

INNOVATIVE COMMUNITIES

Presentation for The Open Group

Lydia Ortega, Professor of Economics

San Francisco, January 31, 2017

AN ECONOMIC PERSPECTIVE ON THE ORGANIZATION OF THE OPEN GROUP

- ◆ DEFINE THE PRODUCT – STANDARDS
- ◆ IDENTIFY FOUR KEY FEATURES OF THE OPEN GROUP
- ◆ APPLY ECONOMIC THEORY OF THE FIRM
- ◆ NEXT STEPS

OPEN STANDARDS

- ◆ WHAT IT IS: COLLECTION OF DISPERSED KNOWLEDGE
- ◆ WHAT IT DOES: BUILDING BLOCK FOR INNOVATION (NETWORK EFFECTS)
- ◆ UNIQUE FEATURE: EVOLVING

PRIVATE GOODS

- ◆ RIVALROUS IN CONSUMPTION
- ◆ EXCLUDABLE



PUBLIC GOODS

- ◆ NONRIVAROUS
- ◆ NONEXCLUDABLE
- ◆ ONCE PRODUCED FOR ONE AVAILABLE FOR OTHERS AT ZERO MARGINAL COST



THE NATURE OF THE FIRM



DISPERSED KNOWLEDGE



THE OPEN GROUP

4 Essential Organizational Features

- ◆ DISPERSED EXPERT KNOWLEDGE
- ◆ TEAMWORK
- ◆ COMMUNITY
- ◆ CONSENSUS

TEAM PRODUCTION



EXTENT OF THE MARKET



NEXUS OF CONTRACTS COMMUNITY



CONSENSUS



NEXT STEPS

EXAMINE THE EARLY EVOLUTION OF THE OPEN GROUP

TEST THE ROBUSTNESS OF THE MODEL BY VISITING
CONFERENCES OF OTHER STANDARDS ORGANIZATIONS

CONSIDER THE IMPACT OF COMPETITION FROM OTHER
STANDARDS GROUPS ON THE ORGANIZATION OF THE FIRM

REFERENCES

Coase, Ronald H. 1937. "The Nature of the Firm," in Nicolai J. Foss, ed. 1999. *The Theory of the Firm: Critical Perspectives in Business and Management, Vol II*. London: Routledge.

Ghoshal, S., P. Moran and L. Almeida-Costa. 1995. "The Essence of the Mega-corporation: Shared Context, not Structural Hierarchy." *Journal of Institutional and Theoretical Economics* 151: 748-759.

Hayek, F.A. 1937. "Economics and Knowledge," reprinted in 1948. *Individualism and Economic Order*. Chicago: University of Chicago Press.

Stigler, George J. 1951. "The Division of Labor is limited by the Extent of the Market", *Journal of Political Economy*, Vol. LIX, No. 3