BOOK REVIEW

Blown to Bits: How the New Economics of Information Transforms Strategy

Philip Evans and Thomas S. Wurster (Harvard Business School Press; 2000; ISBN 0-8758-4877-X) $27.50

REVIEWED BY DOUGLAS K. SMITH

We must remember that 1997 through 2000—during which Philip Evans and Thomas S. Wurster researched and wrote *Blown to Bits*—were years of immense possibility in which thoughtful people were just as likely as those who were not to get caught up in the zeitgeist. Today, "bubble" captures our longing and our regret for those brief but roaring years when all the fundamental suppositions of more than two centuries of economics and business were questioned and, truth be told, assumed by everyone other than the most curmudgeonly to have changed. The "old economy" was just that—very old, very outdated, very archaic. In the "new economy," only speed, share, ideas, and daring mattered. Profits? They would, we took on faith, come. Until then, profitability itself was just a quaint reminder of olden times, like stuffed leather chairs, cravats, and three-martini lunches.

While we watched the Dow nearly double and the NASDAQ more than triple, consultants rushed to explain how to adjust and adjust *fast* to a future so impatient that it seemed to happen yesterday instead of tomorrow. Like most of the other instant insight books, *Blown to Bits* builds off a single framework and idea: in its case, the transformation from an old economy of "things" to a new economy of information in which the core trade-off between richness of information versus reach of information is, under the alchemy of technology, totally and completely and forever up for grabs.

There is a grand Wagnerian tone to *Blown to Bits.* In it we hear, stirringly, that:

- The economics of "things" differ fundamentally from the economics of information.
- Prior to the 1990s, the valuable information in businesses was embedded ("glued") in the less valuable "things" of those businesses.
- In a world where information is enslaved to things, the trade-off between the richness of information available to a customer versus the number of customers reached is zero sum and brutal. For example, you can have high richness through personal, direct sales force activity; but, only at the expense of high costs and low reach. Or, you can have the high reach of the "yellow pages," but at a cost of communicating not much more than the simplest, least valuable of information to the customer.
- With the advent of Moore's Law (by which computing power doubles every 18 months—now closer to 9), technology ushered in the age of connectivity and standards that, in turn, led to Metcalfe's law (the value of a network is the square of the number of people using it).
- With broad connectivity (such as the Internet) and standards (such as TCP/IP), the "glue" joining information to "things" melts and liberates the more valuable information.
- All businesses are information businesses.
- The bold and the daring seize the opportunity in this once-and-forever transformation to redefine businesses; to break loose from the richness/reach continuum; and to grab the higher stock valuations available to "information-based" companies.
- All hell breaks loose.

Consider, then, what the authors tell us happened to the Encyclopedia Britannica. That business was *deconstructed*. The cost of a CD with encyclopedic contents is $1.50; the cost, including direct sales force, of a set of books is $750. Worse, the guilt trip that historically explained parental choices to purchase encyclopedias now motivates parents to purchase personal computers with Internet connections. All of this directly confronted the leaders of Britannica without any mystery: their challenge was clear. What did they do? Nothing. They couldn't face up to their entrenched sales force problem. If your client is similarly hidebound, forecast Evans and Wurster, they will similarly find their business *blown to bits.*

There are many intriguing thoughts in this book. That the authors' enthusiasm outpaces their exploration of these ideas is, as suggested above, probably due more to the powerful optimism of the late '90s than the lack of intelligence or effort of the writers. These are a couple of smart guys; make no mistake about it. Which is why I, for one, looked forward to learning more from them than turned up in their book.

Take, for example, the heady notion that an economics of information has displaced an economics of "things." The authors pin their whole book on this yet spend less than a few pages explaining it (as opposed to the consequences of it). They make their grand claim and then move on. For example, they claim that information always has "perfectly increasing returns": Buy it once and you can use it as many times as you want cost free. "Thing" economics, by contrast, is messier: Sometimes there are increasing returns (scale leads to lower and lower unit costs), and sometimes there are decreasing returns (doubling farm labor does not double the output of the land).

Unfortunately, this kind of "hit and run" generalization leaves readers more blinded than dazzled. In my experience, information does not always and forever follow a pattern of "perfectly increasing returns." Those of you reading this review, for example, have all invested in information to help you learn how to listen better, or consult better, or invest better. Yet, I question whether every single use of that acquired information in your lives has been as "cost free" at the margin as Evans and Wurster maintain. For example, having paid, say, a thousand dollars to attend a seminar on communications and consulting skills, you quickly discover that applying information from the session such as "understand the other person's point of view" requires *additional investment in time and practice* (that is, the applications of the information are distinctly not "cost free") as you move from your banking client to your consumer product client to your government client.

The more interesting truth is that information is infinitely plastic and also famously only randomly useful. In these and other ways, information is just as messy as "things." The authors acknowledge this; but then they ignore it. They are quick to point out that "information is not data" and that its richness varies under the influence of many attributes, including bandwidth, customization, interactivity, reliability, security, and currency. Moreover, any one of these—such as, say, customization—might include lots of elements like judgment, affiliation, emotion, implicit knowledge, and personal acquaintanceship. Yet, having acknowledged that information is actually quite interesting, the authors, once again, *move on.* Instead of exploring the economics of information in ways that might be useful, they prefer sweeping and superficial statements such as "all information has perfectly increasing returns."

This pattern stamps the entire book. In chapter after chapter, the authors tantalize us with potentially powerful perspectives only to leave us starving for more substantive insight. Their core framework itself—the trade-off between richness and reach—is but partially explored. Likewise for the interesting distinction between "old economy" distributors who are always linked to sellers versus "new economy" "navigators" (such as Carpoint) who, under some circumstances, ally themselves with customers. Or consider "hierarchical search," a shopping process by which consumers looking to buy, say, a bottle of shampoo, select first a grocery store versus pharmacy versus discount store, then select between "men's" versus "women's" versus "children's," then select among brands available on the shelf, and then select among types of shampoo ("anti-dandruff" versus "for oily hair" versus "for dry hair"). The authors contend this kind of shopping binds customers to "old economy" value chains yet might be dislodged by the melting glue mentioned earlier. Having raised the interesting point, what do the authors do? Why, they *move on.*

There is valuable strategic insight to be gained by thinking through some of the leads provided in *Blown to Bits.* But these are raw and primitive leads at best. And, unfortunately, the book itself is not much more than a book of leads—a kind of "headline" news that dashes from one possibility to the next without really exploring any. In the end, readers will have to develop for themselves the kind of understanding that might provide relevant solutions to their clients' challenges.

Doug Smith is a consultant, speaker and author concerned with organization performance, strategy, innovation, and change. He has written several books, including the two-part Wiley Mindbook/Workbook series: Make Success Measurable! *and* The Discipline of Teams.
He can be contacted at dekaysmith@aol.com.