

Printer Friendly VersionWEB LINK - <http://www.expresscomputeronline.com/20090525/1000thissue04.shtml>**Industry Perspectives****Hope and wisdom for the IT Entrepreneur 3.0**

Jaideep Billa talks of how the movers and shakers of Indian software have evolved from Entrepreneur 1.0 to Entrepreneur 3.0 and says that an opportunity exists in using SaaS to deliver products



When an industry is born it carries a high risk of failure along with a promise of high rewards. Large established players with much to lose tend to focus on the risk side of the business and often find no economic sense in pursuing that risk. 'Garage entrepreneurs' with little to lose focus only on the rewards side and are quick to get into the business.

Not surprisingly the first rush into the software business as well as hardware business was led by garage entrepreneurs. In the field of Software in India with the notable exception of TCS and to some extent Wipro, the other entrepreneurs were all garage entrepreneurs. The examples that stand out are Datamatics led by Dr. Lalit Kanodia, HCL technologies led by Shiv Nadar, Infosys led by K R Narayana Murthy, Mastek led by Ashank Desai, Patni led by Narendra Patni, Polaris led by Arun Jain, Satyam led by Ramalinga Raju—each one of whom is a garage entrepreneur. These were the Software Entrepreneur 1.0.

The emergence of IT Entrepreneur 2.0

The extraordinary success of the software services model had the unintended consequence of throttling the growth of the product industry. Like the giant redwood trees of America, cutting off sunlight from the underbush and throttling the growth of other trees, the extraordinary success of the services business sucked away entrepreneurial energy away from the products business. Like successful companies, the engineering and the MBA graduates focused more on risk avoidance rather than reward maximization.

It was no coincidence that the next wave of entrepreneurial energy in the IT business was unleashed by 'outsiders' to the software industry. This was the Business Process Outsourcing (BPO) wave. Again, it is no coincidence that this field was characterized by its 'Services' nature, an area where the country enjoyed a natural cost advantage.

Hope—the imminent arrival of IT Entrepreneur 3.0

This software entrepreneur 3.0 will set-up companies in emerging spaces such as Web 2.0 and robotics as well as in the traditional spaces such as ERP. Given that the largest buyers of technology are commercial enterprises and given the existing linkages of Indian software houses with commercial enterprises across the world, more likely than not it is the application space that will be marked by a large scale mushrooming of product companies.

The software entrepreneur 3.0 would have to contend with the formidable competitors such as SAP, Oracle and many others who have already taken on the 'Redwood' status. Unless they offer a compelling competitive advantage to the customer the product companies of India would once again get starved out—this time for customer attention.

Wisdom—the rules for Software Entrepreneur 3.0

For the new product companies to win against the giant 'Redwoods'—the Oracle's and SAP's of this world—they will have to carefully choose their playing fields. They would need wisdom to succeed.

Wisdom #1: The entrepreneur must be clear about what business gradient they will ride

The rules of business are simple, almost as simple as the rules of fluid flow. Business like fluid either flows down a cost gradient - i.e. from a higher cost environment to a lower cost environment or alternatively business flows along the osmotic gradient i.e. from an environment of low-value to an environment where value is concentrated much like how fluids use osmotic pressure to flow from low concentration areas to high concentration areas.

The software entrepreneur 3.0 would have to decide whether their offering is a cost advantage or a value advantage. The investment climate today in India is certainly superior today and does offer the possibility of creating a 'value-advantage' company. However the sustainable advantage still remains cost. The cost advantage still remains but the software entrepreneur 3.0 would have to package it differently.

In the world of products, software development cost is only a miniscule element of overall costs. Cost then would not have become an exploitable advantage for Entrepreneur 3.0 but for the fortuitous fact that a tectonic shift is under way—as explained in Wisdom #2 - in the way companies would use Information technology

Wisdom #2: cloud computing will rapidly replace the world of captive infrastructure

Throughout history successful businesses have been those that have focused on their core competencies. Business is confused whether information technology is a utility to be exploited or a competitive advantage to be cherished. This confusion stems from the fact that automation is a combination of business processes and the information technology that packages it. While business processes are recognized as providing competitive advantage the technology itself is considered utility.

The opportunity for entrepreneur 3.0 will lie not in developing application products but by developing products and offering them as 'Service' (Software as service model).

Wisdom #3: domain excellence will decide the winners

For the Software Entrepreneur 3.0 to succeed they will have to make sure that the product they design would require far less effort to customize and personalize. The ability to manage version proliferation will be the key. This will require key design skills of which the paramount would be domain knowledge.

Software-as-a-Service

This is a relatively virgin market in India today. None of the Tier-1 players have made a play for this field. The next wave of successful entrepreneurs will be those that are able to build products that can be run in a hosted model while offering process flexibility to the customer.

A fortuitous set of circumstances of outsourcing backlash and the maturity of Information technology has created just the right set of circumstances for the next wave of entrepreneur, The Software entrepreneur 3.0, to be unleashed.

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