

## Honey, Have You Seen My Market?

I know I put it somewhere. But it's been a while. Let's see, I used to have Compaq, Informix, Macromedia, Siebel Systems, PeopleSoft, Prometheus, and Sybase."

"Well, I found Sybase, honey, but I'm afraid we've misplaced your WebCT. And oh, I also found your SCT and Collegis, but they look a bit different. Oh hey, remember Digital?"

Analysts for Thomson Financial estimated \$75–80 billion of technology mergers in 2005, compared with \$60 billion in 2004. Much of that activity revolves around software. Benjamin Pimentel, a writer for the *San Francisco Chronicle*, has noted that software firms are in the grip of "merger mania."<sup>1</sup> Though it is true that merger activity can promote standards and that the merging firms do find efficiencies of joint operation and economies of scale and scope, all these mergers still make me nervous. In fact, I am drinking even as I write this. And I am concerned that I will have to start buying my own T-shirts.

Harvard Business School Professor Michael Porter has described competitive strategy in terms of five basic forces: supplier power; buyer power; threat of a new entry to the market; threat of substitution (by customers); and the intensity (or lack thereof) of competitive rivalry.<sup>2</sup> I think he has it about right. The current software merger frenzy comes after a time when much of higher education IT went "enterprise" and went commercial. Higher education learned that vanilla was a really good flavor. In the past decade, most institutions integrated robust environments composed of commercially vended databases, portals, and integrated ERP applications. These have generally been good for higher education and—when combined with net-

works, the Web, middleware, workflow, business intelligence, and other innovations—have ushered in an era of online self-service applications, reduced authorizations, shorter lines, better controls, and more satisfied students.

In light of these real benefits, should I be drinking this much? As a Libra, I have to conclude: "yes and no." Software industry consolidation is inevitable and inexorable. Shaking our fists at the sky will not reverse the trend. In the short run, newly consolidating firms will be too busy with their own problems of "accidental" architecture, expectant shareholders, nervous staff, executive beauty contests, and drinking customers to show off their expanding supplier power to full effect. In the long run, as John Meynard Keynes reminds us, "we are all dead."

Given a possible short-term reprieve from the worst effects of rising supplier power, we in higher education need to work hard and stay focused. Our power as buyers is indeed waning. That is dangerous. Some of us remember what it meant to "sleep in blue pajamas." We need to strengthen our power as consumers. Quite frankly, the open source movement in higher education (and elsewhere) is simply a way to do this. In Porterian terms, that movement increases the threat of substitutes.

First, we in higher education need to continue to develop alternatives that can provide choice—that is, a healthy competitive market. We need to do this in a grown-up fashion: we must be honest with our colleagues that "freedom [from vended software] is not free," and we must remind ourselves that software often represents only a small part of the total costs of an en-

terprise implementation. Second, we must focus attention on the art of collaboration—not merely on the intent or rhetoric of collaboration. Third, we need to concentrate on architecture. What is our next target application environment? Will a services-oriented architecture (SOA) really lower costs, add flexibility, and improve interoperability, or is it just more marketing hype? Fourth, we must foster the conditions that will allow a healthy ecosystem to flourish around open source applications. Finally, and most important, we need to acknowledge that the commercial providers are critical even in the context of open source solutions. We need to work *with* our traditional suppliers (many of whom have become trusted partners) to determine *how* to produce a synthesis that balances their goal of maximizing profits and our need to control costs. We must remember that software, like hardware, is likely to become a commodity. Our vendors are fighting for survival, and frankly, so are we.

So maybe I won't find my old market in the closet. And maybe I won't shake my fist at the sky. Perhaps it's time for us to discuss and craft the new market for software in higher education and our new role. What fun!

### Notes

1. Benjamin Pimentel, "Software Firms in the Grip of Merger Mania," *San Francisco Chronicle*, September 18, 2005, <<http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2005/09/18/BUGF2EOUUI1.DTL&type=tech><br>.
2. Michael E. Porter, "How Competitive Forces Shape Strategy," *Harvard Business Review*, vol. 57 (March/April 1979): 86–93.

**Richard N. Katz is Vice President of EDUCAUSE and Director of the EDUCAUSE Center for Applied Research (ECAR).**