Business models for open source companies: the shift towards a pure service model.

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Research paper

Purpose

From 1998 -the year when the term Open Source was coined- the role of OSS (open source software) is becoming more and more important. Although open source cannot be considered a business model by itself, the growing diffusion and adoption of OSS is changing business models in the Software Industry. Business models of OS software firms are typically service-oriented since professional services -and not license fees- represent the main source of revenue. In literature just a few articles focused on the business models for OSS companies. Due to the importance of OSS firms in the current software scenario and the growing adoption of OS programs, this topic requires to be studied in deep, with a management scientific approach.

Methodology

The paper starts with a literature review about business models for OSS companies, referring in particular to the difference between "traditional" software companies and open source companies. Thereafter we introduce a taxonomy categorizing business models for open source companies. The taxonomy is structured along two dimensions, revenue drivers and licenses. In particular we will focus on companies adopting pure or mostly based on service model.

Findings

While traditional software companies adopt a license fees driven business model, the revenue of OSS comes from a wide range of support services and tools (maintenance, support, customization, consulting and training).

Implications

The shift from a license model to a services model OSS is bringing into place causes a re-modulation of the software industry, changing the competition rules and requiring new business models based on services. The managerial implications of the OSS have not yet been properly addressed and explored. This paper aims at filling this gap. The paper also explores several business cases that will prove to be valuable not only to researchers but to practitioners as well.

Keywords: *business model, service model, open source, software industry, revenue drivers.*