



By Rob Austin

The Role of IT in Innovation-Based Value Creation

The first time I saw a copy of *Wired* magazine in the mid 90s, it struck me as odd. With its glossy pages and edgy style, the magazine foreshadowed the Internet craze. I was busy keeping assembly plants running, though, and didn't see what was coming. Nor did many others.

The IT industry does this to us often. It's hard—cognitively difficult—to adjust to rapid shifts. The quick changes in direction can leave us grasping at vapor rather than substance. There's now a genuine change underway, however, and it's one that most people aren't seeing yet.

For a long time, IT has been incredibly successful at creating business value. As an IT manager you are likely much more accustomed to being criticized for project overruns or system performance issues than congratulated for changing the world—but change the world you do. Anyone who's fair-minded would have to agree that computers, in addition to transforming pretty much everything, have generated tremendous business gains (as has been confirmed in research, by the likes of MIT's Erik Brynjolfsson).

The source of most of this value creation has been the automation of routine work. IT systems have been phenomenal at routinizing, digitizing, and automating. These have been the IT department's very best tricks; however, recent events and the global IT infrastructure created by IT managers have added a step to this very successful formula: Offshore.

Our best trick is moving offshore. Yeah, yeah, I've heard the objections before. But you and I both know the finance guys usually win in the end. We mitigate the risks (after a lot of headaches), and they log the cost savings. As a result, the part of the IT department that handled the care and feeding for automated systems—and maybe the part that created new automated systems—won't be located in developed economies. So what's our new trick going to be?

In a word: Innovation. In a few more: Support for innovation-based value creation. What does this mean? It means using IT to make it cheap and fast to try out new ideas in business. Think simulation in auto crash testing, for example. It's a lot cheaper and faster to crash-test virtual cars than to crash-test real ones, but cost savings is not the most important effect. When it's much cheaper and faster to crash-test cars, you'll try more kinds of crash tests. You'll learn faster, and you'll stumble upon important new ideas more often. The same principle can be applied to drive down the costs of all kinds of business "experiments." At least at first, this kind of work will need to be done close to research centers and headquarters-based marketing and strategy departments.

IT that supports innovative business activities doesn't automate programmed activities that create value because of the consistency they induce in a process—that's the old trick. Rather, it automates

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the *unprogrammed* trying of different things each time, which will generate value from inconsistency—outcomes valuable because of their difference from what has been done before.

It's hard to see yet how big a change this will be. But it will soon be all too apparent. IT, finally mature enough to think of itself as an old dog, very badly needs a new trick. ■

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Rob Austin, Ph.D. is chair of "Delivering Information Services," the CIO Executive Education program at Harvard Business School.