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All-Access Economy

Closed systems are dead. From software to supply chains, open is the new standard.
By Kevin Kelleher

One day in 1995, Marc Benioff, then a senior VP at Oracle, was trolling a new Web site called Amazon.com. He clicked on the Buy button, and a thought struck him: Applications on the Web were the opposite of Oracle's bloatware. They executed transactions through a simple interface that was available to anyone on the Internet. Web standards made it unnecessary for customers to install, upgrade, or maintain anything but a browser and a TCP/IP connection. "I thought, 'This is amazing,' Benioff says. "I saw the power of an open-standard platform."

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All-Access Economy

Today, openness has become a fundamental business principle, but its value hasn't always been so obvious. In the 1970s and '80s, front-runners like Oracle and Microsoft tried to make their proprietary technologies into de facto standards. Owning the standard made a company dominant, allowing it to dictate how customers used its products. Sure, there were drawbacks: With each new product cycle, customers had to tear out the old apps and install the new, and companies selling accessories had to scramble to update their wares. But that was how the tech game was played.

Then along came the Internet – the apotheosis of open standards. Suddenly, apps didn't need to be written with their own idiosyncratic user interface to run locally on Windows, Mac OS, or Unix. The browser window became the default interface for all kinds of things, from commerce to network administration to stock trading to email. Once installed on a vendor's server, updates were available immediately. And the open environment encouraged competition, driving continual improvements.

Benioff waited a few years for the Internet to mature and made his move. In 1999, he cofounded Salesforce.com, which delivers business software through a browser window. The company went public in a $110 million IPO in 2004. Today, revenue is growing by more than 50 percent annually, and giant rivals like Oracle and SAP are mimicking Benioff's strategy.

Some companies are taking the software-as-service model to the next level by making public the instructions that control certain internal operations. For instance, you can tap into the Amazon.com or eBay servers to create your own storefront. Similarly, you can mash up Google Maps with Flickr photos. As a result, these companies have become more than Web sites; they're platforms in their own right.

While online vendors open their servers in pursuit of profit, programmers have embraced open source licensing for idealistic reasons. Rescinding ownership results in cheaper, better software for everyone – and that's good for business. Amid the 2000 tech crash, when companies were slashing IT budgets, IBM rode out the bust by offering its customers the open source Linux OS.

Closed systems aren't obsolete – yet. They still rule in game consoles and handheld devices. And the telecom and cable TV industries seem intent on clinging to traditional modes of competition. Comcast, with a bright future as a broadband ISP, opposes so-called Net neutrality legislation that would prevent Internet service providers from charging online businesses a premium for priority access.

Nonetheless, the power of openness is boosting efficiencies and pumping up bottom lines throughout the business ecosystem. Consider Li & Fung, a member of the Wired 40 that's taking advantage of open trade policies to connect global brands with overseas manufacturers. The path forward is clear: It starts with an open door.

Who's doing it?

eBay
Custom storefronts

IBM
Corporate Linux

Li & Fung
Borderless supply chains

Salesforce.com
Online enterprise software

- *Kevin Kelleher*

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