Reading for Session 5

A summary of some articles related to session 5 of the MIS and Strategy course for the World Med MBA

The Articles

- They are all:
  - From Harvard Business Review
  - Relate to key concepts at the inter-organizational level
  - Available on-line
  - Relevant, practical and easy to read

The Articles

- **Interorganizational (between organizations) Information Systems**
  - Pisano, G. P., & Verganti, R. (2008). Which Kind of Collaboration Is Right for You? Harvard Business Review, 86(12), 78 - 86.
  - Chesbrough, H. W., & Teece, D. J. (2002). Organizing for Innovation: When Is Virtual Virtuous? Harvard Business Review, 80(8), 127 - 134.

Which Collaboration is Right for You?

Pisano & Verganti (2008)

- This article takes the need for organizations to form collaborative networks as given and asks what form of collaboration is best?

- The focus of the article is on strategy and organizational structure, the examples used are from the world of IT, but like the need to collaborate, the use of IT to do so is taken as given.

Which Collaboration is Right for You?

Pisano & Verganti (2008)

- Collaboration is viewed as essential because no company can be innovative in isolation. However, collaboration can take many forms ...

- The article provides a framework based on open or closed networks and flat or hierarchical structures to help managers select which approach is best strategy for their company.

Which Collaboration is Right for You?

Pisano & Verganti (2008)

- Open networks
  - Open to anybody who wants to join in and generates lots of new ideas from contributors that were previously unknown
    - Threadless T shirts gets 800 new designs a week
- Closed networks
  - Closed group that you know who work well together and share a common vision
    - Alessi use a small group of 'postmodern' designers

Which Collaboration is Right for You?

Pisano & Verganti (2008)

- The Cathedral and the Bazaar is a phrase used to describe the difference between open source and traditional (closed) approaches to software development

  - Open source (Bazaar) = given enough eyeballs, all bugs are shallow

  - Closed source (Cathedral) = built by small bands of craftsmen working in isolation

Which Collaboration is Right for You?

Pisano & Verganti (2008)

- ## Flat governance
  - Direction and progress is made on the basis of consensus / shared agreement on approach and objectives

- ## Hierarchical governance
  - The definition of the problem and the choice of the solution are dictated centrally

Which Collaboration is Right for You?

Pisano & Verganti (2008)

- Apple i phone
  - The initial strategy was to maintain integrity of the apple brand; development was hierarchical and closed to ensure compatibility

  - Once the platform has been established, third part developers are used to create new applications

Which Collaboration is Right for You?

Pisano & Verganti (2008)

	Hierarchical	Flat
Open	**Innovation Mall** Anybody can post solution but sponsor makes the final choice	**Innovation Community** Anybody can pose problem community decides the solution
Closed	**Elite Circle** Sponsor defines problem and makes the final choice of solution	**Consortium** Closed group works on a problem and decides the solution

When Is Virtual Virtuous?

Chesbrough & Teece (2002)

- Using the example of the IBM PC, this article also looks at the strategic implications of 'going virtual' but takes a rather more cautious view.

- It argues that, while all organizations need to innovate, some forms of innovation are more suited to traditional centralised organizations and other work best in virtual organization.

When Is Virtual Virtuous?
Chesbrough & Teece (2002)

- Being a 'virtual' organization can mean that a company is more innovative, responsive and flexible than it 'non-virtual' counterpart

- However, the loose ties and the inclination of partners to act in their on self-interest can put virtual organizations at a disadvantage in some situations.

When Is Virtual Virtuous?

Chesbrough & Teece (2002)

- Two types of innovation
  - Autonomous innovation where a new service or product can be created independently of other products, services or product components
  - Systemic innovation where, for a new service or product to work, it must mesh with existing products, services or product components

When Is Virtual Virtuous?

Chesbrough & Teece (2002)

- Virtual organizations may be appropriate when innovations are autonomous, but if innovations are systemic, tensions within the organization can cause the venture as a whole to fail

- Non-virtual organizations can enforce discipline and shape the direction a new product takes, but may also be too slow to be able to react to a changing market

When Is Virtual Virtuous?

Chesbrough & Teece (2002)

- Virtual organizations and KM
  - Codified (hard) knowledge is based on standards and can be easily transferred; it is this type of information that a company needs to coordinate autonomous innovations
  - Tacit (soft) knowledge based on an intimate knowledge of the way in which a whole process works and is not easily transferred; it is this type of knowledge that is required to coordinate activities in systemic innovations

When Is Virtual Virtuous?
Chesbrough & Teece (2002)

IBM and the PC

- 1981 – apple is the leader in the desktop computer world, IBM launched the first PC and outsource heavily to cut costs and speed up development time
  - distribution = via retailers
  - processor = from INTEL
  - operating system = from Microsoft

When Is Virtual Virtuous?

Chesbrough & Teece (2002)

IBM and the PC

- By 1984 IBM had overtaken apple in terms of market share; by 1985 IBM had 41% of the desktop market however:
  - retailers also sold other brands
  - INTEL sold chips to other manufacturers
  - Microsoft became very rich as a results of the licensing deal they had with IBM

When Is Virtual Virtuous?

Chesbrough & Teece (2002)

IBM and the PC

- IBM attempted to regain control by introducing a new (and more advanced) architecture but

  – INTEL produced a new (faster) chip for a rival manufacturer (Compaq)

  – Microsoft produced Windows which would not run on the new IBM architecture

When Is Virtual Virtuous?

Chesbrough & Teece (2002)

IBM and the PC

- By 1995 IBM had a market share of 7.3% and Compaq had a market share of 10.6%

- INTEL is still the largest manufacture of processors

- Despite various challenges, Microsoft remains the dominant supplier of operating systems for PCs

Compare and Contrast

- When you have read these articles, you might like to reflect on
  - The differences in the way the two articles describe the problem of being, and remaining, innovative
  - The way the role IT is portrayed within organizations (see session 4) and the role of IT when used between organizations