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Working paper

# **Firms' contribution to open source software and the dominant user skill.**

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Free, libre or open source software (FLOSS) is nowadays produced not only by individual benevolent developers but, in a growing proportion, by firms that hire programmers for their own objectives of development in open source or for contributing to open source projects in the context of dedicated communities. A recent literature has focused on the question of the business models explaining how and why firms may draw benefits from such involvement and their connected activities. They can be considered as the building blocks of a new modus operandi of an industry, built on an alternative approach to intellectual property management. Its prospects will depend on both the firms' willingness to rally and its ability to compete with the traditional "proprietary" approach. As a matter of fact firms' involvement in FLOSS, while growing, remains very contrasted, depending on the nature of the products and the characteristics of the markets. The paper asks why do for-profit firms contribute to FLOSS development and why some firms contribute more than the others. The common explanation is that FLOSS is often a complement to proprietary software (or hardware or services) that the for-profit firm sells at a positive price. We present an alternative explanation based the users' skill level. When users are skilled, opening the software is likely to result in a better product because the user base will contribute improvements (find bugs, write fixes and produce new features). We introduce the concept of the dominant user's skill and we set up a theoretical model to better understand how it may condition the nature and outcome of the competition between a FLOSS firm and a proprietary firm. We discuss these results in the light of empirical stylized facts drawn from the recent trends in the software industry.