

EVALUATE THE DIFFERENT BUSINESS MODEL OF OPEN-SOURCE COMPANIES

Open source is a simply software distributed with a source code (Coppola and Neely, 2004). It basically allows the users the freedom to run the program for any purpose, to study and modify the program, and to freely redistribute copies of the original or modified program (Coppola and Neely, 2004). In another term given by Forfas (2006), it is “software that is created by a development community rather than a single vendor”.

However, there is a great misconception that open source is simply free. The fact is, not all open source are free, but instead, all software of this type can be manipulated freely by the user without acquiring any type of license (Coppola and Neely, 2004). In open source software, access to the source code is all about freedom or choice.

In comparison with propriety software, open source software allows consumers and providers equal access to the product. Vendors are always in control in propriety software, thus giving more chances for the costs getting locked. It means that software price can go high depending on the market value of the product (Coppola and Neely, 2004). Furthermore, open source software is more rapid and diverse compared to propriety software because a community of developers and users work in parallel (Coppola and Neely, 2004). Another advantage of this type of software is that it will always be available as long as it serves a purpose to a large community. On the other hand, propriety software depends more on the vendors’ decision and a single failure can cause the abandonment of the product (Coppola and Neely, 2004). Also, open source can be more secure and reliable because of the fact that is being reviewed by a larger community group. Updates can be done in an instant without the need to seek the approval of the

vendor.

Because of the potential of OSS to outdo commercialized software products, many OSS companies have emerged throughout the years. However, it is still unexplored how these companies operate or what types of management strategies and system they use. The aim of the project is to evaluate several business models of open source companies.

STATEMENT OF THE PROBLEM

OSS can also be a source of return for firms who choose to commercialize OSS software. For instance, in the study of Dahlander (2004a), it was found that some firms do commercialize OSS products to generate return. Such firms take advantage of the benefits that OSS can give, and to make sure they generate income, they make sure that they are agile enough to the changing business environments (Dahlander, 2004a). Dahlander (2004a) also found that firms commercialize OSS by means of consultancy, education, support, licensing, and black-box. Firms do focus on their area of expertise for each commercialization approach. However, it is questionable on whether OSS firms that commercialize their products ever achieved success. It is understood that as source codes are open to public, everyone can get the source code and make their own change. As a result, open-source companies cannot maintain their core competitive advantage by holding their software copyright. What management strategies do OSS companies use to handle the nature of their business? This question will be explored in the study.

RESEARCH QUESTIONS

The main research question that will be explored in the study is: What business models do OSS companies use to handle the nature of their business? Specifically, it will explore the following supporting questions:

- Ø What management models do OSS companies use?
- Ø What marketing framework do OSS companies implement?
- Ø How do OSS companies handle human resources?
- Ø What are the advantages and disadvantages of the business models they use?
- Ø How do OSS companies manage quality and customer satisfaction?

These questions will be explored by conducting a literature review and by conducting a survey on several prominent OSS companies in the Internet today.

Importance of the Study

OSS is currently in-demand and this could be taken advantage of by commercial OSS companies. Forfas (2006) stated the following as the main reasons why firms choose OSS over propriety software: user organizations buy software and services based on the derivation of business value, not based on the features associated with the particular piece of software or service; user organizations now consider the particular features of software licensing models as a source of business value (e.g. lower cost) and this will be an increasing area of interest over the

next few years; and that cost is a major factor when considering open source, but flexibility and return on investment (ROI and especially payback time) become the critical factors over the lifetime of a project.

Garzarelli (2002) stressed that OSS is different from propriety software because it has no hierarchy and has no ownership structure. Furthermore, it is based on the concept of self-regulation and self-organization. Garzarelli (2002) argued that what makes propriety software more difficult to use than OSS is that the former relies on a traditional and corporate approach to software development is centred on hierarchical relations. The decision of what software to develop, test or improve comes from the top of the hierarchy (Garzarelli, 2002). Conducting this study will help determine the type of business model that these companies adopt. Many claimed that OSS companies move faster and less hierarchical than propriety companies. Through this study, their strategies will be documented, which can serve as a guide to future OSS company aspirants.

OBJECTIVES OF THE STUDY

The study will try to achieve the following objectives:

- Ø To identify the business models of OSS companies.
- Ø To identify the difference of OSS companies from propriety companies in terms of operation.
- Ø To be able to make a list of strategies that OSS companies use to keep their

business running.

- Ø To identify the advantages and disadvantages of those business models and the critical success factor of some famous open source companies will be evaluated.
- Ø To give possible recommendations on how OSS companies can maintain or improve their business models.

Methods and Procedures

The study will conduct quantitative research to meet the objectives of the study. Induction research strategy will be used as the aim is to discover more about OSS companies instead of proving a particular hypothesis.

Data Collection

The study will explore a targeted total of 10 OSS companies. Selection will be made using the internet – by browsing through and looking for potential subjects. They will be selected through convenience sampling. A letter of consent will be sent to each potential subjects.

Secondary data will be collected through literature search. Literatures will be reviewed.

Data Analysis

Data will be analyzed qualitatively by critically reviewing the gathered literatures and interpret their relevance with the findings of the survey. Survey will be statistically analyzed but no comparison of data will be conducted.

References:

This paper contains references. It has been omitted because to prevent this paper from being copied.