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IT Doesn't Matter

by Nicholas G. Carr

As information technology's power and ubiquity have grown, its strategic importance has diminished. The way you approach IT investment and management will need to change dramatically.

With Letters to the Editor

Included with this full-text *Harvard Business Review* article:

Does IT Matter? An HBR Debate

IT Doesn't Matter

The Idea in Brief

To beat your competitors, are you devoting more than 50% of your capital expenditures to information technology? If so, you're not alone. Businesses worldwide pump $2 trillion a year into IT. But like many broadly adopted technologies—such as railways and electrical power—IT has become a commodity. Affordable and accessible to everyone, it no longer offers strategic value to anyone.

Scarcity—not ubiquity—makes a business resource truly strategic. Companies gain an edge by having or doing something others can't have or do. In IT's earlier days, forward-looking firms trumped competitors through innovative deployment of IT; for example, Federal Express's package-tracking system and American Airlines' Sabre reservation system.

Now that IT is ubiquitous, however, we must focus on its risks more than its potential strategic advantages. Consider electricity. No company builds its strategy on its electrical usage—but even a brief lapse in supply can be devastating. Today, an IT disruption can prove equally paralyzing to your company's ability to make products, deliver services, and satisfy customers.

But the greatest IT risk is overspending— putting your company at a cost disadvantage. The lesson? Make IT management boring. Instead of aggressively seeking an edge through IT, manage IT's costs and risks with a frugal hand and pragmatic eye—despite any renewed hype about its strategic value. Worrying about what might go wrong isn't glamorous, but it's smart business now.

The Idea in Practice

To avoid overinvesting in IT:

SPEND LESS.

Rigorously evaluate expected returns from IT investments. Separate essential investments from discretionary, unnecessary, or counterproductive ones. Explore simpler and cheaper alternatives, and eliminate waste.

▶ Example:
Businesses buy 100 million+ PCs annually—yet most workers use PCs for simple applications that require a fraction of their computing power. Start imposing hard limits on upgrade costs—rather than buying new computers and applications every time suppliers roll out new features. Negotiate contracts ensuring long-term usefulness of your PC investments. If vendors balk, explore cheaper solutions, including bare-bones network PCs.

Also assess your data storage, which accounts for 50%+ of many companies' IT expenditures—even though most saved data consists of employees' e-mails and files that have little relevance to making products or serving customers.

FOLLOW, DON'T LEAD.

Delay IT investments to significantly cut costs *and* decrease your risk of buying flawed or soon-to-be obsolete equipment or applications. Today, smart IT users hang back from the cutting edge, buying only after standards and best practices solidify. They let more impatient rivals shoulder the high costs of experimentation. Then they sweep past them, paying less while getting more.

FOCUS ON RISKS, NOT OPPORTUNITIES.

Many corporations are ceding control over their IT applications and networks to vendors and other third parties. The consequences of moving from tightly controlled, proprietary systems to open, shared ones? More and more threats in the form of technical glitches, service outages, and security breaches. Focus IT resources on preparing for such disruptions—not deploying IT in radical new ways.