

Software-intensive business

- 1 * **On your mind, what were three (3) most important factors differentiating software from other type of the fields from the reading materials? How do they differentiate the software industry? Why did you select these ones?**

In my opinion, the following factors make the software industry differs from other fields:

- Global nature and distributed development: The software industry is more international than practically any other sector, with the ability to develop software with distributed teams located anywhere in the world. This characteristic creates an intense environment for competition among software providers, since geographical barriers are minimal. It also means that a software product could be delivered rapidly over the Internet, which makes software unique compared to traditional industries.
- High reproducibility: Software products are unique in the sense that variable costs are close to zero, and therefore, could be reproduced cheaply. Once the initial development is done, making additional copies or versions incurs minimal expenses. It often makes the licensing side of software more profitable than the service side, leading to distinct business models and strategies.
- Winner-Takes-All Markets: Software often exhibits network effects, where the value of a product increases as more users adopt it. This often results in winner-takes-all markets, where a dominant product captures a significant market share. The prevalence of network effects influences strategic decisions within the software industry, encouraging mergers and acquisitions as companies seek to establish dominance in their respective markets. This dynamic is less common in many other industries.

I decided to select these factors because they highlight the most unique characteristics of the software industry. I have also observed these factors in action at my previous work experience. Understanding these factors is crucial for stakeholders to form effective strategies and navigate the unique challenges they present.

- 2 * **While the given reading material touches the question of software from different view points, the view is not complete. Based on your experience and knowledge, what aspect should also been taken into account as a factor deafferenting software industry from the other fields?**

Another factor that I have personally witnessed is the rapid evolution of software technologies in a short period of time, which leads to short product lifecycles. New programming languages, frameworks, and tools emerge everyday, influencing the way software is developed and delivered. This dynamic environment requires software developers, businesses, and users to adapt quickly to stay competitive. Unlike in some traditional industries where products may have longer lifespans, software products often face obsolescence or significant updates in relatively short periods. This places a heavy emphasis on innovation, agility, and the ability to embrace change.

- 3 * **It has been famously stated that *"Every company is Now a Software Company"*. Does this hold true and can we still consider software business as an individual branch of its own? In addition, what would you define as a *software-intensive business*?**

Please, reflect on both your previous work experience and knowledge as well as against new things learned from the materials.

The statement "Every company is now a software company" has become a widely popular concept, recognizing the importance of software in many industries. Many companies across multiple sectors adopt software technologies to enhance their operations, improve efficiency, and stay competitive. This trend has led to the integration of software as a core component of business strategies. However, it does not necessarily mean that all companies are standalone software businesses. Instead, it suggests that software has become integral to the functioning and success of nearly every organization. There exists a distinction between a software business as a standalone entity and a company that incorporates software into its operations. A software business typically means an entity whose primary focus is the creation, development, and sale of software products or services, such as while a software-intensive business is a broader term that encompasses any organization where software plays a critical role in its core operations, products, or services.

For example, my employer Kempower could be considered a software-intensive business, since the software product is crucial for the operation of its hardware. But in recent years, the company is increasingly become a standalone software business, with the hardware side being less profitable and no longer a major selling point compared to the software.