies can generate more value through governing their IT assets and applying IT to re-build their business processes.

> *"The firm with the best processes will win in most of the all markets. At the same time, competitors will be able to strike back much more quickly: Instead of simply copying the first mover, they will introduce further IT-based innovations [...]"*
>
> *- McAfee & Brynjolfsson (2007), p. 6.*

The authors suggest that there are six elements of the successful IT – enabled process. The first element is that it cover a wide span, the process produce results immediately, the process is precise, the process is consistent, the process makes monitoring easy and last but not least the process has embedded enforceability.

The three companies that McAfee and Brynjolfsson put their attention is on Cisco Systems, Otis (the elevator company), and CVS.

What is the common key for the three companies is that they make use of enterprise wide systems to somehow revolutionize and optimize their business processes. I believe that Harmon entitled this "obliteration of processes" which suggests that the business processes could be re-invented along side the addition of Information Technology. This would lead to that the true benefits of Enterprise Architecture can be reached.

The two authors then discuss two different approaches to enabling the IT processes. The first one is the "Top Down approach" and the second approach is the "Bottom Up approach".

According to McAfee & Brynjolfsson then the authors makes use of the CVS as a case. They claim that while the enterprise made use of highly centralized systems then some discontent employees (they where discontent with the service the IT department provided for their Macs). The employees created a Wikipedia where they wrote articles on how to overcome the obstacles they experienced when they made use of their macs in the enterprise.

The later example was an example of a decentralized service.

Criticism

The article suggests that IT savvy enterprises do often perform better than enterprises that aren't. This is in line with the MIT approach to IT strategy that McAfee, Brynjolfsson, Ross & Weill are working with. The role of IT needs to be addressed compared to organizational culture, the employees and their capabilities and their focus on adding value for the enterprise.

The classical anti-thesis to the MIT approach is Carr's view of investments in Information Technology. Carr is of the impression that the investment in IT often leads to quite an opposite of what the intention was. Carr argues that when enterprises invest in IT then they often over emphasize the cost reduction.

The reductions are then re-invested into lower prices which is easily matched by a company that are in an industry that experience perfect competition.

Carr suggests that enterprises should follow other enterprises when it comes to the usage and investment in IT, likewise should the enterprises focus on risk instead of potential (innovate when the risks are low) and last should the enterprise invest less in IT.

Competitive Advantage

When it comes to competitive advantage then Porter (1998) suggests that the enterprise can't achieve competitive advantages through focusing on operational efficiency. The enterprise has to focus on innovation to enable positioning the products the enterprise produces in a different way. Through positioning then competitive advantage should be enabled.

Likewise does Porter (1998) suggest that the enterprise has to be enable several processes to enable a sustainable competitive advantage.

Carr (2004) argues that Information Technology only leads to short term competitive advantages and is therefore not desirable to invest in. Instead should the enterprise focus its attention to work with several non-IT related competencies and eventually apply IT support them or re-invent them.

Patrick Turner (2010) suggests that IT needs a strong governance to become an enabler.

"When giving a high profile IT project to a junior project manager is like giving a teenager a rather powerful racing car, he will eventually crash it into a tree" - Patrick Turner[1].

Ross & Weill (2009) suggests that Information Technology is only good for two specific things. Standardization that deals with the standardization of data and then integration which deals with information sharing through the entire process.

Reflection

McAfee & Brynjolfsson suggests that IT can make a strategic advantage (competitive advantage), if the enterprise understands to invest in the right IT and re-thinking its processes(the IT that makes a competitive advantage). However many other theoreticians suggest that operational efficiency which investments in IT can be identified as isn't a strategy or for that matter a strategic enabler. The enterprise needs to invest in business processes and re-invent the processes when it makes sense for the enterprise to do so. McAfee & Brynjolfsson suggests that the schumpeterian competition that many enterprises have experienced in the U.S.

IT might become an enabler for most enterprises if they re-think their business processes by adding IT when it makes sense. McAfee & Brynjolfsson suggests that IT can be an innovation enabler

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1   Patrick Turner (2010), Enterprise Architecture Summer Camp, Sweden 2010.

since the enterprise IT can give technical assistance to support the employees.

Appendix

Carr, N.G., 2004. *Does IT Matter?: Information Technology and the Corrosion of Competitive Advantage*, Harvard Business School Press.

McAfee & Brynjolfsson, 2007, Harvard Business Review.

Porter, M.E., *On Competition*, Harvard Business Review, Boston, 1998, p.40-42.

Turner, P., 2010, On IT strategies, Enterprise Architecture Summer Camp.

Weill, P. & Ross, J., 2009. *IT Savvy: What Top Executives Must Know to Go from Pain to Gain*, Harvard Business School Press.