Y2K + X

TEN YEARS AGO, the world avoided the feared electronic Armageddon of Y2K. For many, however, the joy was short-lived. On March 10, 2000, the NASDAQ reached 5048.62 before beginning a plunge from which it has never recovered.

The landscape was then littered with “dot-bombs.” One of the best known in our industry was WebVan, which managed to lose $830 million in a little less than two years — and then put 2,000 employees out of work in July 2001. There were countless others.

A decade later, revisionist historians are hard at work. One dot-bomb CEO’s social media page refers to activities characteristic of a thriving company, not one he was forced out of after setting an unalterable course into bankruptcy.

Is failure that bad? Perhaps not. A recent study by the Information Technology and Innovation Foundation concluded the bursting of the dot-com bubble was neither unusual nor negative; it represented a frequently seen process of separating what works from what doesn’t. Companies that successfully commercialize new technologies often aren’t the same ones that pioneered them. Companies that built the initial telegraph infrastructure, for example, had mostly failed by the time telegraph communications became firmly established.

Today, another technology spending spree is coming to an end. This time, external economic realities are forcing companies to reconsider how they spend their money. Rather than embarking on major projects, companies are much more focused on specific, targeted solutions providing an immediate return on investment.

With customers demanding greater accountability from their technology suppliers, successful vendors must be more imaginative with their commercial strategies. For many, the dot-com “by-the-drink” application service provider has morphed into software as a service — a solution where applications are hosted by a service provider and delivered as needed to customers over a network, typically the Internet.

Software as a service represents a generational shift in technology. Mainframe computing was a topology where all hardware, software, communications and support staff was highly centralized — in the “glass house.” It was succeeded by the development of client-server solutions that allocated tasks between servers, a distributed host that shared its resources with clients requesting functionality. With today’s cloud, technology is purchased like electricity. The customer owns none of the infrastructure and pays only for what it consumes.

This outcome was predicted seven years ago, when Nicholas G. Carr authored a thought-provoking article in the Harvard Business Review entitled “Does IT Matter?” Carr postulated that information technology is not strategic — and does not provide a competitive advantage. In a follow-up book of the same title, Carr honed his argument that contemporary IT was no different from other transformational technologies introduced since the inception of the industrial revolution. Although early adopters may enjoy product differentiation, over time, IT becomes commoditized.

How then should companies seek to obtain and preserve their strategic advantage? If sophisticated IT solutions can be quickly and cheaply replicated by competitors, companies need to focus on core competencies such as efficiency, reliability and real-time — and real-world — knowledge about customers and competitors.

For the freight transportation industry, that requires discarding a half-century of not-invented-here syndrome. A frequently used analogy is the spreadsheet. Not even a railroad IT department could justify developing its own version of Excel. Still, many fought for years to develop their own proprietary applications, when fully proven solutions were immediately available “off-the-shelf.”

I am always amused when companies proclaim successful deployment of internally developed IT projects. These capabilities usually match what their competitors had available more than 10 years ago. Not only did these efforts waste untold millions of dollars, but they wasted precious time.

Consider the industry leaders in the freight transportation and logistics industry. Although most of them have outstanding IT systems, none of them lay claim to an IT-enabled sustainable advantage. Culture and knowledge are much more important. Ironically, some IT award-winning transportation suppliers have antiquated systems — with a snazzy Web interface — that lag far behind their competitors.

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What does the future hold for IT innovation in our industry? Many providers will upgrade their technology to obtain IT capabilities they could not previously afford or successfully implement. Others will look to expand their capabilities in event management and supply chain performance.

Regardless, the successful ones will be those with an understanding of their core business and customers.

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