

New approaches to software applications meeting organizational and process needs

by

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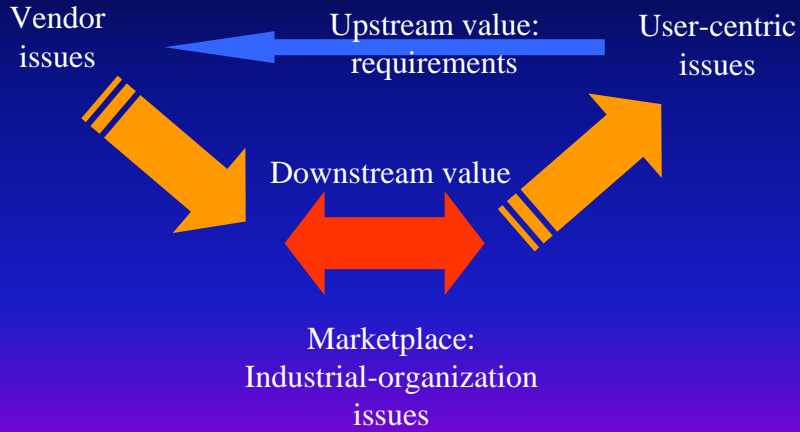
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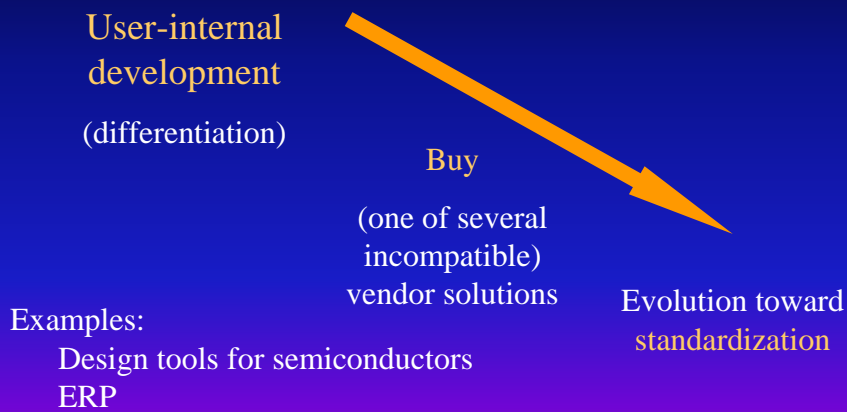


Software Ecosystem



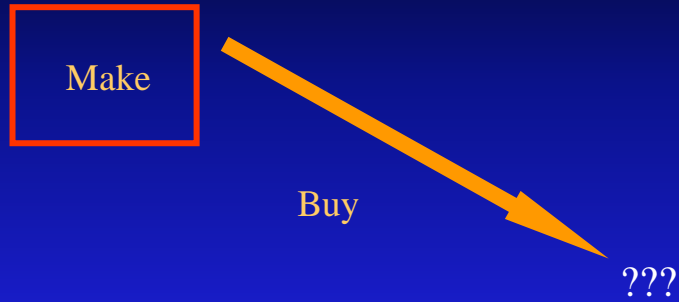
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History: typical evolution



4

History: typical evolution



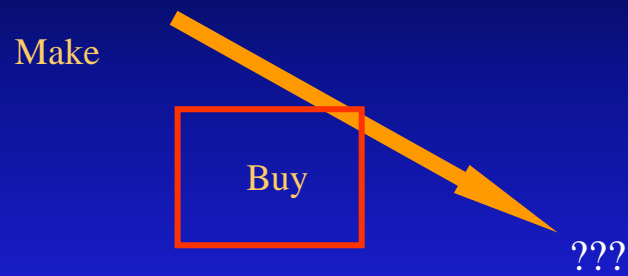
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Reasons for abandoning “make”

- Increasing development/maintenance costs, less and less directed toward differentiation
- Maturing consensus among organizations on needs and practices
- Growing intra- and inter-organizational interoperability and compatibility issues

6

History: typical evolution



7

Problems with "buy"

- Forced to choose among competing options
 - Heavy switching costs to change vendors
 - Incompatibility issues among vendors
- Agency costs
- Organization and processes become software-defined (exactly backwards)
 - Disruption
 - Deployment costs

8

Biggest challenge

- Designing software to meet organizational and process needs is arguably the least mature and weakest link in the software industry

9

Better way?

- Undoubtedly!
- Conceptual understanding developing
- Experiments and role models under way

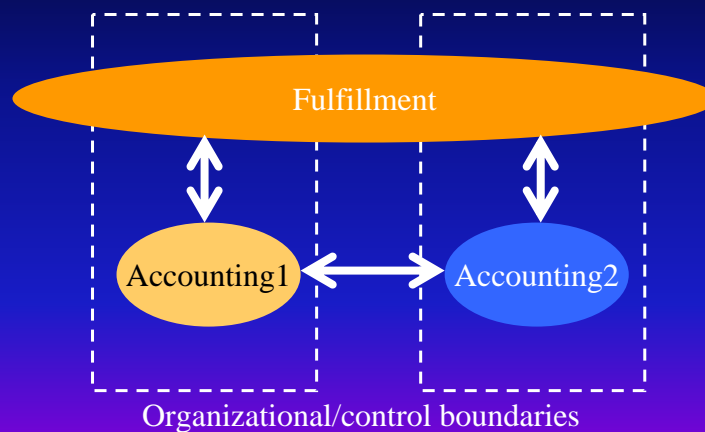
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Some characteristics of a “better way”

- End-user organizations heavily engaged in defining needs and requirements
- Ability to modify, extend, evolve as business changes
- Interoperability and compatibility

11

Interoperability and compatibility across vendors and boundaries



12

Summary

- Disruptive innovation most often originates with end-users, not their vendors
- Collaboration among vendors and end-users throughout the design-evolution cycle benefits innovation, helps match organization and process, and achieves needed commonality
- New industrial-organization and collaborative models needed to support this

13

End-user innovation



14

Democratizing Innovation: a few salient points

- Innovation by end users is frequent, pervasive, and important
 - Information asymmetry (uses vs. technology)
 - Customized solutions (development costs vs. agency costs)
- Technology (e.g. collaboration tools) and platforms (e.g. CAD) empower democratized innovation

15

Con't

- End users usually place innovations in the public domain, and this magnifies value
- User innovation communities are common
- Open source software not as new as it appears

16

Democratizing Innovation: vendor/producer/provider roles

- Systematizing search for and designs based on user innovations has proven to be highly successful for manufacturers (e.g. 3M)
- Platforms for innovation (e.g. custom semiconductors)
- Services (e.g. open source software)

17

Benefits of diversity

- Major disruptive innovations come from a variety of unexpected sources
- Widely varying approaches and perspectives, and freedom of thought are critical
- Large laboratories or companies are not effective at this
- This is another reason most such innovation originates in the end-user community

18

Collaborative entrepreneurship



- Advanced economies focus on creating and exploiting innovation
- Only a small fraction of innovation within a single firm can be captured and appropriated by that firm
- “Networked collaboration” among firms is the coming major advance in industrial organization

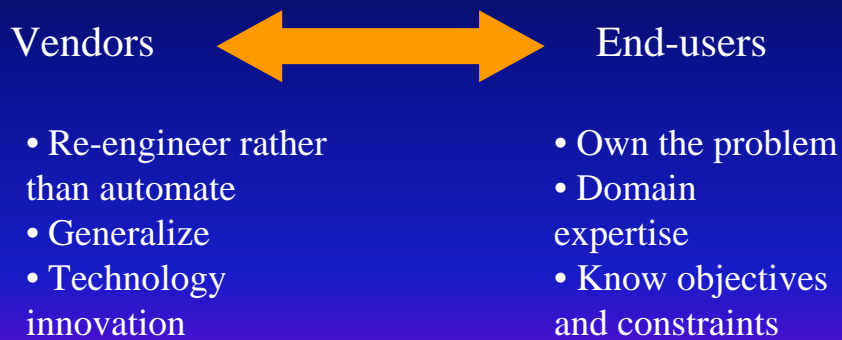
19

Collaborative entrepreneurship addresses several needs

- Diversity of ideas
- Sharing end-user resources for common solutions
- Addressing user-vendor information asymmetry through collaboration
- Achieving vendor interoperability and compatibility

20

Information asymmetry



21

Community software development

- Standardization via common code base (rather than documentation), especially one that focuses on a platform
- Flexibility and evolution through:
 - local modifications/extensions
 - plug-ins

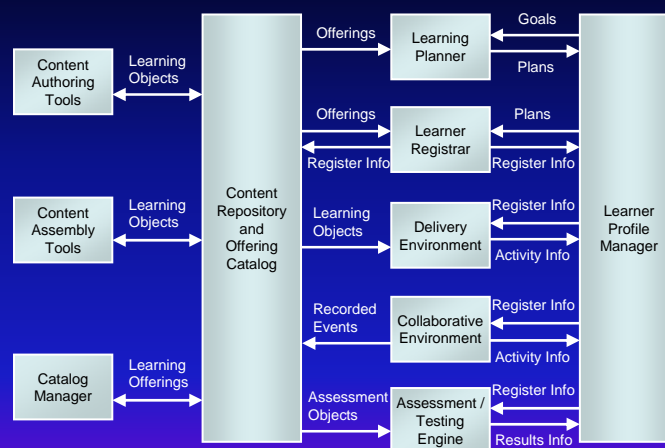
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Example: e-Learning

- Unsatisfactory past approaches:
 - Internally developed handcrafted solutions
 - Incompatible monolithic commercial solutions
- Now trying community development

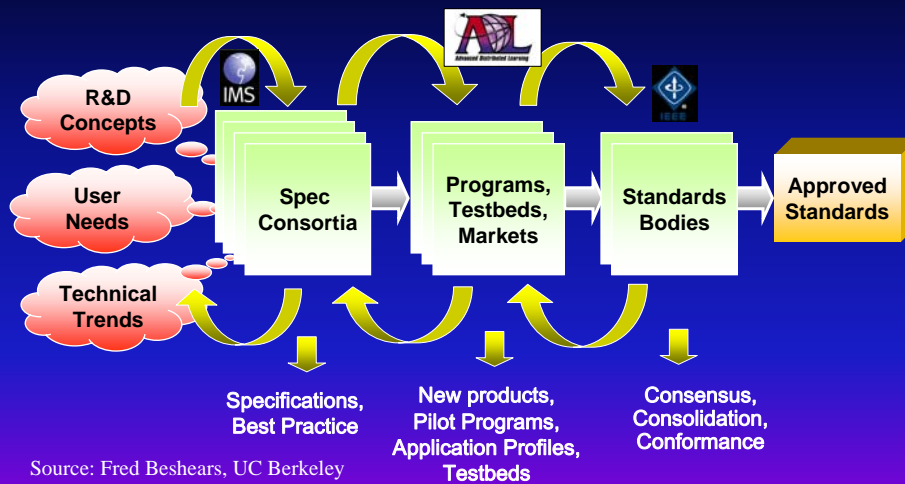
23

e-Learning application example



24

Open staged standards development



25

Software applications across organization boundaries

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High payoff for collaborative entrepreneurship in inter-organizational applications

- Commonality (not exclusivity) the core goal
- Achieves diversity
- Much higher value in standardized (but extendible) solutions
- Hooks into internal processes/systems

27

Conclusions

- Entrepreneurship is not research, but commercialization of existing technologies for new pre-qualified purposes
- Great opportunities for software applications meeting organizational and process needs, but special approaches are needed

28

Actionable ideas

- Embrace and encourage end-users as a major **source** of innovation, usually free for the taking
- Focus on new possibilities **empowered** by technology
- Value **speed** more than exclusivity
- Initiate and join collaborative entrepreneurship **communities** that include major end-user organizations