

## OSI, “Open Source Case for Business”

Read the article at <https://edtechbooks.org/-gscWu>

### Background

Like Eric Raymond’s article, “The Magic Cauldron,” “Open Source Case” analyzes different revenue models for open source companies. This compliments Raymond’s article by being a little more contemporary and also infuses more a business investor perspective into how companies can leverage the power of open source to their advantage.

### Key Points

Businesses should adopt open software because it is safer for the business. The section “The Reliability Problem” focuses on the proven models that show that open-source is often more reliable and robust than closed-source materials. As businesses focus more on software products and services, they should consider the advantages of taking proprietary software or software products and making them open source. The advantages of open sourcing include:

- More reliable software at a lower cost because the cost of debugging is out-of-house instead of in-house costs
- Quicker development
- Stronger ties to the customer who is part of the process and more loyal because the product better fits their needs even in a constantly-shifting market
- Larger dissemination of the product and broader market

More loyal customers with a better product? It sounds like a pretty good bet for an investor as long as the business has a way of turning these additional strengths into a revenue. When that happens, investors will provide funds as long as the company provides a return on the investment. The article reemphasizes models that Eric Raymond explains in his article, “The Magic Cauldron” as possible ways that investors can capitalize on the benefits of strong open-source companies that provide value.

### Discussion Questions

1. What benefits attract investors? Why is a strong business worth investing in even if it produces products that can be reproduced for free?
2. Which business model seems the most viable and robust to you?
3. How do these models relate to the economic theories developed in Benkler’s “Coase’s Penguin, or, Linux and *The Nature of the Firm*”?

## Additional Resources

A list of some open-source startups listed in Wired magazine: <https://edtechbooks.org/-xpp>

Another article addressed to business owners and managers that builds on Eric Raymond's article "The Magic Cauldron" while adding more arguments for good open-source business practices. Frank Hecker, "Setting Up Shop" <https://edtechbooks.org/-ywMz>



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