Chapter II

Information and Competition:
Early 21st Century

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ABSTRACT

This chapter focuses on the new face of IT-enabled competitiveness in the early 21st century. It notes that the impact is global with the art of the possible for old-economy firms dramatically changing with a heavy focus on application links external to the firm. First mover vs. fast follower with new technologies is an important issue for firms to address (first is not always best). Finally, it addresses the importance of operational reliability.

INTRODUCTION

The first papers on Information Technology (IT) as a competitive weapon appeared in mid-1980s in the Harvard Business Review respectively by this author (McFarlan, 1984), and Michael Porter and Victor Millar (1985). These articles were built around dramatic IT-enabled successes, which had emerged from companies in the airline industry, i.e., United and American, as well as in the distribution industry where American Hospital Supply was the poster child for success at that point in time. These examples illustrated situations where information technology had provided important competitive advantage through the opening of new channels of distribution, inducing switching costs and changing the economics of operations. These articles identified that this technology could make a real impact
far beyond simple efficiency enhancement. Several years later, these papers were followed by one by Eric Clemons (1986), who identified a series of situations where strategic advantage comes to the first mover but where the advantage turned out to be temporary. For all other firms in the industry, the new application/service becomes a strategic necessity if they were to stay in the game, as the rules of competition had shifted decisively. These articles were built around situations that used mainframe computers, large databases, PC technology and proprietary networks.

In ’95 and ’96, the open system of the Internet created a discontinuous and disruptive technology shift, where suddenly the potential options and the management strategies for use of information technology became much broader, subtler and more pervasive. New firms were created while large and medium-sized organizations began a dramatic process of transformation, which has continued to this point in time.

This paper is built around four contemporary Harvard Business School case studies: Li and Fung (2000), Cisco (2001), Charles Schwab (2001) and Merrill Lynch (2001). Each of these firms is deep into the process of transformation as a result of these new technologies. The chapter is supplemented by a number of other examples to fill in subsidiary points. Its key conclusions are as follows:

1. The competitive impact of these technologies is truly global with new applications emerging as fast in the Far East as in the USA. and Europe. Additionally, the world is being both shrunk and transformed in a breathtaking fashion.

2. The first mover/fast follower paradigm discovered in other settings also applies here. Some firms by virtue of imagination, energy and hustle are positioned to take early advantage of new technologies. Brand and financial strength, however, can give other organizations, which are not first movers, the opportunity to recover, providing they move rapidly. For non-adapters and those not blessed with brand and financial strength, however, often the future is bleak.

3. The “gold standard” of what is practical and doable has moved very suddenly. The examples of Cisco and Fidelity, discussed later, speak to this point.

4. Managing cultural transformation, both externally and internally, continues to remain the dominant challenge in dealing with this technology (as it has for the past 40 years!). Just because something can be done, does not mean that it will be done. The words clicks (what can be best done by technology) and bricks (what can be best done with humans interacting with other humans) capture an important phenomena as we try to understand that which can usefully be laid off on the Internet and that which requires personal connections and interactions between people.
Do Managerial Strategies Influence Service Behaviours?: Insights from a Qualitative Study
www.igi-global.com/article/managerial-strategies-influence-service-behaviours/45731?camid=4v1a