

Peer Production

The ultimate aim of any organization is to create value in some form. The model for how an organization generates and retains value is called the business model. In this section we are going to talk about the rise of a new form of business model that goes hand in hand with the form of mass collaboration that we discussed in the previous section. This new business model is called Peer Production and has within the space of just a few decades moved from the fringes where it could be ignored to becoming central to the solution space for solving social and economic challenges and generating value.

The industrial model for the generation of value is largely a product of two factors; firstly, the centralization of production and economics of scale that are inherent within an industrial economy, and secondly, it is also a product of the relatively high cost of collaboration and communication. In order to achieve the mass scale that the industrial environment selectively favored, standardization and predictability were a key component.

Within this model there is a strong divide between producers of value and consumers. On the one side we have formal well-bounded professional organizations. By aiming to maximize their efficiency, they include only the people who are most productive. On the other side we have the consumers who consume the products and services made by the professional organizations. There is a strong divide between producers and consumers, professionals and amateurs, work and play. Information technology is fundamentally changing this model to the production and consumption of value and radically redistributing capability within society from large centralized organizations to distributed networks.

Firstly, by reducing the barriers to collaboration so low that anyone can set up their own networks of collaboration and with minimal overheads to the maintenance of organization, it allows for a much more democratic open organization where value can be gleaned from non-professionals that were previously excluded at the higher overheads. This is harnessing the value from the crowd and breaking down the strict divide between producer and consumer to create a new prosumer – a combination of producer and consumer – and the co-creation of value.

Secondly, as primary economic value has shifted from industrial production to services information and knowledge, the need for centralized production and economics of scale that was central to the reason for being of the industrial organization is reduced as I.T. puts powerful tools for production in the hands of many. The means of production is no longer centrally controlled. It is distributed. This is not just information and knowledge but increasingly material production through alternative technology and digital fabrication.

The result of these changes is enabling a new modality of value production called Peer Production or mass collaboration which is a way of producing goods and services that relies on self-organizing communities of individuals who come together to produce a shared outcome. The content is produced by the general public rather than by paid professionals and experts in the field. So let's talk about some of the properties of these new forms of organization.

Firstly, they are open systems of organization: Peer Production systems are open for anyone to contribute, whereas in traditional organizations, once some new form of technology or services is produced it is locked down through patents and copyrights to prevent competitors or end-user from copying or altering it. Peer Production is typically open source or open access, meaning anyone can have access to the designs and are free to copy, alter or remix the end product. This harnesses a very powerful evolutionary-like mechanism, of redesigning, remixing and branching, creating an environment of rapid distributed innovation through an open-ended iterative mixing and remixing.

Secondly, they are based around services instead roles: Whereas traditional organizations are based around a static structure of fixed roles, chain of command, ownership of assets and a routine set of procedures and products, Peer Production networks are based around tasks or services that anyone can pickup and perform. People can self-organize to contribute their service towards a common objective. This makes Peer Production networks modular and granular enough for almost anyone to apply their service to.

Thirdly, they are more project-based and swarm-like in nature: As opposed to the formal structure to the bureaucratic organization, Peer Production networks are typically project-based, engaging people for a diverse set of motives around something they identify with or care about in a swarm-like fashion as contributors join and leave in a fluid dynamic.

Autonomy: As previously mentioned Peer Production is a form of collaborative organization, meaning there is no formal structure of authority within the system. The autonomy of the individual is paramount and any form of overall global coordination and productivity emerges from some form of self-organization on the local level.

There are a number of misconceptions about Peer Production networks. Firstly, that they only exist effectively in the world of software and the Internet. This may have been true only ten or twenty years ago, but since then we have seen the successful application of this business model to many diverse areas from hospitality to car sharing, manufacturing, innovation, science, education, commerce and much more.

Secondly, that peer-production is a form of charity, where everything seems to be free, without the capacity to generate revenue. Many Peer Production networks are highly successfully in generating revenue. As I speak, the largest public offering of a company in history is taking place, the Chinese company Alibaba, which is a good example of a highly commercially successful Peer Production network, as are many others.

Lastly, that if Peer Production networks are self-organizing they cannot be managed. It is true that they cannot be effectively managed using our traditional methods, but as we will see in the next section they can be managed. It is just a question of taking a different approach.

Peer Production networks are emerging as the next generation to how we collaborate and generate value as they begin to break out of their origins within software development to start having an impact on all areas of economic and social activity. It is an agile model that enables rapid innovation through open-ended iterative remixing that is particularly adapted to our high-tech information and knowledge-based economy that demands constant innovation and adaptation. In the next section we will look at the actual mechanics of how Peer Production systems work and discuss approaches to managing them.