

Open entrepreneurship: The process of building a born-open business

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Using OS in your startup

“When money’s scarce, open source software can help your new business launch without breaking your budget.”

- David Wall, IEEE Computer, 2001

The market for FLOSS and business

Worldwide revenue from open source software (OSS) will grow at a 22.4% compound annual growth rate (CAGR) to reach **\$8.1 billion** by 2013.

(Source IDC: http://www.businesswire.com/portal/site/home/permalink/?ndmViewId=news_view&newsId=20090729005107&newsLang=en)

Born-open business: Definition

A “born-open” business is one whose business model is built around and dependent upon a system of production that brings together participants from both within and outside the business to produce a valuable good that is made available to all.

(“Born-open” originally coined by Karim Lakhani at Harvard. This definition draws on the work of Levine & Prietula, 2012; Lakhani, 2012; von Hippel, 2005; and, the open source literature in general)

Born-open businesses are different

Born-open businesses are not affected in the same way by the same forces as pure **markets** (hard-form incentives), **hierarchies** (traditional businesses), or **networks** (formalized interconnections and alliances) (Demil & Lecocq, 2006)

Looking at born-open businesses

Investigating some questions:

- *What makes someone decide to become an entrepreneur?*
- What is the process?
 - How do they become successful?
 - How do they grow?
- What's the most important part of the process?
- What does the business model look like?

Literature: What makes an entrepreneur?

According to Gartner, Mitchell, and Vesper (1989), there are 8 types of entrepreneurs that vary in terms of:

- Personal characteristics, abilities, skills
- Motivations
- Strategies and organization structures used
- Environment and kinds activities pursued

Type 1: Escape artist

- Escape from previous job
 - Found job unrewarding
 - Salary too low
 - Work not challenging
 - No promotion opportunities
- New company is in new industry with new type of work

(Adapted from Gartner, Mitchell, & Vesper, 1989)

Type 2: Deal maker

- Good at bringing people together
 - Suppliers
 - Wholesalers
 - Retail channels
 - Customers
- Leverages a broad array of contacts to put together a deal where everyone benefits in a novel way

(Adapted from Gartner, Mitchell, & Vesper, 1989)

Type 3: Subject matter expert

- Worked before in a position with the same technical skills and expertise required as the new business
- Business offerings are directly related to skills of founder
- No large focus on selling, marketing, advertising, etc. because customers are clear from previous job/referrals
- Expertise allows offering of better services than competing “generic” firms

(Adapted from Gartner, Mitchell, & Vesper, 1989)

Type 4: Purchaser

- Buys an existing company that might be doing poorly
- Requires a lot of capital to make acquisition
- Reevaluation of products and services offered
- Adapts previously unsuccessful business to new consumer needs

(Adapted from Gartner, Mitchell, & Vesper, 1989)

Type 5: Scanner

- An expert who sees a wave of change or volatility coming in an established market
- Focuses on sales that are ahead of the market shift
- Competes with flexibility, rapid adaptation, and ability to predict before competitors

(Adapted from Gartner, Mitchell, & Vesper, 1989)

Type 6: Insider

- Focused consulting in a niche specialization
- Knows the right people in the particular industry who are the keys to access to the people who award the consulting contracts
- Develops leads for self and rest of his/her company to offer consulting services

(Adapted from Gartner, Mitchell, & Vesper, 1989)

Type 7: Inventor

- Comes up with a new idea for product or service that doesn't yet exist and builds company around it
- First-mover advantage
- Focuses on finding customers for new product/service

(Adapted from Gartner, Mitchell, & Vesper, 1989)

Type 8: Creative organizer

- Methodically plans and organizes both the acquiring of the necessary skills and performing the tasks of creating a new business
- Similar products/services as other companies but offered with some creative twist that adds value or appeals to another customer segment

(Adapted from Gartner, Mitchell, & Vesper, 1989)

Born-open business types

With born-open entrepreneurs, we tend to see:

- Type 3: Subject matter expert
- Type 5: Scanner
- Type 6: Insider

More on this in a bit...

Looking at born-open businesses

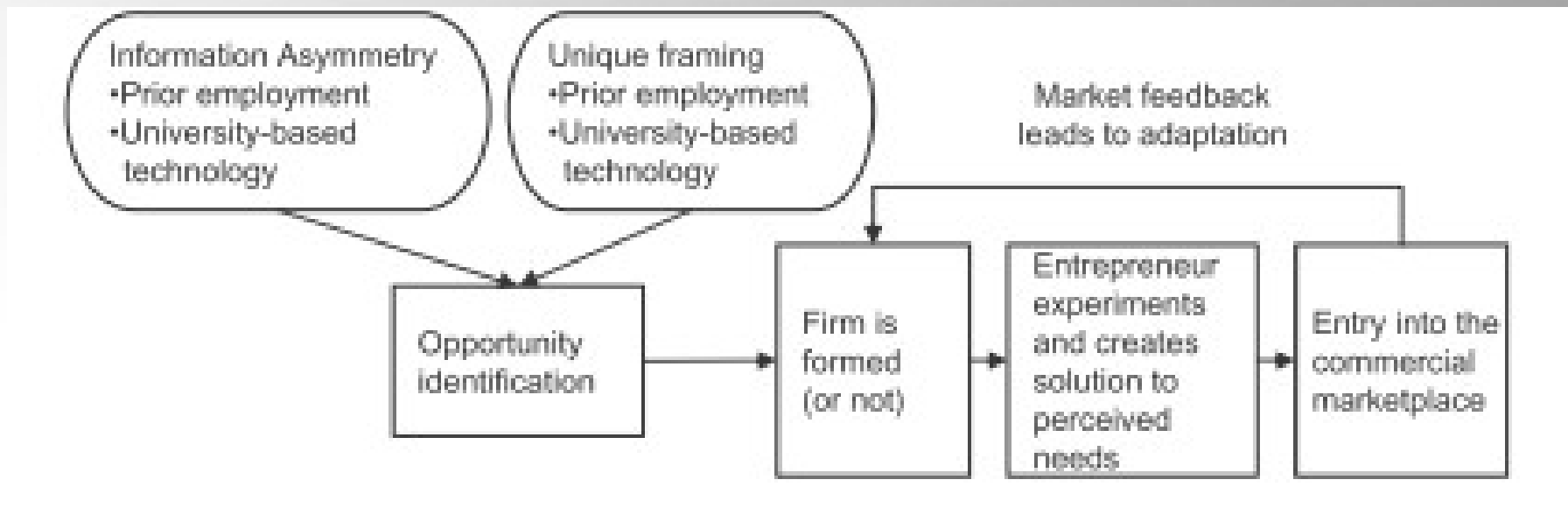
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Literature: Process of entrepreneurship

Traditional model:

- Have unique information or perspective
- Identify an opportunity
- Experiment in market until success or failure

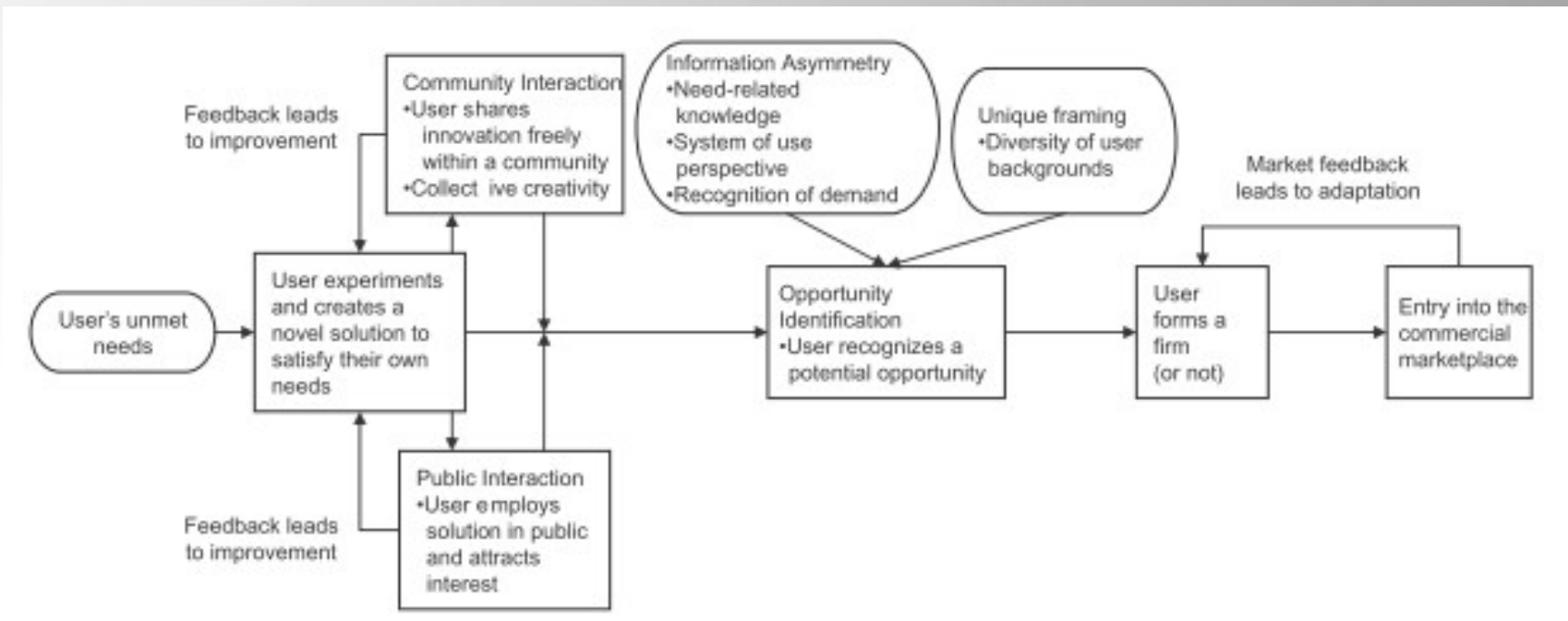


(Adapted from Shah & Tripsas, 2007)

Literature: Process of user entrepreneurship

User entrepreneurship extended model:

- Unmet needs lead to novel solution
- Community interaction improves idea
- Feeds into opportunity recognition as before



(Adapted from Shah & Tripsas, 2007)

But model stops at entering market

The existing accounts in the literature didn't reflect what I had been seeing and hearing in FLOSS communities.

Seemed to me like there were more steps. And more connections.

So I decided to investigate myself...

My research: Interview data

Interview based research:

- 35 interviewees to date, more being scheduled
- Broad diversity of FLOSS projects represented
- Mostly Toronto and Ottawa, but also Montreal and US cities
- Interviews in person, phone, Skype, via internet relay chat (IRC)
- Interviews ranged from 30 minutes to over 3 hours

My research: Small-scale focus panel

Focus panel research:

- Conducted at a local FLOSS gathering
- 8 participants
- Short duration
- Discussion of topic of “FLOSS community”

Example interviewee profile 1

Boyd Langton*

- Primary project: Rossum*
- Educational background: Economics
- Encountered FLOS working for a large company
- Direct project involvement: High
- Entrepreneurship type: Insider (bits of SME)

*All names/companies anonymized for interviewee privacy

Example interviewee profile 2

Topher Brink*

- Primary project: Epitaph* / Dark Horse*
- Educational background: Journalism
- Self-taught programming using FLOSS
- Direct project involvement: Medium
- Entrepreneurship type: Scanner (Bit of escape artist)

*All names/companies anonymized for interviewee privacy

Example interviewee profile 3

Paul Ballard*

- Primary project: Tabula Rasa* / Dark Horse*
- Educational background: Political science
- Exposure to internet technologies at non-profits
- Direct project involvement: Low
- Entrepreneurship type: Creative organizer (Bit insider)

*All names/companies anonymized for interviewee privacy

Step 1: Identify a need

Can be motivated by internal or external forces:

- Personal annoyance in routine activity
- Inefficiency in office setting
- Need of a client that you have been asked to address
- Research question

Identify a need: Examples from interviews

Adelle DeWitt*:

“The problem was that at that point in time, there was no way, short of opening the door and hollering into the operating room theater, to know how the previous operation was going.”

Laurence Dominic*:

[I needed a group voice chat for gaming.]

Step 2: Select a project

Look for a project that partially or fully addresses the need:

- Searching ensures that you don't reinvent the wheel
- It helps you better understand what you can contribute, what gap in current offerings you can fill
- If a project meets some but not all of the needs, you might be able to extend it

If you're absolutely certain that no project exists to remotely address the need, create one.

Identify a project: Examples from interviews

Laurence Dominic*:

“I started looking around for software that [addressed my needs]. I just got really intrigued by the project and got into it.”

Topher Brink:

[I searched to see if there was something that met at least 70% of our needs that I could build upon.]

Step 3: Build structure to scratch the itch

Address the need that motivated you by building a structure support the need:

- Learn about the project
- How to use and apply it
- How to extend and build upon (modules?, monolithic?)
- Apply to circumstance and iteratively build, test, and fix
- Ensure solution meets needs as much as possible
- Structure work to be reusable, understandable by others, addressing need, not just specific context of need

Scratch the itch: Examples from interviews

Topher Brink:

“[We had] a mechanism for embodying all the work that we were doing in Epitaph, because it was open source; [it wasn't a one-off system].”*

Adelle DeWitt:

“So I just did it. It worked out great. Before we knew it we had almost completely automatic installations and upgrades. This was a pretty big deal.”

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Step 4: Look for more needs

Identify the needs of other stakeholders that you can address with the project, partially or fully

Leads to two forms of growth:

- Extensions of the project to more fully address needs that were partially met before
- Addressing more of the same need by deploying, integrating, and supporting the project in new places

Identify more need: Examples

Simon Tam*:

[I realized that if you're a systems administrator, there is a disconnect between the technologies that you would like to use and the ways by which you can effectively manage those technologies for your users]

Claire Saunders*:

[I have designed, work with, and maintain a methodology for interorganizational organization and I apply it wherever it is needed, in IT, sports, transit, etc.]

Step 5: Get value from addressing needs

There are lots of ways to extract value from the expansion of needs addressed:

- The obvious get paid to do consulting (productize, integrate, support, extend, work for hire)
- Get hired as an employee to do the work
- Build a reputation / Add skills to resume
- Create contacts to leverage later
- Create a not-for-profit and pay yourself
- Create a partnership with someone with a complementary product/service to drive both

There are LOTS of different types of value.

There is value other than cash that can become cash

Get value: Examples from interviews

Bennett Halverson*:

“It has to be more than just the dollars.”

Clive Ambrose*:

“I've never really had a resume. [People would sometimes just say,] 'You're doing good work as a volunteer. Would you like to be paid to do it?' It's always just been having conversations with people and going from there.”

Matt Cargill*:

[People join True Believer because it prevents lock-in to specific, boring work. They get access to opportunities based on other members' reputation. We benefit from a shared reputation enhancement.]*

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Step 6: Develop reputation

Develop your reputation in the project's community, your brand, to be familiar enough so that you become the go-to person for the project, or a specific subset of the project in the case of large projects.

Become the answer to the question, “*Who could help us get X done?*”

X is your niche, your specialty, your competitive advantage

Reputation: Examples from interviews

Matthew Harding*:

[People look at your reputation on Stack Overflow, which gauges your ability. You get reputation by asking good questions.]

Joe Hearn*:

[One of the first things I look at is someone's Github profile, to see what they've done. It gives me a sense of their experience and involvement. It tells me more about their experience than their resume.]

Step 7: Help others succeed in community

Foster the success of other members of the FLOSS community because:

- It helps the whole ecosystem grow and thrive
- It enables others to be aware of you and what you do so that it comes to mind when a need arises
- Reciprocal work; nobody can do everything
- The more successful the community, the more it grows and the more incentive people have to join and make it grow
- It makes the community more resilient as a whole in hard times

Help others: Examples from interviews

Adelle DeWitt:

[You need to help nurture and establish a core of people who then, in turn, help others.]

Boyd Langton:

“We want people in the community because the community is like a multiplier [for success].”

[When we get offered contracts that are too small to be worth our time, we pass them on to someone else in the community who is looking for work.]

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Community is key

Topher Brink:

[Getting plugged in to the community is how to get the really good information.]

[The value in participating in open source from a business point of view lies entirely in embedding yourself as much as possible in the community system. Being at the center of the ecosystem leads to opportunities coming to you.]

What is community anyways?

- *“All the people who are engaged with the project; meaning, all the people who use the outputs of the project and all the people who contribute to those outputs being created”*
- *“The people who you can 'reach out to'. You 'know who they are”*
- *“Individuals and organizations aligned with a common purpose[and] an ability to work together”*
- *“Developers, users, documentors, practitioners, people who use it to solve problems, people who benefit from the solutions who might not be aware of it”*
- *“The difference between a community and a random assemblage of people is that a community identifies itself as a community”*

[Community is a word that we all use but nobody really knows what it means]

Community norms and values

Community norms and values drive interactions:

Boyd Langton:

“There is ownership and a family feeling to it. We put blood and sweat into it. We want to see it foster. We're all shared parents in a way.”

Knowledge-sharing routines are a source of competitive advantage in the relationship between organizations, along with effective governance (Dyer & Singh, 1998).

They are a uniqueness of “born-open” businesses that traditional competitors can't readily imitate.

Community: Helping others

Joel Mynor*:

“You are a member of a community once you start answering questions that don't relate to anything that you are doing yourself”

Community: Start engaging early

Paul Ballard:

“[If I could do it over again], I would have started my involvement with Dark Horse earlier. I would have gone to one of the first early ... conferences that Dark Horse set up in Vancouver ... I would have met some of the people early on in person at that session and I would have had that sort of personal relationship with them.”*

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Born-open business model exercise

Business models are always a function of YOUR specific business, your chosen niche, your talents, your ability to differentiate. There is no single “right” model.

What's notably different in “born-open” business models is the fuzzy boundaries between the “business” and the community, the advantages of community embeddedness, and the blurry definition of what “value” can be.

Together, let's do a short exercise where you take the principles from this talk and apply them to make up YOUR OWN business model.

Take 5 minutes to think/sketch it out, then we'll discuss.

If you remember nothing else: Part 1

I Shall Build Lasting Goodwill which Definitely Helps

- 1) **Identify** a need
- 2) **Select** a project
- 3) **Build** structure to scratch the itch
- 4) **Look** for more needs
- 5) **Get** value from addressing needs
- 6) **Develop** reputation
- 7) **Help** others succeed

If you remember nothing else: Part 2

Value is not value is not value.

- There are many types of value and many ways to extract value.
- There is nothing wrong with a “business model” that has you as an employee of a company or a setup as a not-for-profit as the way of extracting value.
- If you do it right, your “business” will outlive any company that might be paying you at any given time.

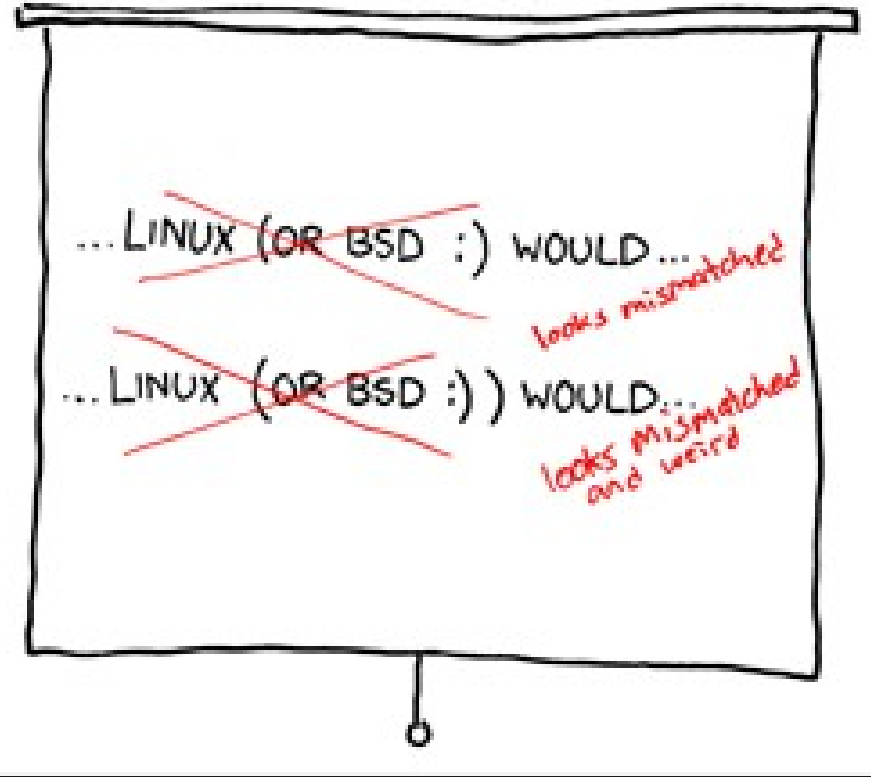
If you remember nothing else: Part 3

Community, community, community.

- Engage more deeply in fewer communities
- Engage early
- The boundaries between your business and the community are fuzzy and often irrelevant
- Foster the success of others in the community to grow
- The embeddedness in community is a unique, sustainable competitive advantage of born-open businesses that traditional businesses cannot easily imitate

Questions and discussion

HOW DO YOU END PARENTHETICAL
STATEMENTS WITH EMOTICONS?
I CAN'T FIGURE OUT A GOOD WAY.



Courtesy of xkcd.com