

URL: <https://stvp.stanford.edu/clips/innovation-through-openness>

Chris Anderson, CEO of 3DR, contrasts business perspectives that hold opposing views on whether companies can attract the best talent, citing Sun Microsystems Co-Founder Bill Joy, who once said, "Whoever you are, the best people for the job work for someone else." At a certain point, companies should join with open-source communities to remain innovative even as they scale and become less nimble, Anderson says.



## Transcript

- This is part of a kind of a bigger, I'd learned some bigger lessons about innovation and openness.. But basically if you pull back, this is an experiment in the nature of the firm.. And you've probably seen these guys before.. This is Ronald Coase, you know this, sort of whose theory of the firm created this notion of transaction costs and that companies exist to minimize transaction costs.. And Bill Joy from Sun Microsystems who challenged that by saying, "Whoever you are, the smartest people in the world "don't work for you." So Ronald Coase says, "The only way to get things done is if people work for you," and Bill Joy says, "Well that may be true, but the smartest people "don't work for you." Challenge.. So, terrible graphics, and I know these are not the worst graphics that have been in this room, but they're probably close.. This is what Coase said.. Coase said: Hey, transaction costs are very high until you create a company, roles and responsibilities under one roof, easy to communicate, everyone knows what they do, and transaction costs drop as the company gets more bigger and more professional.. And as you know, that's not true.. It's true to a point, but at a certain point companies get big and bureaucratic, and then the transaction costs rise again..

So that's kind of a problem, right? We just seen GE, one of the best companies in the world, you know, hit a.... This is GE who sort of, through great management, managed to keep themselves here, but they were competing with companies that were down here.. And so even GE found that the disadvantages of being big and bureaucratic outweighed the advantages.. So what do you do about that? And the answer is, as I think we are collectively learning, is that companies are a fantastic way to get things done up to a point, and that the only way to get things done, you know, at scale that continues to be efficient like a little company is to merge a company with a community.. So 3DR is here, and Dronecode is there.. And that is, and that merger, and that notion, and by the way this is Stanford right? This is Silicon Valley, we understand that communities are a big deal.. We understand that having open APIs and developer tools is the right way to do it.. We understand that platforms are more important than products.. We get that.. But this is still a pretty radical notion out there in the world, and how to do it well is not obvious...