

Justifying an OSPO in Dollars and Cents

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Bad Quarterly Numbers?

Your OSPO may get caught in a budget squeeze.



Caveats

- One size does not fit all - every company's road to value creation is different
- The examples herein are illustrative, not comprehensive
- In most cases, details have been changed to maintain client anonymity

Typical OSS Engagement Purposes

- **Reducing Cost:**
 - Flexible and low-cost (or free) licensing
 - Community development
- **Business Development:**
 - Gain mindshare and marketshare
 - Recruit, retain, and develop
- **Reducing Business Risk:**
 - Develop a platform for innovation
 - Reduce long term risk from non-aligned vendors and partners
 - Provide self-sufficiency for key enablers





Q: How do we know there is value provided by the community?

A: We have seen that value destroyed in ways that let us measure it

Special thanks to those providing the content for this part of the program:

ORACLE



Value Destruction: OpenOffice

Early 2010:

- OO.org has between **9-14% market share** in the US, UK
- OO.org has **> 20% market share** in Poland, Czech Republic, Germany
- Economics study at University of Boulder claims that OO.org marketshare had reached an **“irreversible”** point and would grow vs. Microsoft Office



Value Destruction: OpenOffice

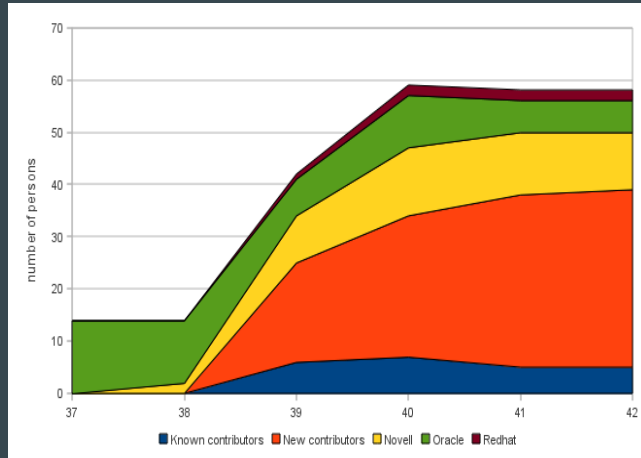
Late 2010:

- Developers leave for LibreOffice
- December: Oracle announces OO 3.3

2011:

- Oracle pays to donate OO.o to the ASF

Eight weeks in late 2010



OpenOffice vs. LibreOffice 2009-2021



Currently: 200M LibreOffice users worldwide



Value Destruction: Hudson

2008:

- Hudson wins Duke's Choice Award at JavaOne

2010:

- Oracle acquires Hudson's assets as part of Sun acquisition
- Oracle asserts trademark rights over Hudson to prevent a move to Github

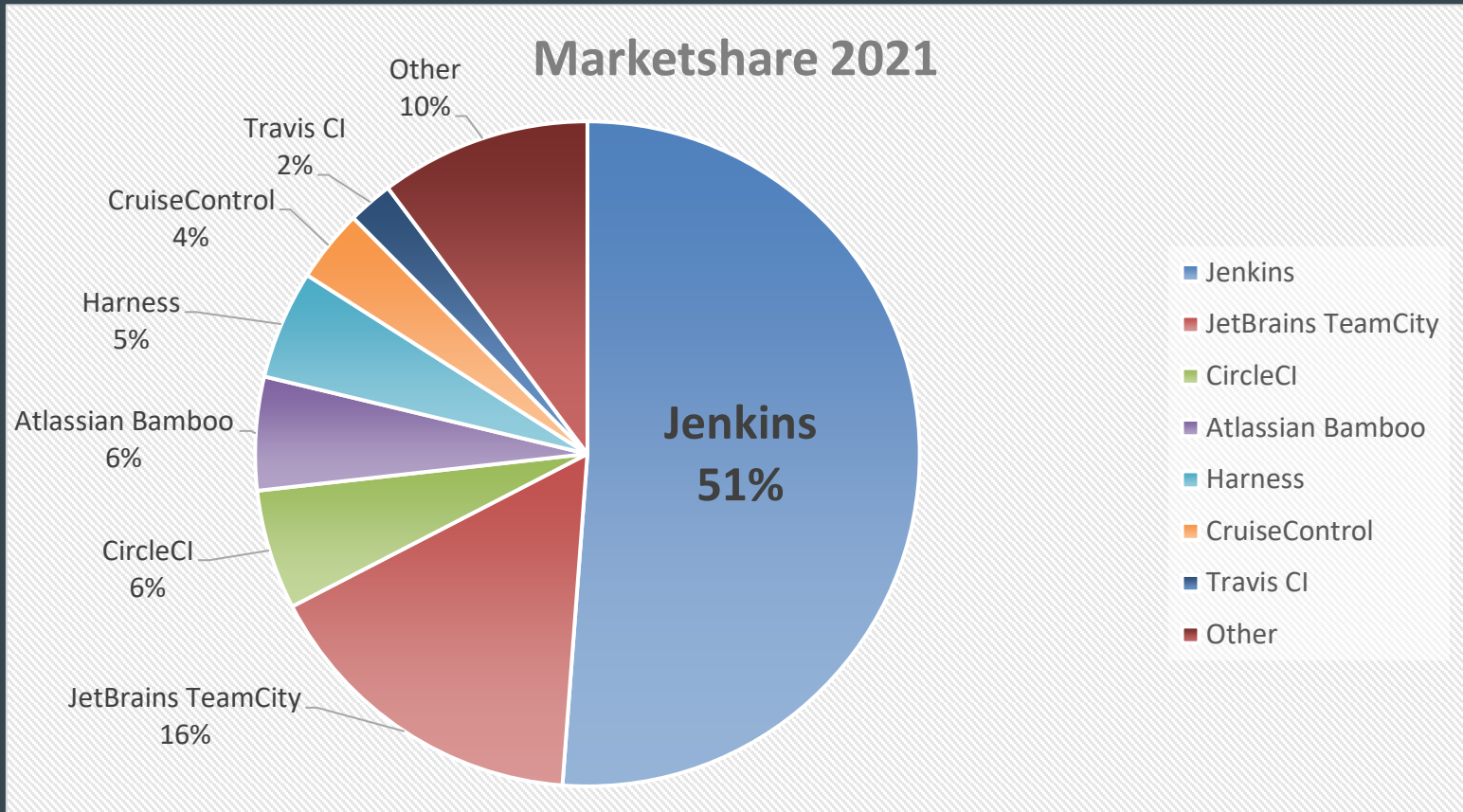
2013:

- Oracle pays to contribute Hudson (including trademarks) to the Eclipse Foundation

2019:

- Hudson project declared dead

Value Destruction: Hudson





Value Destruction(?): Elasticsearch

January 2021:

- Elastic declares that it will be relicensing the Elasticsearch code from the Apache License to a dual Elastic/SSPL license

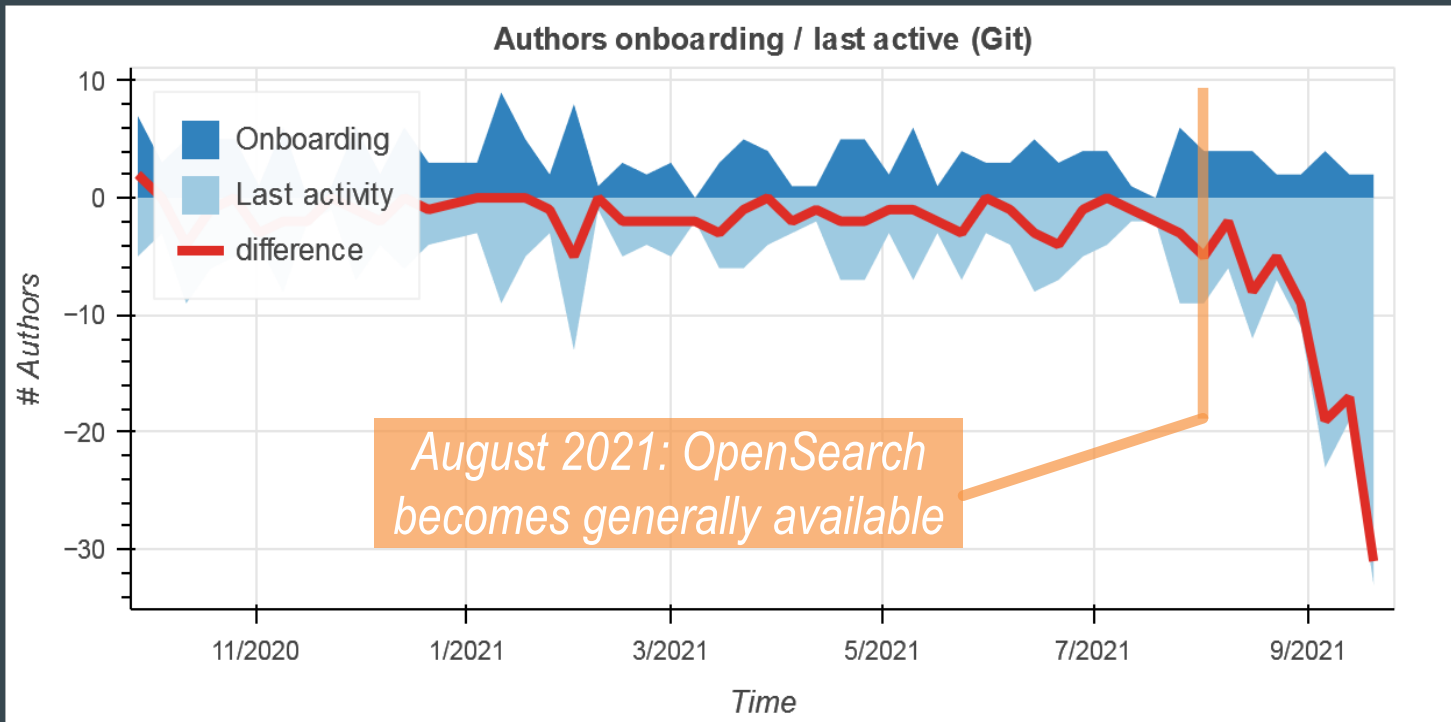
April:

- Amazon announces the OpenSearch fork

August:

- OpenSearch becomes generally available

Value Destruction (?): Elasticsearch



Establishing Value



- **Compliance:** Avoiding legal and non-legal pressure
- **Community development:** Issue reporting, bug fixes
- **Retention:** Increase developer happiness
- **Community goodwill:** Not just trademark
- **Marketing:** The value of each incremental user
- **Security:** The same tools needed for compliance are needed for security

Typical arguments about OSPOs (#1)



- **Compliance:** This is what (usually) is the justification for the funding you already have
- Important, but not urgent

Typical arguments about OSPOs (#2)

```
# Epiphany: the Underpants Gnomes are using  
# the Strategy Pattern  
#  
class Gnome  
  def self.execute_plan!(&block)  
    steal_underpants  
    yield  
    profit!  
  end  
end
```

- **Free Code:** Still thinking about the glory days of the late 90s
- Unlikely to be a significant driver of value

Real Driver #1: Employee Retention

“The cost of turnover is extremely high.... Depending on the individual’s level of seniority, the financial burden fluctuates.... For technical positions, the cost jumps to 100-150 percent of salary.”

- BUILT IN



OSPO Story #1: Developer Policy

- *eNPS score in San Francisco office was around -20*
- *Implemented a new open source contribution policy*
- *eNPS in the SF office jumped 40(!) points, change in policy credited*



Analysis: Effect of OSPO policy change on employee retention

- Internal analysis suggested that 6-8 developers stayed an additional year due to the policy change
 - Aggregate salary: \$1.6M (approx.)
 - Estimated avoided cost over a 1 year period: \$2M
- *Related:* Cost of employee acquisition, cost of training

Driver #2: OSS as part of your funnel

“A sales funnel is a visual representation of the journey from your prospect’s first contact with you until a completed purchase. It helps your sales team understand where they need to follow up or alter the sales process due to drop off in the funnel.”

“Developers are the new kingmakers.”

- Redmonk



OSPO Story #2: The Value of a Download

- *Identified that more than 90% of paid commercial contracts started with OSS evaluation*
- *As part of the sales funnel, the implied value of a download was in the \$50 range*
- *Positive experiences with the downloaded version (DevRel) led to increased conversion*



Analysis: Downloads as a part of the sales funnel

- Downloads conversion to paid was in the 0.1-0.2% range – not high, but better than some “regular” marketing activities
 - Other measures of community activity were also positively correlated with sales
- *Selection effect*: Those most likely to convert were the ones with the highest customer LTV
- Better developer experience led to higher conversions

Driver #3: Goodwill

“The goodwill of a business is the whole advantage of the reputation and connection with customers together with the circumstances, whether of habit or otherwise, which tend to make that connection permanent. It represents in connection with any business or business product the value of the attraction to the customers which the name and reputation possess.”



GOOD
VIBES
ONLY

OSPO story #3: The value of a community

- Acquisition of early stage startup
- Assets: Apache-licensed codebase, employees, one trademark, and *community interest*
- \$8.2M exit, with the majority of the valuation being recognized as community interest in the code



GOOD
VIBES
ONLY

Analysis: Goodwill of an acquisition

- Metrics that were evaluated included downloads, Github stars and forks, blog posts
- Startup had relatively little revenue; valuation breakdown was dominated by non-trademark goodwill

Who Helps with an Open Source program?

Leadership/Legal

Strategy

- Compliance strategy
- Inquiry response
- Legal strategy (risk tolerance)
- M&A review
- Corporate development
- Software procurement

Policies

- Usage
- Contribution
- Distribution
- Auditing
- Obligation fulfillment
- IP Policy

Engineering/Product/IS/IT

Tools

- Source code scanning
- Project management
- Source inventory
- Linkage analysis
- Bills of Materials

Marketing/Comms

Communication

- Pull request training
- Open source conferences
- Internal and external messaging
- OSS web site

HR

Education

- Engineer Training
- CLEs
- Guideline documents
- "Office hours"
- Employee/Contractor orientation

Cross-team

Processes

- Request review
- Project management
- Risk mitigation
- Reporting
- Fulfillment
- **Security**

Automation

- Request forms
- Auditing
- Templates
- Process workflow
- Security vulnerability identification

Community/Industry

- Upstream contribution
- SPDX
- OpenChain
- Open compliance program
- CII best practices

Reminder: Establishing Value

- **Compliance:** Avoiding legal issues (and non-legal pressure)
- **Community development:** Issue reporting, bug fixes
- **Community goodwill:** Not just trademark
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Takeaways

- Every organization has cost and profit drivers – look for how your OSPO interacts
- It is most effective to find and track ROI using the same categories that the rest of the business is doing
- Think carefully about how your OSPO efforts can “share wins” with other parts of the organization
- OSPOs have a great opportunity with new acquisitions to make goodwill concrete and avoid writedowns
- Use the new focus on security to drive value

Thank you!



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