This article appeared in the November 2004 issue of

business integration JOURNAL

Subscribe instantly at
www.bijonline.com

- Free in the U.S.
- $48 per year in Canada and Mexico
- $96 per year everywhere else

ENTERPRISE INTEGRITY

Commoditization

BY DAVID McGOVERAN

Despite all the controversy surrounding Nicholas G. Carr's thesis ("IT Doesn't Matter," *Harvard Business Review*) that IT is best managed as a commodity, I've avoided writing a response. While I don't intend to change that record, I must acknowledge Carr as having been the motivating factor for this month's column, since it caused me to question fondly held notions of product maturation and commoditization.

Traditionally, a commodity is an undifferentiated (from competitors) product for which a uniform standard of quality is assumed. Lack of differentiation with respect to that standard means products can be substituted without altering utility. Under substitution threat, commodities tend to be sold on low margin, which determines price variations. The most familiar consequence of commoditization is product ubiquity relative to market demand. The less differentiated a product (or service, for that matter) and the more stable the standard, the more likely mass production. Thus, commodities are informally equated with mass produced goods.

IT commoditization is not a clear concept, but then IT isn't a product, let alone one with a uniform standard. Most enterprise IT products lack utility unless combined with considerable services from knowledgeable individuals, whether vendor or consumer supplied. This suggests that IT product utility lies less in the product than in the service contribution. If so, any perceived lack of differentiation has more to do with the commoditization of both internal and external IT services than IT product commoditization.

Without a uniform standard, a product can't be a commodity. Applied to IT, this has several implications. First, there must be agreement as to which products are considered for substitution. For example, an Enterprise Service Bus (ESB) can't be substituted for a Business Process Management System (BPMS). Such products have disparate purposes. Their definitions are not uniformly accepted, much less assumed. This immaturity makes a uniform quality standard, let alone product comparisons based on one, impossible. Indeed, as an analyst, I developed a detailed BPMS Evaluation Scheme in 2000 but deferred publication of comparisons based on that scheme because of BPMS market immaturity and, in particular, its definition.

The traditional IT product maturation curve has changed dramatically over the last 10 years. The familiar S-curve of product category adoption comprises the innovator/early adopter, early majority, late majority, and laggard phases. The final phase represents maturation, and it's here that commoditization occurs, if it ever does. The problem with this perspective is that the rate at which new IT product categories now enter the market far exceeds the rate at which the market can adopt them. Thus, maturity, mass production, and true commoditization of enterprise IT rarely occur.

Technical adoption and implementation of an integration infrastructure by an enterprise can easily take three to five years, let alone the time required to achieve operational stability and efficiency after adopting that technology. Meanwhile, new IT standards and best practices are proposed and subsequently develop at a furious pace with little agreement on fundamentals. Educational response, let alone knowledge integration, seriously lags technology adoption. We often see powerful tools misused by those lacking enterprise systems experience. These factors conspire to all but guarantee that new technologies won't deliver their full potential and will be replaced by the next new technology long before entering the maturity phase and commoditization. For example, the integration broker value proposition is rapidly becoming non-competitive with newer technologies. Integration brokers often require extensive development, and have yet to penetrate even 50 percent of the targeted market opportunity. Surely such technologies are neither mature nor treatable as a commodity. The products can't be substituted one for the other because there is no uniform standard of quality.

Carr suggests that IT doesn't matter when it comes to contributing to corporate differentiation. If he's right, it can't be because enterprise IT is a commodity. Products don't differentiate corporate consumers, but how products are used, and for what, does. I suspect that Carr's arguments better support the conclusion that enterprise IT is often used as a commodity, not that it is commodity. We need to address root causes. Enterprise IT offerings may need more robustness and clear business value, but those who buy and implement need to be much more discriminating. Products such as DBMSes, integration suites, application platform suites, BPMSes, and so on aren't commodities and may never mature. In a world where we substitute immature technology agendas in real-time, the result need not be real-time commoditization. IT is not a product, but a diverse collection of tools for innovation. Their appropriate use supports corporate differentiation if the corporation has vision and *enterprise integrity*. **bij**

About the Author

David McGoveran is president of Alternative Technologies. He has more than 25 years of experience with mission-critical applications and has authored numerous technical articles on application integration.
e-Mail: mcgoveran@bijonline.com
Website: www.alternativetech.com