Book Review for 3/3/02 by Max Schreiber

Title: "Blown to Bits: How the New Economics of Information Transforms Strategy"
Author: Philip Evans & Thomas S. Wurster
Copyright: 2000
Publisher: Harvard Business School Press
Price: $27.50
Length: 248 pages
Reading time: 12 hours
Reading rating: 7 (1 = very difficult, 10 = very easy)
Overall rating: 4 (1 = average, 4 = outstanding)

Canny titles, seeking to gauge the impact of information technology on business, have included “Business at the Speed of Thought,” “Real Time,” and “Blur.” “Blown to Bits” is another recent cleverly-titled volume in that same vein.

Drawing from their consulting experiences, Evans and Wurster detail how organizations can cope with the radically new forces facing established firms. How does one now manage the new channels of distribution? How does one respond to a different kind of competition? How does one maintain its customer relationship given this radically different world? How does one devise a new business model without undercutting the old? All of these questions certainly should be asked in the “old” as well as the “new” economy. The task of strategy is the same; what is different is the nature of the changes.

The authors find that many traditional principles still apply but argue that new principles are needed to address these new issues. They begin by differentiating between the “economics of things” and the “economics of information.” To illustrate the differences, the authors note that if one sells tangible products such as books, the seller no longer owns those goods. However, if an idea is sold, e.g., establishing an online site to market those books, the seller does not surrender ownership and can sell it repeatedly. Thus, “information” could become more important than “things.” But, how do you capture the value of this information?

Thus, the emergence of numerous online operations has greatly increased the dichotomy between these “economies” which help form the foundation of strategy. In the authors’ words, with the advent and growth of the Internet, the nature of decision-making and strategy has been “blown to bits.” To make their case, Evans and Wurster regale us with numerous useful stories. Several examples stress the need for bookstores to rethink their approaches given that “Amazon.com-type” firms can stock a range of holdings far beyond the imagination of a physical bookstore or outlet.

Evans and Wurster examine the new face of strategy in terms of the tradeoffs between “reach” (the number of people exchanging information) and “richness” (the quality of information.) Among many down-to-earth cases, the authors offer the plight of Encyclopedia Britannica. The Encyclopedia, until the early ‘90s, was regarded as the
“richest” source of information, but, at a significant price. With the development of the 
CD-ROM, this information was now within the “reach” of many.

Good news for consumers! Families could purchase a PC with the encyclopedia included 
for a price similar to that for the set of leather volumes. Encyclopedia Britannica, on the 
other hand, came under substantial market pressure and, since, has virtually disappeared 
from the market. Indeed, the encyclopedia is now available online for free.

The authors incorporate an extensive number of business and economic concepts ---
competitive advantage, supply chains, TQM, reengineering, core competencies and 
increasing returns. They use the terms in a context where their meaning and value are 
clear. Unfortunately, the reader has to suffer through convoluted phrasing and lots of 
over-simplified graphs to get to the pearls. But persevere. The effort is worthwhile.

They also make excellent use of text boxes to quickly address relevant questions. As 
well, they include quick summaries (Sound Bits) at the end of each chapter.

There are no “twelve step programs to success” or quick fixes. This is a “cautionary tale.”
If you are an information manager (and aren’t we all) or someone interested in the 
implications of information technology, this is a good place to start; in fact, this offering 
is better than most.

Max Schreiber is an associate professor of Management and International Business in the 
College of Business at Western Carolina University. E-business and forensic economics 
are his research interests.