

Appropriate value (as in make money) from OS!

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My experience

- Executive Director, Talent First Network (2006-today)
- Director of Technology Innovation Management Program (1998-2007), Director of Bell-Northern Research (1988-1992), and Director of School of Business (1981-1988)
- Prime of “Competing in open environments” and “Early stage market assessments” research programs funded by Nortel
- Supervised 50 theses, of which 15 focus on open source
- Published in *IEEE Transactions on Engineering Management*, *Journal of New Product Innovation Management*, *R&D Management*, *Research Policy*
- Consultant to telecom and software companies
- Lead of two UNESCO forums on open source software
- 12 years teaching for the EMBA offered by Queen’s University

TFN initiatives

- Ecosystem
 - Keystone, 50 companies (4 university spinouts), interns, services (biz model validation, IP, partnership formation, opportunity definition)
- Lead projects
 - 4 disruptive market projects, 12 home grown research
- Knowledge creation
 - Theses, projects, publications, books
- Knowledge dissemination
 - www.OSBR.ca, Partnership Conferences, curriculum, OS groups, camps

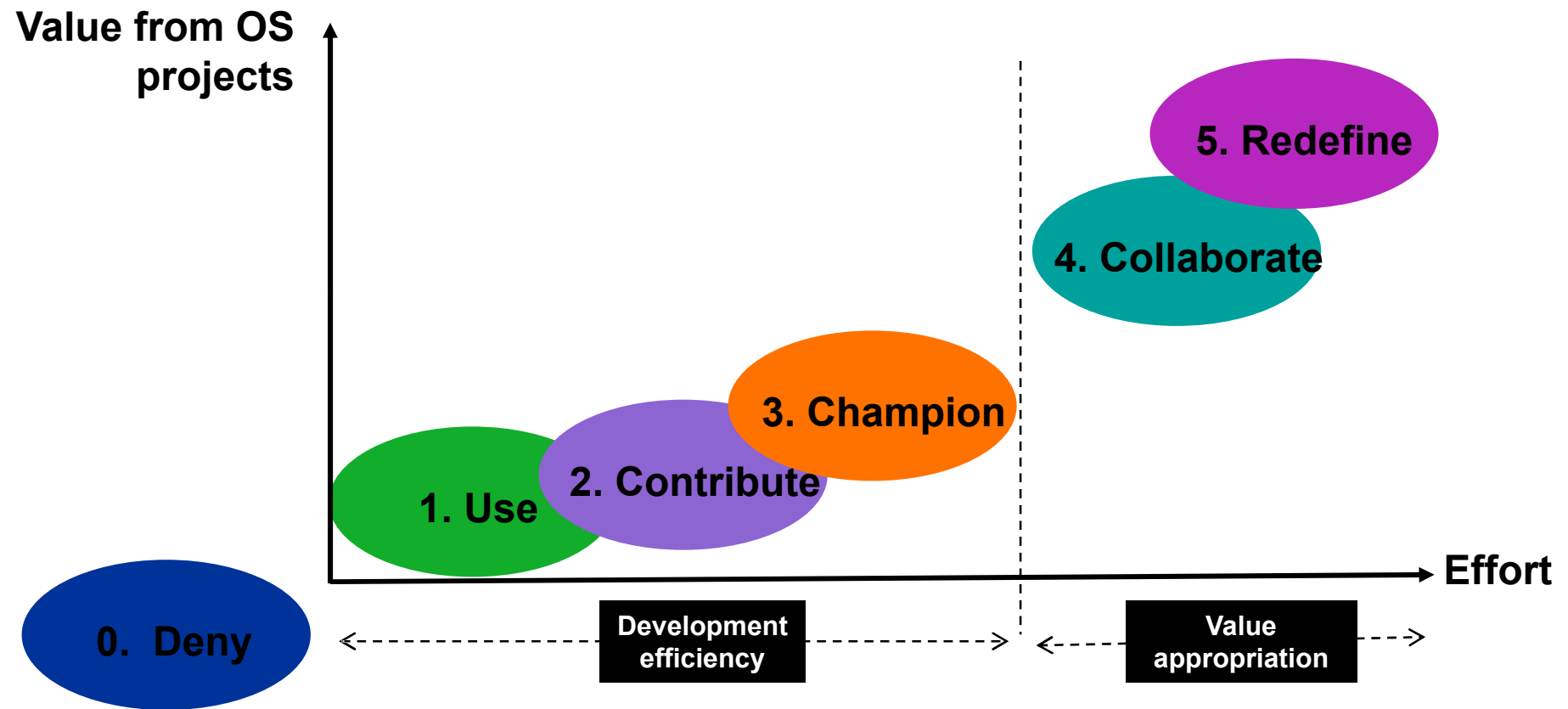
Agenda

- Key messages
- Two models
 - Five levels of company interactions with OS projects
 - Architecture to make money
- How will you make money?
- Which level does your company exist in?
- Applications

Key messages

- Make clear how you will make money from OS
- Template to make money provides basic architecture
 - Define attributes of 6 objects and 4 links
 - Validate you will make money
- Five-level model describes relationship between a company's interactions with OS projects and value expected from these interactions
 - Each level requires more effort
- Select level with which you feel comfortable

Value company appropriates for each level of interaction with OS projects



What determines level of interaction

- Main reason to interact with OS project
- Control manager of interaction has
- Actions company carries out
- Benefits accrued by OS project

Make money from OS: template

Who buys	↔	YOU	↔	OS.org
Why buy from you	↔	Your offer	↔	OS code

- Increase buyers' willingness to pay for companies' offers
- Increase size of market
- Decrease buyers' willingness to pay for competitors' offers
- Decrease suppliers' costs of working with you
- Increase suppliers' costs of working with competitors

Level 1

Who buys	↔	YOU	↔	OS.org
Local		USER	Promote	More users
Why buy from you	↔	Your offer	↔	OS code
Brand Convenient		Knowledge Distribution Complement Conferences	Explore	

Level 2

Who buys	↔	YOU	↔	OS.org
Existing segment		CONTRIBUTOR	\$ Promote	More users
Why buy from you	↔	Your offer	↔	OS code
Better fit Better quality		SW or HW product Services	Fix bugs Code Internal development	Better quality More features

Level 3

Who buys	↔	YOU	↔	OS.org
Existing and new		CHAMPION	Project leadership \$ Mobilize externals	More projects More users Better governance
Why buy from you	↔	Your offer	↔	OS code
New functionality Credibility		SW product HW product Services	Ext/internal development	Extensions Company pull

Level 4

Who buys	↔	YOU	↔	OS.org
Market segment		Collaborate		Value chain commitment to org Better governance
				Governance leadership \$
Why buy from you	↔	Your offer	↔	OS code
Positional advantage		Solutions		Value chain pull
				Product strategy Influence customers and competitors
				Experts provide solutions

Level 5

Who buys	↔	YOU	↔	OS.org
Larger market	Partner network	REDEFINER	Governance leadership People \$	Partner commitment
Why buy from you	↔	Your offer	↔	OS code
Stronger value proposition Product line synergy	Network of diverse references Experts deliver value Distributor network	Solution, product and service portfolio	Design products based on OS	Partner pull

Main reason to interact with OS project

1. Use	2. Contribute	3. Champion	4. Collaborate	5. Redefine
Explore Reduce build costs Decrease time to market	Fill gaps in feature set of company's product Improve software quality	Champion OS project Steer new functionality and its evolution	Gain positional advantage for company's product in a market segment	Change value proposition of offer delivered to customers

Control manager of interaction has

1. Use	2. Contribute	3. Champion	4. Collaborate	5. Redefine
Control over technical work in function or project	Control over project or development of product component	Control over product portfolio	Control over market segment and sales strategy	Control over line of business growth and or corporate technology capability

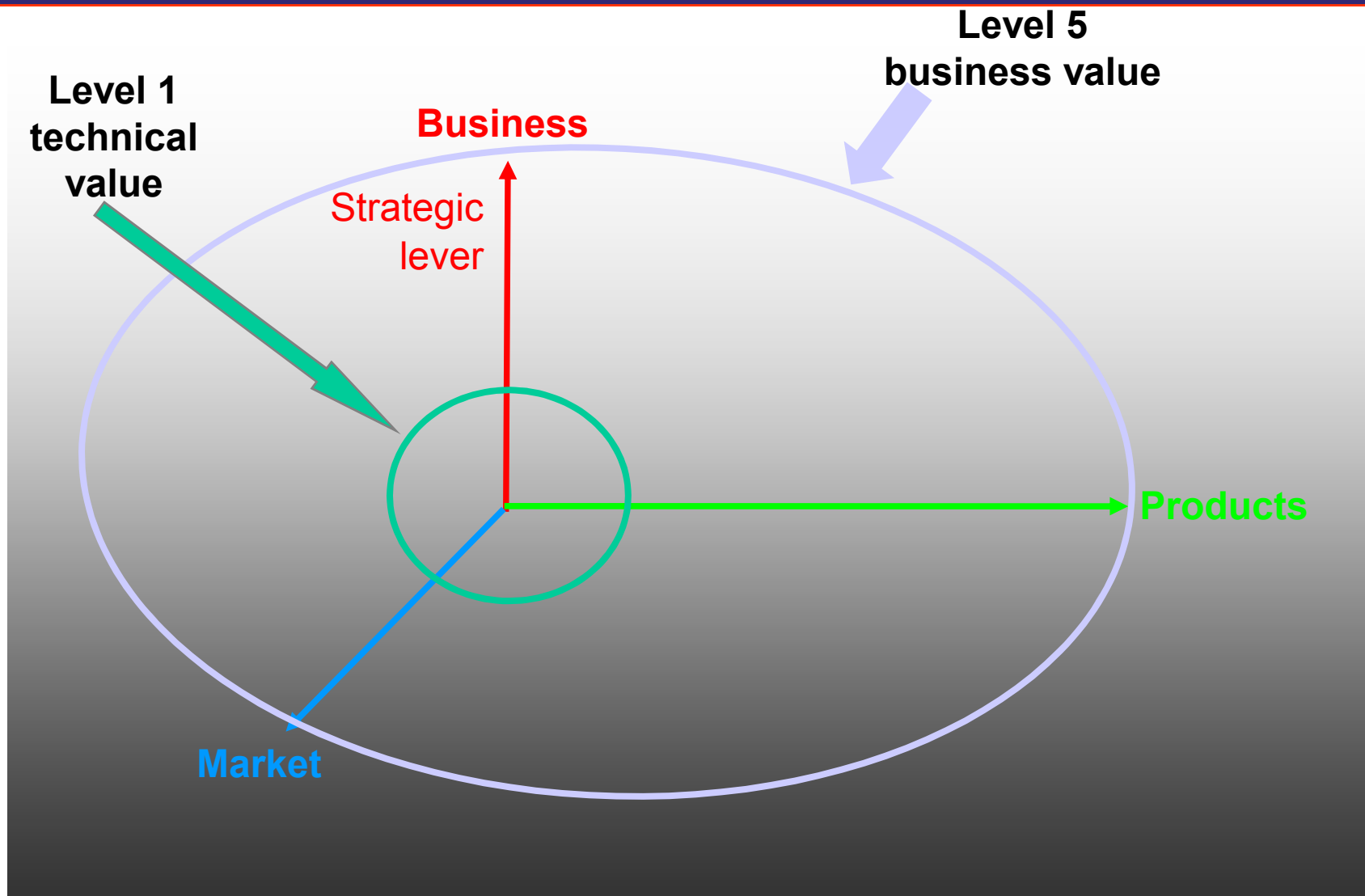
Actions company carries out

1. Use	2. Contribute	3. Champion	4. Collaborate	5. Redefine
Uses and promotes OSS	Contributes time, code, developers, and money to OS project	Contributes leaders and experienced developers to OS project	Collaborates to implement company's product strategy	Designs products so they can be developed using OS projects
	Coordinates activities of internal developers	Steers and manages information from OS project	Exerts influence on customers & competitors to change competitive environment in favour of company	Mobilizes external diverse references to help persuade customers to buy
		Mobilizes external developers to contribute to project	Connects, enables and positions experts to deliver solutions to customers	Connects, enables and positions experts to deliver solutions to customers using new business model
		Coordinates internal and external developers		Develops partner network and services to this network
		Mobilizes coordinates community to promote OS project	Promotes solutions	

Benefits accrued by OS project

1. Use	2. Contribute	3. Champion	4. Collaborate	5. Redefine
Number of users and awareness of OS project increases	More features and better quality	Company pull for OS project Leadership structure and governance	Company commitment to health and advancement of OS project New versions of OSS	New company driven resources to establish links with other OS projects and new project contributors

Power must increase in 3D space



How companies create value

- Increase the number of users
 - Introduce new products and services derived from OS
 - Incorporate OS in existing products
- Increase customers' willingness to pay for OS
 - Release proprietary code
 - Invest in OS projects
 - Establish partnerships with customers and complementors
- Decrease costs of providing products derived from OS
 - Decrease development or operating costs

How companies appropriate value co-created with others

- Increase customers' willingness to pay for the company's products
 - Provide differentiated products
 - Establish partnerships with companies that are not OS
 - Provide migration programs for competitors' products
- Decrease buyers' willingness to pay for competitors' products
 - Provide free OSS distribution
- Decrease suppliers' cost to provide resources to the company
 - Establish partnerships with suppliers
- Increase suppliers' cost to provide resources to competitors

Use models to

- Design and make clear your money making machine
- Select level where you feel comfortable interacting with OS project
- Move from one level to next
- Improve effectiveness of money making machine
- Prepare to respond to competitors' attacks

Model works well in companies

- With self confidence to partner for the purpose of creating value for customers
- Can split products into commodity like and differentiated components
- Have culture of profitable selling solutions

Thank you!

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