

ANALYSIS OF OPEN SOURCE COMPANIES AND THEIR SUCCESS FACTORS

MASTER OF BUSINESS ADMINISTRATION

IN



INFORMATION TECHNOLOGY

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The Dissertation was submitted to the Department of Computer Science & Engineering of the University of Moratuwa in partial fulfillment of the requirement for the Degree of Master of Business Administration in Information Technology.

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December 2009

DECLARATION

I hereby certify that this dissertation does not incorporate, without acknowledgment, any material previously submitted for a Degree or Diploma in any University and to the best of my knowledge and belief, it does not contain any material previously published or written by another person or myself except where due reference is made in the text. I also hereby give consent for my dissertation, if accepted, to be made available for photocopying and for interlibrary loans, and for the title and summary to be made available to outside organizations.

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ABSTRACT

Open source software (OSS) is gradually trying to dominate the software world. Lower hardware and software costs, simple license management, reduced dependence on software vendors and ease of customization are some of the main reasons for OSS to be more popular in the software world (Computer Economics 2005). Most of the countries are now promoting OSS since the usage of pirated software is being widely discouraged. Thus, the need for OSS is rapidly increasing in the software market. As a result, a lot of investors are eyeing up on companies that develop OSS. Investing on a company is known to be a risk. It is a known fact that anyone who is planning to invest on a company would consider many aspects before doing so. OSS companies are mostly funded by venture capitalists and when investing on such companies, one should make sure that they do not end up in a loss. Therefore, before investing on such companies, a background study should be done. The objective of this research study is to find out what factors are dominating the operation of OSS companies and to find out whether there are any relationships between the identified factors and the revenue generated by these companies. The analysis was done with regard to three main factors; business models followed by the companies, revenue models adopted and type of applications developed by these companies.

For the analysis, nearly ninety five OSS companies were studied. By analyzing data of these OSS companies, it was evident that some of the factors were having an impact on the revenue generated while some did not. Namely; business models, revenue models and type of licenses followed did not affect the revenue generation of the companies, while multiple applications being developed had an influence on the revenue generated. Then by analyzing the data in different ways, a model was created for investors to base their decisions when planning to invest on OSS companies. This thesis provides the key recommendation that an investor should not consider only on business models, revenue models and applications developed when planning to invest on OSS developing companies but should base investment decisions also on other important influencing factors which were highlighted in this research.

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LIST OF ABBREVIATIONS

AGPL	-	Affero General Public License
BSD	-	Berkeley Software Distribution
FLOSS	-	Free/libre/open source software
FOSS	-	Free and Open Source Software
FSF	-	Free Software Foundation
GPL	-	General Public License
ITSC	-	Installation/Training/Support/Consulting
LGPL	-	Lesser General Public License
MPL	-	Mozilla Public License
OSS	-	Open Source Software



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