

American Hospital Supply

One of the examples given by Carr is American Hospital Supply (AHS). During the 1970's this company introduced a mainframe based electronic ordering system for hospitals. Hospitals came to value this as it allowed them to operate more efficiently and AHS increased profitability. By the 1990's other companies had similar PC based systems. Now the mainframe system became a hindrance and AHS could not compete against these competitors who used commodity systems.

For Carr this demonstrates that in the past IT could provide an advantage but, with commoditisation the advantage was eroded and became millstone. Others could do the same thing more cheaply.

We could interpret this differently, yes AHS had an advanced system and could out compete other firms for a while, but did it lose the advantage because of commoditisation or because it stopped development and stopped changing?

By keeping its system closed for use by itself and its customers the company gave other companies an incentive to develop alternatives. This was a management decision, not an inescapable consequence of the technology, the management could have chosen to act differently.

For example, AHS could have chosen to spin out its software development as a separate company and openly sell the software to other companies. The original AHS would still have a head start but by selling software the company would bring in additional revenue and pre-empt the emergence of competition.

One also needs to ask: why did AHS not choose to develop a commodity version of its software? If others could then it certainly could have. This would have lowered their own cost, albeit at the expense of higher development costs. Either way, the lesson is to continue moving forward, continue to learn and move upwards with new ideas and products. So, while technology creates new opportunities it is still a servant to the management intent. At AHS management saw the intention as narrowly defined automation.

Apple Computers have faced a similar situation. Once MacOS could beat the competition hands down. But Apple didn't license it and consequently allowed Microsoft Windows to become the commodity player. Now Apple are fighting back, precisely because their technology is not a commodity like Windows they have more control over what they do with it.

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