Chapter 1
A Business Model Framework for Open Source Software Companies

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ABSTRACT

Open-source software companies represent growing businesses with specific business models. Here, the authors look at different business models for companies that base their business model completely or in part on open-source software or open-source licenses. They analyze different building blocks of such business models and reuse an existing business model framework to categorize these building blocks. This view reveals different hybrid business models for open-source software and ways for commercial open-source companies to create differentiation and competitive advantage.

1. A BUSINESS MODEL FRAMEWORK FOR OPEN-SOURCE SOFTWARE COMPANIES

Open-source software companies represent growing businesses with specific business models (Deshpande & Riehle, 2006, Popp, 2019). Here, we look at different business models for companies, that base their business model completely or in part on open-source software or open-source licenses. We analyze different building blocks of such business models and reuse an existing business model framework to categorize these building blocks.

1.1 Open-Source Licenses as a Key Factor for the Variety of Business Models

An open-source license comes with rights and obligations and the search for the optimal license continues (Lerner & Tirole, 2005, Jaeger et al., 2005). A license creates limitations as well as opportunities in creating business models around open-source software.

For example, for a company using open-source software as part of its products, the limitations can be described as follows.

Example

A software vendor may make use of the rights, like usage or redistribution of the open-source software, but it also has to fulfill the obligations, like e.g. delivering the copy of the license text with the software or revealing the source code of a software product.

Another restriction is that some licenses do not allow modifications of the open-source software. This would exclude the ability of a commercial open-source company to provide maintenance and to fix security vulnerabilities, because the open-source code must not be changed.

But the limitations of open-source licenses can also be an advantage for software vendors providing open-source software, which will be shown later in this chapter, when we talk about dual licensing models.

The key point for a commercial company is if it is willing and able to comply with the license terms of a specific open-source component. The rights and obligations in conjunction with the open-source software have to be analyzed diligently to make sure there is no violation of the license terms and the license terms are not in conflict with the commercial company´s business model (Onetti & Verma, 2009, Krishnamurthy, 2005). If this is ensured, the company can leverage this piece of open-source software.

1.2 Suppliers of Open-Source Software for Commercial Use

Often, open-source software is being supplied by a community or by a commercial company (Popp & Meyer, 2010). We speak of community open-source and commercial open-source respectively.

Community involvement with open-source products means that a community of people provides creation, maintenance and support for an open-source software (Stürmer & Myrach, 2006). Sometimes the community even provides presales and

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