

Open Source Software Business Strategies

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Why Open Source Software?

Open source presents a large potential competitive advantage for hardware and software vendors, and vendors of complementary or substitute services.

Linux has contributed greatly to the adoption and success of OSS. Companies like IBM, HP, Red Hat, Oracle, and recently Novell, have invested in and legitimized the use of Linux for enterprise applications, including datacenter operations.

Background

It allows incremental project and upgrade schedules, free rein in integration decisions, and direct interaction with the OSS community.

It creates the opportunity to implement projects in a way that is consistently mindful of enterprise goals, rather than the goals of a proprietary software vendor.

OSS allows enterprises to select from a broader range of hardware and software vendors and service providers than proprietary solutions.

For these and other reasons, the pace of Linux and OSS adoption continues to accelerate.

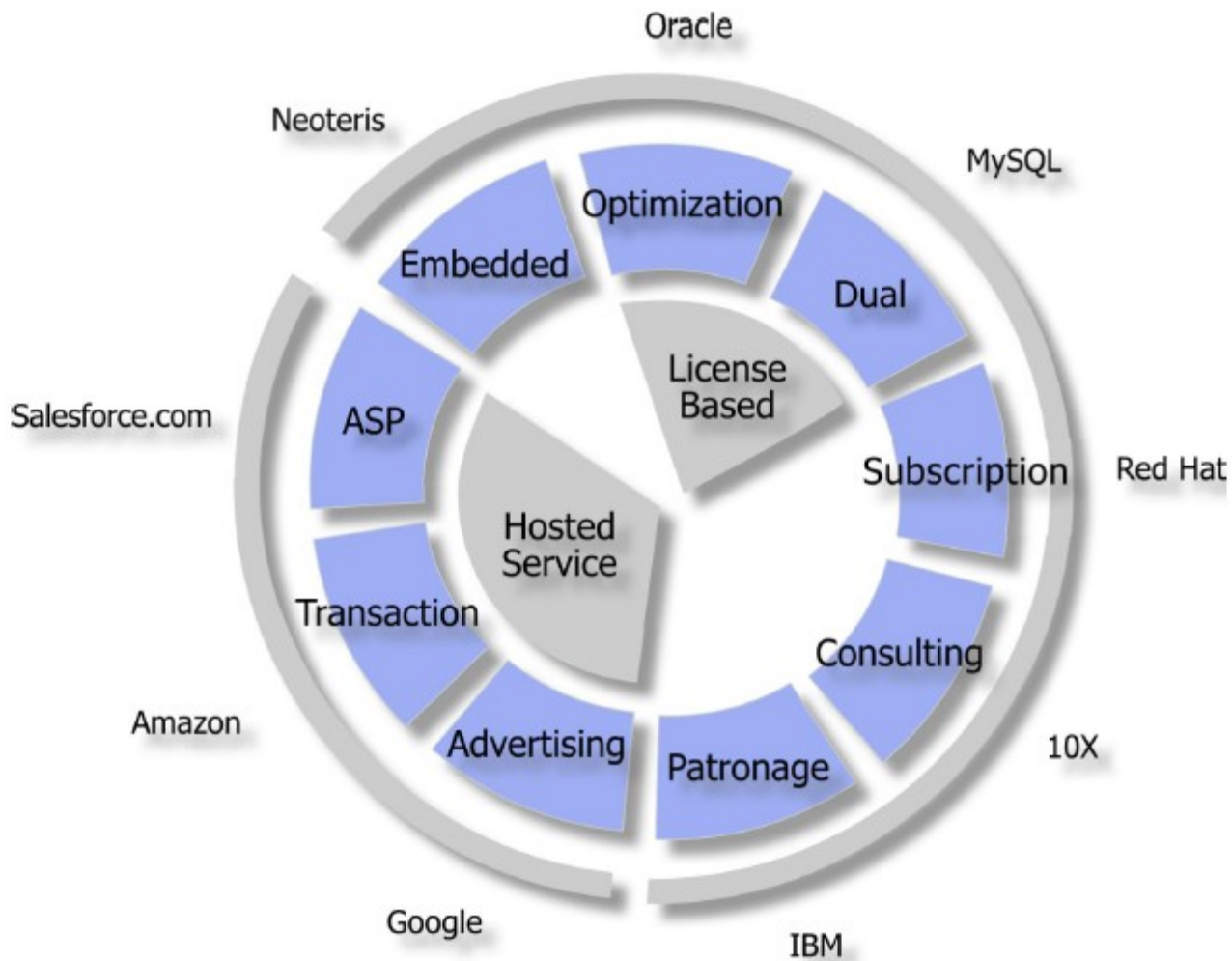
Background

For satisfying computing and networking needs, users of software (individual and enterprise) have many options.

Open source software (OSS) is one of them, and it is often selected because of the broader choices OSS can deliver.

For instance, OSS offers enterprises the opportunity to be more self-reliant through source code modification.

OSS Strategies



Open Source Business Strategies

- The Optimization Strategy
- The Dual Strategy
- The Subscription Strategy
- The Consulting Strategy
- The Patronage Strategy
- The Hosted Strategy
- The Embedded Strategy

(adopted from John Koenig, 2004)

The Optimization Strategy

The optimization strategy is an open source manifestation of Clayton Christensen's "law of conservation of modularity." In the OSS application of Christensen's law, one layer of a software stack is "modular and conformable," allowing adjacent software layers to be "optimized." The modular and conformable layers are commodities, and are unprofitable or only marginally profitable software businesses. The Linux operating system is an example.

Link: <http://www.claytonchristensen.com/>

The Dual License Strategy

Under the dual license strategy, a software company offers free use of its software with some limitations, or alternatively offers for a fee commercial distribution rights and a larger set of features. In the dual license approach, free use carries certain conditions; typically, any modifications that are distributed must also be made public in source code form, and companies cannot use the free version as a component of any product or solution they commercialize. This prevents third parties from developing improvements that would rival the original open source software.

The Consulting Strategy

“30 years ago, every IT department in this country was in the business of building custom products, and the software industry grew up around that assumption. Now, open source suggests an almost pure service model, where the basic functionality costs nothing, and all the money is in customization.”

(Clay Shirky, 1999)

Link: <http://www.shirky.com/>

The Subscription Strategy

According to Culpepper:

- "Revenues from services -- both maintenance and consulting -- increase in proportion relative to revenues from licenses. Move out to the 20-year mark, and the typical software company will have \$2 of services for every \$1 of licenses."
 - (Link: <http://www.culpepper.com/>)
- Red Hat versus Novell SUSE
- Covalent for LAMP (Linux, Apache, MySQL, PHP)
- Sun with StarOffice
- Lindows etc

The Patronage Strategy

Why would a company like IBM, or any company for that matter, contribute time, energy, developers, and code to an open source organization?

To succeed with a patronage strategy, the patron must deliver more than just source code. There must also be leadership and consistency.

Browser: Mozilla versus Microsoft

Web Server: IBM versus Microsoft

The Hosted Strategy

“Software licensing and deployment models will be radically simplified. 2003 was the year we saw a bunch of companies finally get the service provider model right. Companies like Salesforce.com, eBay, and Google, are in the software business, but they don't sell their software, they let you use it or rent it. You're going to see a lot more activity in this space in 2004.”

(Java Developer's Journal, Scott McNealy, 2004)

Link: http://en.wikipedia.org/wiki/Scott_McNealy

"Open Source Paradigm Shift" (Tim O'Reilly, 2004)

The Embedded Strategy

Linux is the operating system used in more than half of the embedded systems market. It has been used in consumer products such as TIVO and in devices large and small, from servers to cell phones. Throughout the world it is rapidly becoming the operating system of choice for many low-cost communications products.

Which strategy?

There are a number of ways to chart successful open source business strategies. These strategies provide a powerful tool for getting a business on a faster revenue trajectory, for improving value, and for out-maneuvering the competition.

Some of the business models in this discussion parallel traditional commercial software; others invoke new services or businesses.

Examples like Amazon, Google and Neoteris, demonstrate that Linux and other OSS can even help companies that are not strictly in the software business achieve tremendous growth and profitability in a relatively short time.

Which strategy?

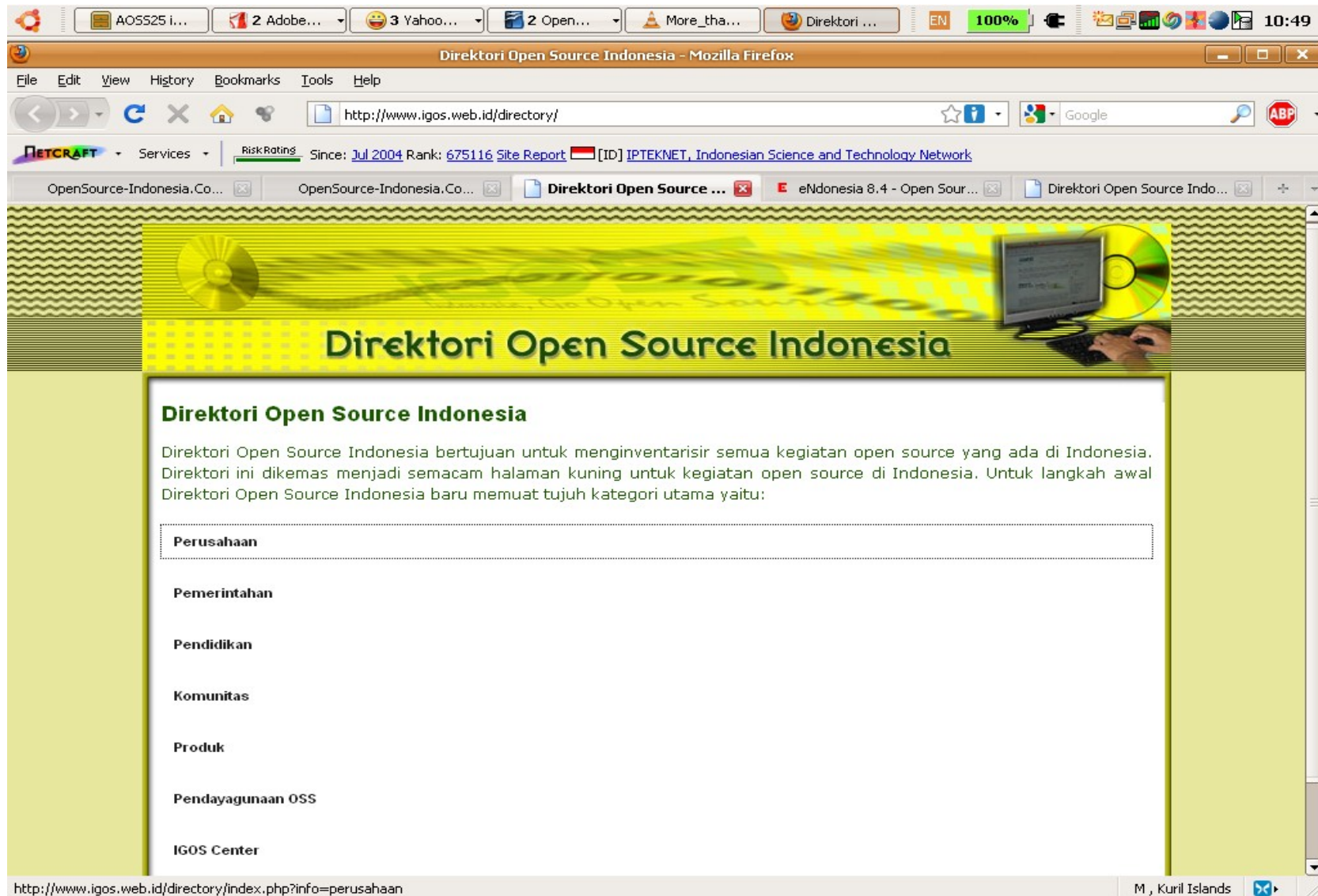
Business managers should understand open source business strategies and determine which strategies are useful for their companies to adopt.

Investors should consider the models here when evaluating companies they may be considering for their portfolios.

Identifying trends quickly and taking action can be a powerful advantage.

OSS in Indonesia

- Directory of Open Source Indonesia
 - <http://www.igos.web.id/directory/>



The screenshot shows a Mozilla Firefox browser window displaying the website "Direktori Open Source Indonesia". The browser's address bar shows the URL <http://www.igos.web.id/directory/>. The website's header features a yellow and green background with a CD-ROM and a computer monitor. The main content area is titled "Direktori Open Source Indonesia" and includes a description of the directory's purpose. Below the description, there is a list of categories for filtering the search results.

Direktori Open Source Indonesia

Direktori Open Source Indonesia bertujuan untuk menginventarisir semua kegiatan open source yang ada di Indonesia. Direktori ini dikemas menjadi semacam halaman kuning untuk kegiatan open source di Indonesia. Untuk langkah awal Direktori Open Source Indonesia baru memuat tujuh kategori utama yaitu:

- Perusahaan
- Pemerintahan
- Pendidikan
- Komunitas
- Produk
- Pendayagunaan OSS
- IGOS Center

<http://www.igos.web.id/directory/index.php?info=perusahaan>

OSS in Indonesia

- Commitment from government (Ministry of Communication and Information Technology) in Global Open Source Conference 2009 in Jakarta:
 - Total OSS Implementation for governments in Indonesia in 2011

OSS in Indonesia

- Open Source Information Media:
 - <http://opensource-indonesia.com/kioss.php/index.php>

The screenshot displays the homepage of OpenSource-Indonesia.com. The page features a navigation menu with 'Home', 'Berita', 'Download', and 'Search'. A central 'My Message' box welcomes visitors and explains the site's purpose as a hub for open source information. To the left, there is an OpenID login section and a 'Yang Support' section featuring the KIOSS.COM logo. Below these are sections for 'Last Download' and 'Top Download' with lists of software projects and their download counts. On the right, there are 'Headlines' and 'Past Artikel' sections. The footer contains site information, including 'Enhanced by KiOSS.Com', RSS feeds, and a 'SAVE THIS BLOG' button.

Media OPENSOURCE-INDONESIA
Informasi Free & OpenSource Software Indonesia

UserName: Pass: [Daftar jadi Anggota!](#)

Home Berita Download Search

OpenID

OpenID

Login using OpenID (?)

e.g. myname.myhost.com

remember me

[New account registration](#)

--: Yang Support --:

KIOSS.COM
<http://kioss.com>

--: Project List --:

Alphabetical order
-| FreeWare |-

- AlQuran Digital
- DingKLIK
- DongKRAK
- EditorPHP new
- FREE.Billing.Cafe

My Message

Welcome to OpenSource-Indonesia

Suatu wadah untuk mengumpulkan seluruh informasi segala proyek-proyek Anak Bangsa baik yang sekedar FREE, Semi-OpenSource terutama yang benar-benar Full OpenSource.

Aplikasi yang Anda [submit](#) di sini, tidak harus sepenuhnya opensource, tapi setidaknya adalah aplikasi yang FREE, bebas dipakai oleh yang menggunakannya dan benar-benar unlimited. Bukan aplikasi yang dibatasi oleh waktu ataupun fungsi.

Jika Anda mempunyai proyek yang FREE apalagi OPENSOURCE, silahkan [submit](#) di sini.

Bebas untuk materi/bahasa/sistem apapun, tidak harus Under Linux tapi boleh juga untuk Sistem Operasi yang lain.

Kita padukan langkah, maju bersama untuk semua.

Last Download

- USBTool (473)
- Gampank CMS versi 1.0.0 (456)
- SiBellFree (516)
- BlankOn 3.0 (lontara) (380)
- MsOffice2007 2 MsOffice2003 (854)
- HOAY (399)
- Banjar - BANDwidth Justification for Administrator (885)
- Freelib (1095)
- Senayan 3rc9 (1176)
- BlankOn 2 (distro) (876)
- php - SMS Gateway API for gammu (1521)
- PHP Shell2 (391)
- HaditsWeb 3.0 (2271)
- Aplikasi TataSurat (3883)
- Klorofil 0.1.1 (Win) (1699)

Top Download

- AlQuran Digital (35886)
- SMS.Me!!! Free SMS Gateway Application (14283)
- Kamus 2.0 (10361)
- Terjemah Al-Quran v1.5 (9951)
- Indict - Kamus EI/IE (9026)
- PlaySMS Project (8955)
- Ayo Sholat/pengingat sholat (8683)
- Faroidh (software hukum waris Islam) (8512)
- Kamus (6846)
- Shollu v3.07 (6435)
- Istilah Teknologi Informasi Bahasa Indonesia (tar.gz) (6380)
- Final Project Credit Card Generator ver 3.0.6 R (bin) (6118)
- PHP Manual (.chm) (5259)
- Endonesia CMS 8.3 (5157)
- ZeToc (4319)

Headlines

Past Artikel

Monday, June 02

- BAIK versi 2.0 - Mengakses Mysql dengan bahasa Indonesia (0)
- BiOS - Billing Open Source (0)
- BlankOn 3.0 rilis (0)
- HOAY (0)
- Simple Machine Protect 1.7.2 Released (0)
- BAIK - Interpreter dalam bahasa Indonesia (0)
- Banjar - BANDwidth Justification for Administrator (0)
- Freelib - Aplikasi Perpustakaan (0)
- Depkominfo Akan Gelar IGOS Summit II (0)
- Senayan 3 rc9 Rilis 1 (0)

...: SMS.Alert ...:

KIOSS.Alert!!!
Kirim...

Enhanced by **KiOSS.Com** | [RSS](#) | [KIOSS.Com](#) | [PHP-id.Org](#) | [Delphi-id.Org](#) | Best View 1024x768 with Opera, Mozilla Firefox | [SAVE THIS BLOG](#) **TEKNOKRATI**

OSS in Indonesia

- Open Source Portal Software:
 - <http://www.endonesia.org/>

The screenshot shows a Mozilla Firefox browser window displaying the eNdonesia 8.4 website. The browser's address bar shows the URL <http://www.endonesia.org/>. The website has a red and white color scheme. On the left, there is a navigation menu with sections: **ENDONESIA 8.4** (Introduction, Features, Support, Download), **OPEN CATALOG** (AMP Trio, eNdonesia Module, eNdonesia User, Linux, Open Source), **OPEN NEWS** (Indonesia Portal, Open Source, Linux), and **ABOUT US** (Our Portal). The main content area features an article titled "Why Build A Website If You Can Build A Portal?" with the following text: "Say bye...bye...to website. Say no more to a homepage. Website is a kid toys. Right here, right now, everybody can have his or her own portal. Portal is no longer a Yahoo toys." "Portal? Yesss. It's eazy to build a portal. If you can or ever build your own homepage, you can build your own portal too. And whatever you need to build a portal, you can get it free. Open Source. And look no further: use eNdonesia 8.4." "eNdonesia 8.4 is a web portal application, content management system, news publishing systems, or whatever you want to name it. It has been developed to enable people build their own internet empire by providing portal for the public, just like what Yahoo has done, and Google want to do." "It's easy to install, use and manage. This will let you focus on delivering content --what ever it is-- to your portal visitor." "Using eNdonesia 8.4, you can build various portal with diverse content as you wish. Its modular approach enable you to extend your portal by adding another module." "There is no demo site for eNdonesia 8.4. Who needs a demo anyway? It's only take a few minutes to install eNdonesia 8.4 and make it work. But if you want to see real operating sites, you can visit Endonesia.com, in Indonesia languages, or visit Endonesia.Net for English site." Below the article is a section titled "OPEN SOURCE CATALOG". On the right sidebar, there is a "What's New" section under the heading "ENDONESIA PORTAL" with links: "What's New in eNdonesia 8.4", "eNdonesia 8.4, All Version, Available for Download", "Update for Classifieds and Discussion Forum", "Let's Make More Colorfull Publishing", "New Info Site for Endonesia 8.x: Endonesia.Org", "eNdonesia 8.3 English Version Released", "eNdonesia 8.3 Indonesian Version Released", "Newsletter Module for Endonesia 8.x - Indonesian Version", "Newsletter Module for Endonesia 8.x - English Version", and "Born of eClassifieds". At the bottom of the sidebar is an "Explore" section. The browser's status bar at the bottom shows "Done" and "M, Kuril Islands".

OSS Business Model: Training

- Niche (but nice) business model (since 2001):
<http://www.inixindojogja.com>
- 80% training and 20% consulting, 20 employees incl. 6 full-time trainers, customers: Banking, Telco, Oil/Gas, Government, Education etc
- Which strategy?
 - The Dual Strategy
 - The Consulting Strategy
 - The Patronage Strategy (collaboration with others)
 - (training for) The Embedded Strategy

The Dual Strategy

- Offering free workshop/seminar to convince and encourage OSS implementation (20%) → Marketing and Communication
 - 20-30% participants become customer
- Offering OSS Training for corporate, government, education etc (80%)
 - Intensive training (3-10 days)
 - 6 classrooms or in-house

The Dual Strategy

- Applicable for AOSS events
 - Asia OSS Training Program in Yogyakarta in Feb 2007
 - <http://www.cicc.org.sg/aseanoss/jogja0207.htm>
 - OSS: Japan - Asia Partnership Seminar, August 27 and 28, 2008 Indonesia
 - http://www.cicc.org.sg/aseanoss/id_aug08.htm

The Consulting Strategy

- Customers need help to design their systems based on OSS
- Customers need help to prepare their human resources to support OSS based systems
- Challenges:
 - Awareness for decision makers
 - Government sector: more expensive is better?
 - How to audit OSS systems?

The Patronage Strategy

- Provide free consultation/seminar/workshop for customers to design and develop their Information Systems (IS)
- Get opportunities to conduct regular training to maintain, enhance, migrate etc
- Collaborate with another IT vendor (software/hardware/network) to provide a complete IS solution

(training for) The Embedded System

- Linux based Networking devices such as Mikrotik or PC-Router
- Collaboration with Telecommunication companies for their customers
- Mainly for government and education sector

New Wave of OSS Business Strategies?

- WIKINOMICS:

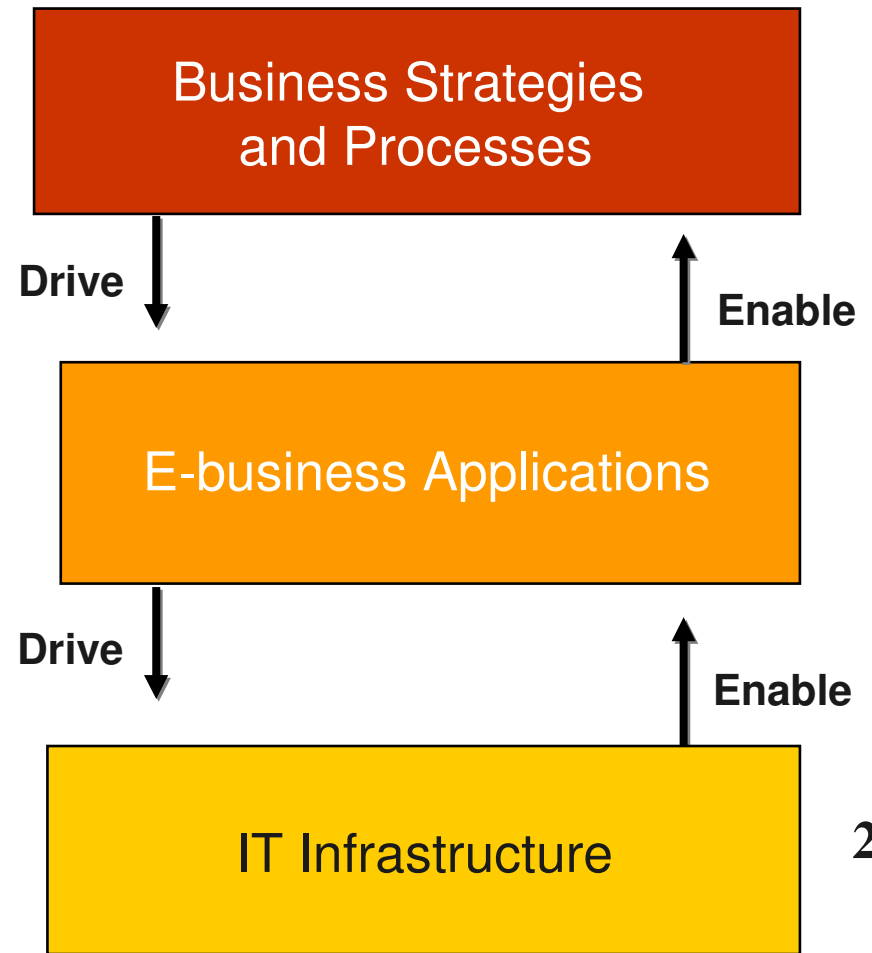
- http://www.businessweek.com/innovate/di_special/wikinomics.htm

- <http://www.wikinomics.com/blog/>

and many others....

- **Again:**

- **It's all about BUSINESS!**



References

- [1] The Open Source Initiative, <http://opensource.org/>
- [2] The Open Source Initiative, Open Source Definition,
<http://opensource.org/docs/definition.php>
- [3] Koenig, J., 2004, 'Open Source Business Strategies'
- [4] Directory of Open Source Indonesia
<http://www.igos.web.id/directory/>
- [5] Open Source Indonesia,
<http://opensource-indonesia.com/kioss.php/index.php>
- [6] Open Source Portal Software
<http://www.endonesia.org/>

Thank you

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