



# Competing With Open Source Software Insights from Recent Research

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# Introduction

- > FLOSS born out of ubiquitous computing
  - Unanticipated environment compared to origin of software
- > Tool with different properties
  - Not just cost
  - Stresses traditional business models
- > Joint research with Carleton University
  - Understand dynamics and value proposition
  - Several theses exploring non-cost value (structure, metrics, applicability)
- > Transformation challenges

**Highlight maturity model and current challenges to leveraging Open Source**

# FLOSS – What is it? Really?!



## > At least three views of FLOSS

- Software creation mechanism -> LAMP stack based products
- New market enabler -> Asterisk, SAJAX
- New societal contracts vs. just software

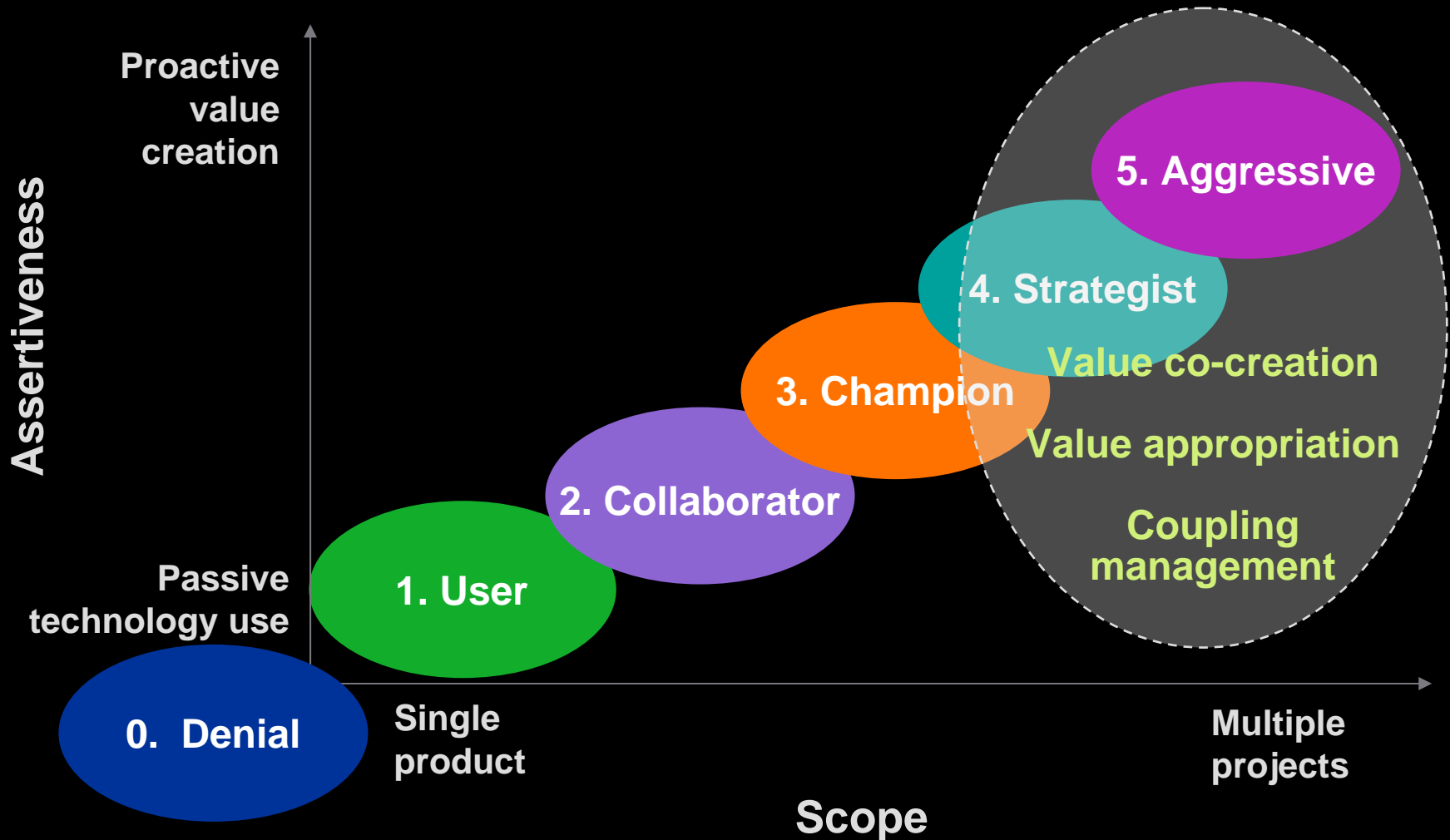
## > New Disruptive Tool – Engineering perspective

- Development platform
- Standards driver
- Technology life cycle disrupter
- Partnering facilitator
- Competitive weapon

## > Potential Conflicting Goals for Business

- Open – yet proprietary business model
- Product or services
- Performance vs. ownership based leadership
- Invest in projects – yet can't control
- Tap into free world - yet compensate developers somehow

# Company Behaviour Appears to Follow a Maturity Model

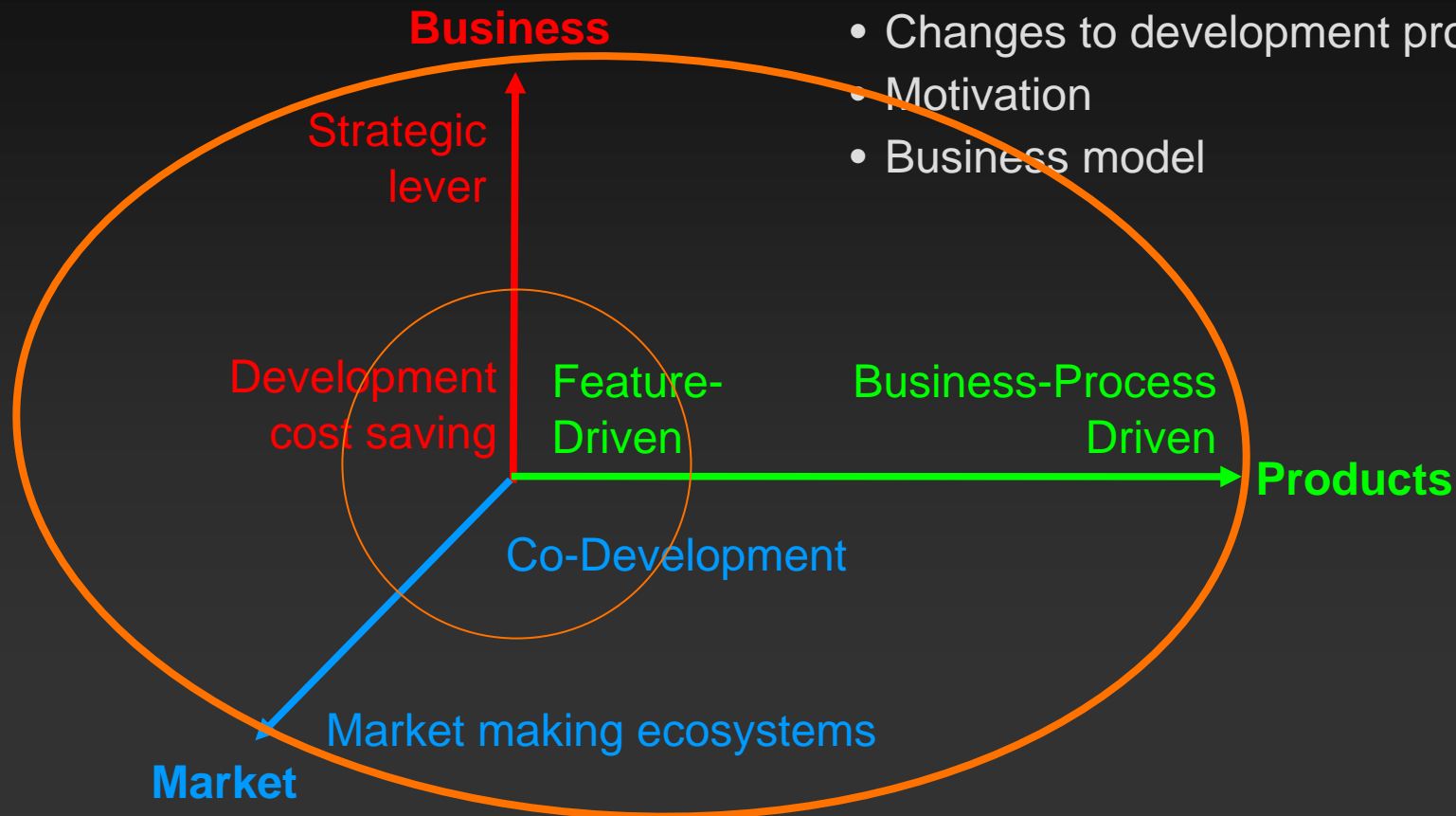


# Dimensions & Drivers

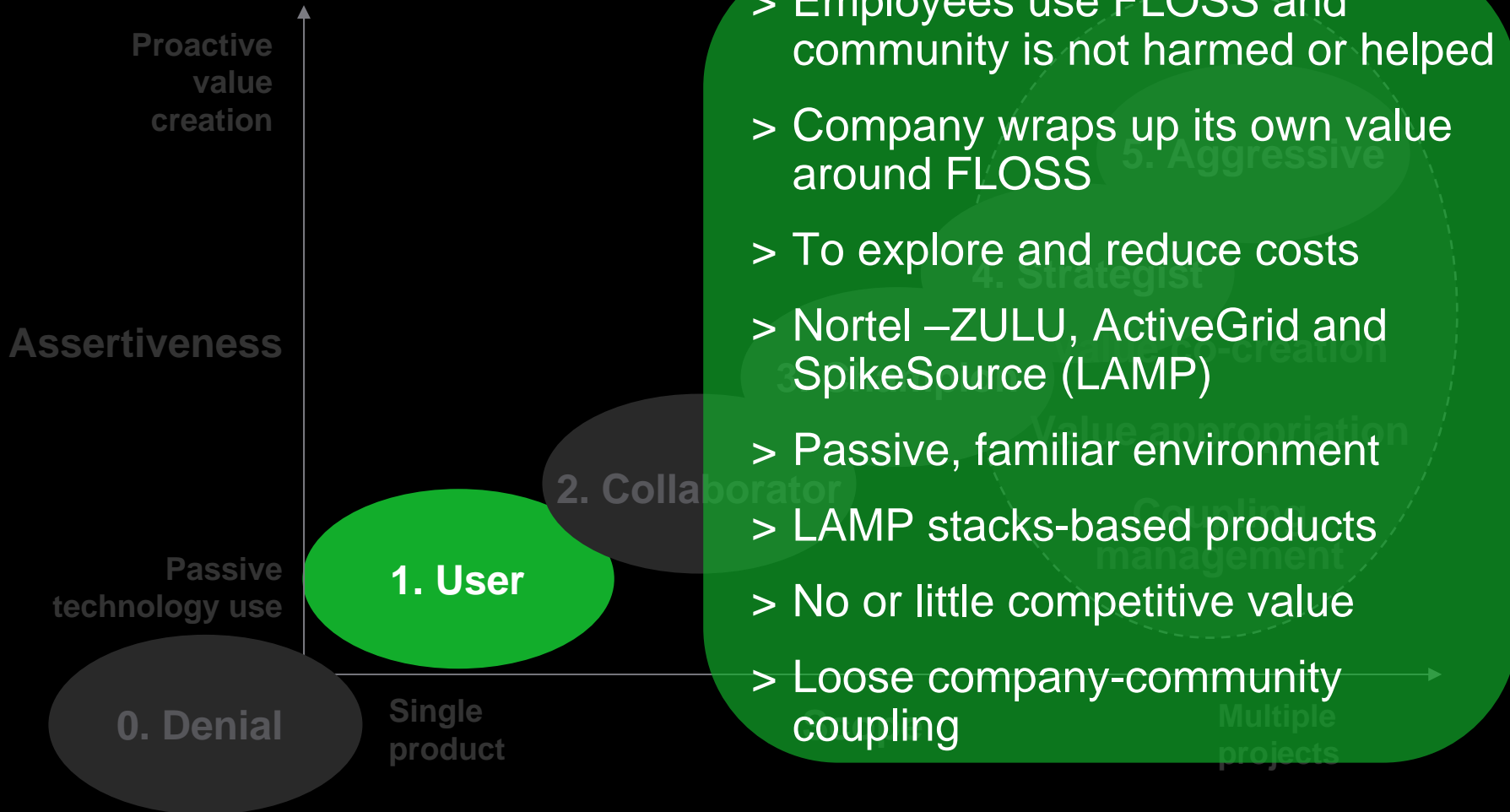


## > Drivers

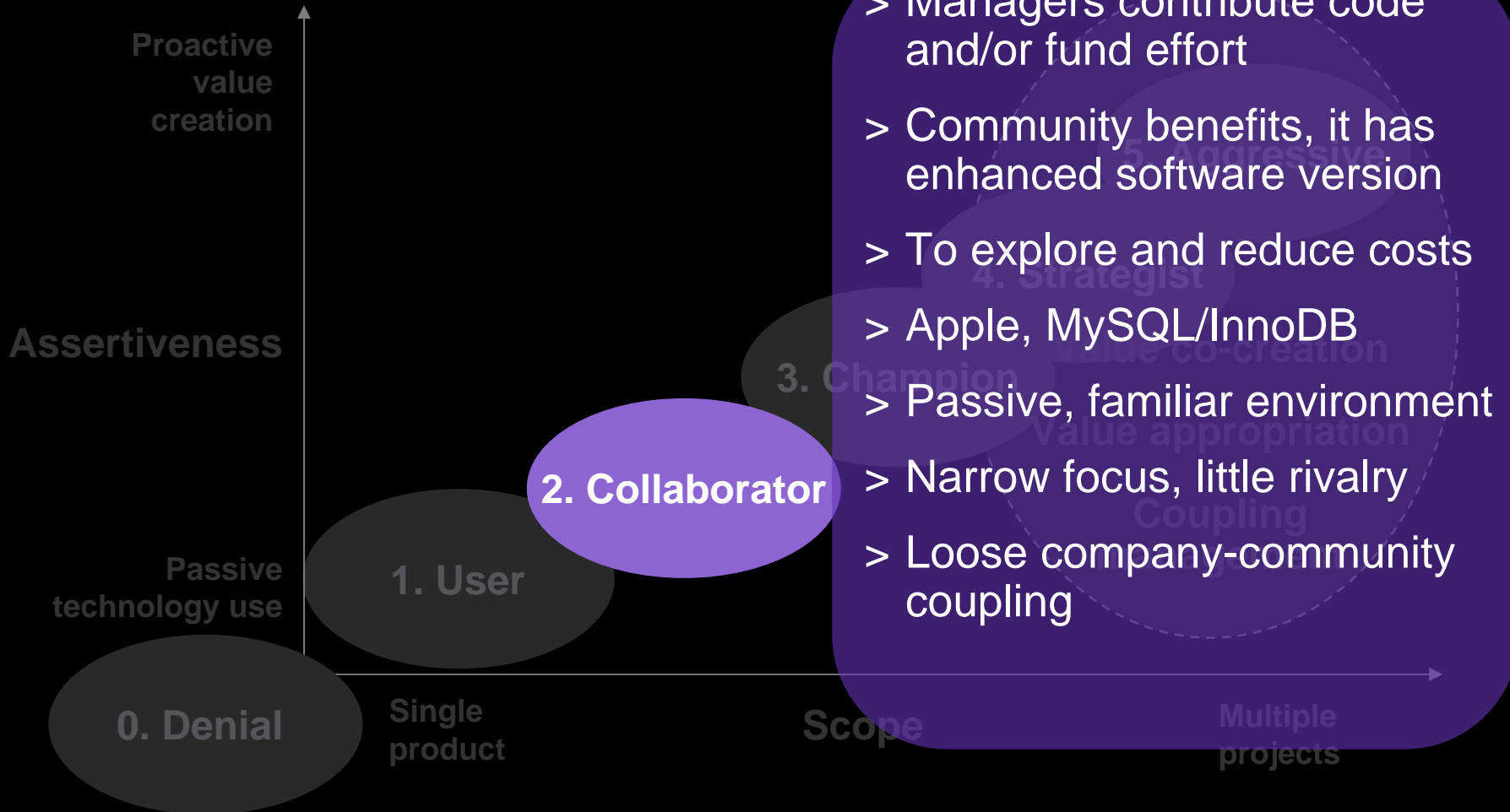
- Decision maker
- Level of effort expended
- Changes to development process
- Motivation
- Business model



# Stage 1



# Stage 2





# Stage 3

- > Executives support/provide well known leader to champion development project
- > Community benefits from company's activities and vice versa
- > Proactively selects and manages ecosystem anchored on FLOSS to attain business goals
- > JBOSS, Red Hat, Sourcefire
- > Medium competitive value
- > Shared value with industry

**3. Champion**

5. Aggressive

4. Strategist

Value co-creation  
Value appropriation

Coupling  
management

0. Denial

Single  
product

Scope

Multiple  
projects

# Stage 4

- > Executives identify a position in the ecosystem, define a business model that relies on FLOSS, and then release code, fund efforts and exert influence to attain company's business goals
- > Community benefits because it has customer driven resources to produce new versions of software
- > To obtain competitive advantage by changing environment
- > Sun Java, RealNetworks
- > Competitive value, proprietary value
- > Coupled business strategy

**4. Strategist**

5. Aggressive

3. Champion

2. Collaborator

Value co-creation  
Value appropriation

Coupling  
management

Scope

Multiple  
projects

# Stage 5

- > Executives invest in programs/tools to design products so they can be developed relying on FLOSS projects
- > Community benefits because it has customer driven resources to produce new versions of software and exploit linkages across FLOSS projects
- > To obtain competitive advantage by harnessing changes in multiple ecosystems
- > IBM, Sun
- > Significant competitive value
- > Business strategy coupled with ecosystems anchored on multiple projects
- > Service business model vs product



# Insights: Success factors



- > Ability to appropriate co-created value is more important than lowering costs
- > FLOSS is about a competitive environment, not a free environment
- > Add FLOSS community management as company's fifth value creation process
- > Customers' experience with FLOSS is key driver
- > Leadership – recognition
- > Scale up eco-system to co-create value
- > Applicability to task



## **Insights: Challenges**

- > Increasing profits with new business models**
- > Internal structural changes**
- > Agreements and contracts**
- > Effort to growing and managing eco-systems and their couplings with company**
- > Ability to keep up with worldwide innovation**



# Unknowns

- > **Adoption by mainstream customers**
- > **Company adaptation to value co-creation, new business models and scaling ecosystem**

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