

Sustained Digital Sovereignty with Free Software

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*“Stand at the crossroads and look; ask for the
ancient paths, ask where the good way is, and
walk in it, and you will find rest for your souls...” -*

Jeremiah 6:16



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Overview

- Sustainable FLOSS business models
- Scarcity of convenience: app-stores
- Takers vs. Makers
- Avoiding failure:
 - strong & inclusive institutions
 - good culture
- Conclusions

A root challenge:

**building an economically
sustainable Free Software
business that works in symbiosis
with its diverse community.**

Punch lines:

Its hard.

No magic one-size-fits all
prescription.

FLOSS heresy 101:

economically sustainable ===

**someone needs to pay something
in return for something scarce**



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Why a heresy ?

- The most amazing **volunteers** in our project.
- Humbled by their generosity, enthusiasm, thirst for learning & depth of contribution
- I was one once as a student
- If “*Floss is written by volunteers*”
 - perhaps no-one needs to pay anything ?
 - OpenSSL ... still amazing.
- Lots of businesses want:
 - To fund their programming addiction
 - Accelerate growth eg. Evolution.



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Volunteers – a digression ...

- You can be paid as a Government admin
 - And also volunteer as a Scout leader.
- You can be paid by a FLOSS company
 - And be a voluntary contributor to FLOSS
 - Even the same project.
- Be paid by a foundation, and go far beyond the call of duty
- eg. Apache:
 - Staff member in one context, a volunteer in another context.
 - On this definition any FLOSS can be made by (paid+non) ‘volunteers’

Mix & match ingredients:
so we can fund the code / revolution



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Scarcity of skills: Consultancy

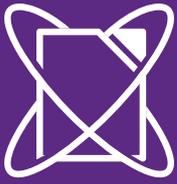
- eg. Cygnus, C'bra
- **Pros:**
 - The 'easiest' most compatible FLOSS model.
 - Represent your customer's interest in a project
 - Satisfaction of delivering well to a clear spec.
 - Skills are initially scarce.
- **Con:**
 - FLOSS Maintenance
 - hard to sell, badly needed
 - Hard to scale (risky)
 - estimating Fixed Price ...
 - The best eat their own market / customers.
 - Budgeting: renewal is not automatic / expected.
 - Sometimes no public git
 - **Scarcity of skills: off-shore?**



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Scarcity of binaries: Enterprise distro

- eg. RHEL (2003), SUSE
 - Editorial compilation of FLOSS produced by others.
 - A pay-wall for old content: stable / enterprise versions
 - Latest & greatest is free: Fedora, openSUSE, etc.
- **Pro:**
 - Subscribe to our news-paper
 - Budget presumption: renew.
- **Pro:**
 - ARR / subscriptions
 - the holy grail.
- **Con:**
 - Cloning: CentOS, Oracle Unbreakable Linux.
 - Now [hiding source](#)
 - **Cute-ness** Re: copy-left: per-copy / seat subscription licenses
 - Used to be controversial



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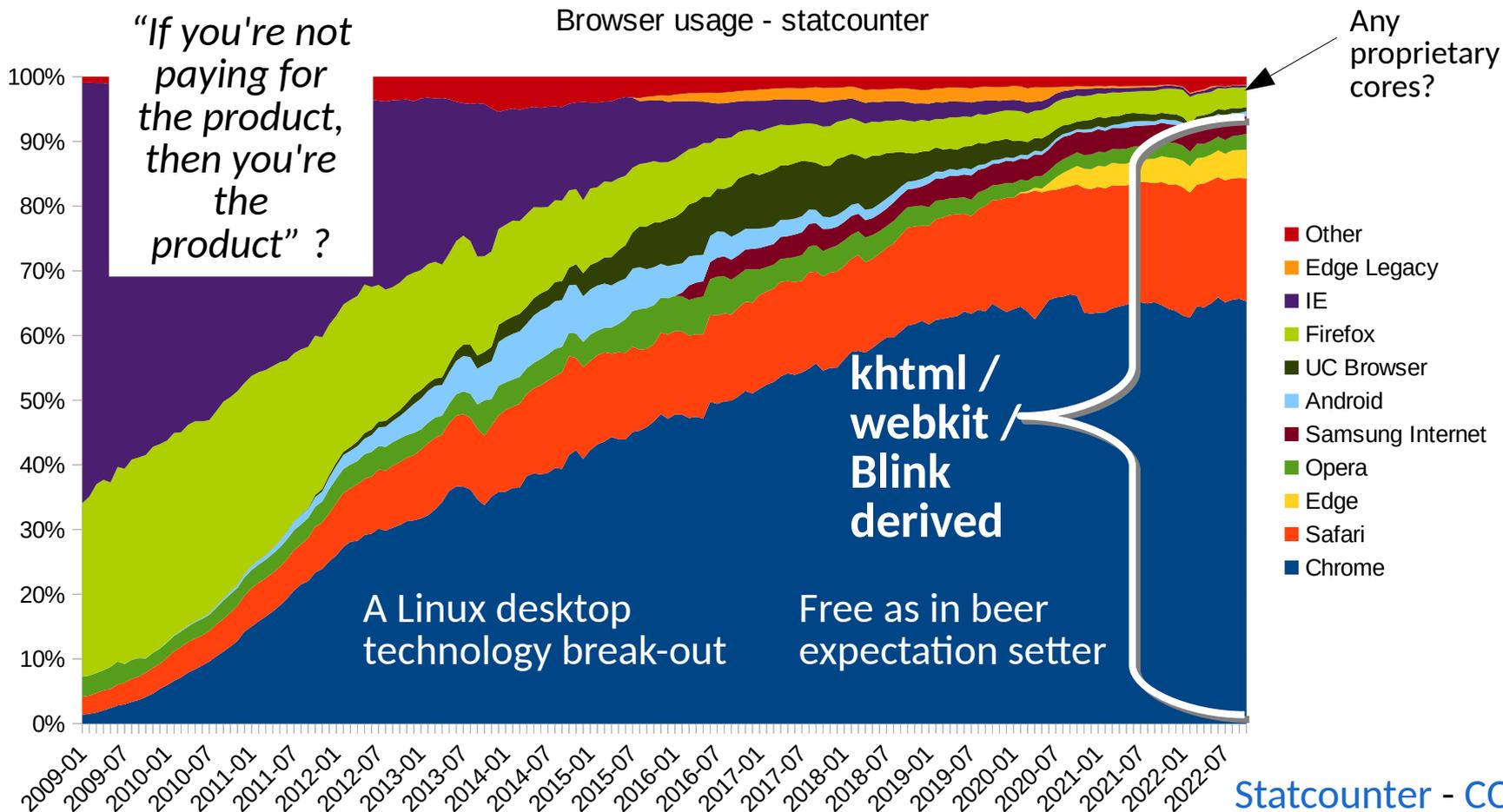
Scarcity: Proprietary Periphery

- eg. evolution-exchange
- **known as Open-Core**
 - focus on selling & engineering the proprietary pieces.
 - Often great commitment to growing the open Core.
- **Pro:**
 - Very simple value-prop.
- **Pro:**
 - Brand-sharing:
 - FLOSS community as advertising / lead-gen
- **Con:**
 - © assignment necessary
 - FLOSS / competition focus on re-implementing the periphery piece-meal
 - Enterprise'y periphery



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Ad. supported FLOSS: fat PC apps ...

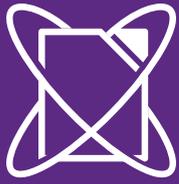




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Abundance: donations

- Donation funded development
 - The *Sagrada Família* development model.
 - If we start building it – they will come ?
 - Need a big brand & significant project
- **Pro:**
 - Free money – to invest.
- **Con**
 - Shame – people feel they have to donate
 - Some think they are buying a product.
 - Who do you employ ?
 - Low conversion rates: 10% of \$ yield vs. convenience sales

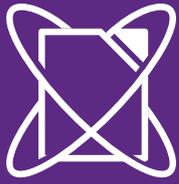


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Scarcity: convenience ...

- eg. gcompris, Krita
- Windows binaries:
 - a sin-tax turned into:
- App-store sales
 - Very simple route to market.
 - Sell binaries of FLOSS in app-store
- **Pro:**
 - **App-store Effective**
 - low to no cost of sales
- **Con:**
 - Differentiation problem: anyone can re-compile and ship.
 - cf. Windows app-store
 - Brand driven differentiation.
 - Need a known brand.

*And a partial list of another
half dozen models that are
less popular ...*



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Scarcity: enterprise binaries

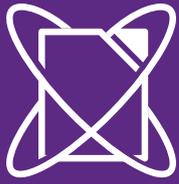
- eg. (previous) CODE
- Binaries compiled with some reminder
 - *“it looks like you’re using this at scale without support”*
 - *“buy a key to unlock XYZ option”*
- **Pro:**
 - 100% Floss
 - Brand based sale
 - Scarce un-locked binaries
- **Con:**
 - Complaints about the warnings.
 - Easy to re-compile without
 - Requires brand visibility



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Scarcity: exceptions

- eg. Qt, OpenOffice
- Use maximally commercially unfriendly FLOSS license
 - Collect © assignment
 - Sell back-channel licenses
- **Pro:**
 - Proprietary value
- **Con:**
 - Incentive alignment around license discussions.
 - Scales / collaborates poorly



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Scarcity of bandwidth: selling CDs

- eg. RedHat Linux
 - 4.2 – upgrade from slackware
- eg. SUSE Boxed sets !
- eg. Mandrake / Mandriva
- **Features:**
 - Proprietary (or just printed) Documentation: Manuals!
 - Physical media !
- **Con:**
 - Internet bandwidth growth – faster than a LAN.
 - One CD per individual or giant corporation.





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Scarcity of confidence: scare-ware

- IP indemnity / insurance
 - eg. Microsoft / Novell.
 - License audit tools
- Certification
- SLAs
- Branding
- **Pro:**
 - Compliance driven sales
- **Pro:**
 - Differentiation in commodity markets eg. petrol / water?
- **Con**
 - Demand generation for IP indemnity profoundly problematic.
 - Fair certification processes
 - Branding / marketing
 - scale for 24/7 SLAs



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Scarcity of complementary services

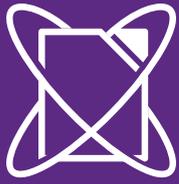
- eg. Evolution
- VC funded – travel booking service monetized via selling flights / etc.
- FLOSS as a front-end to other things.
- **Pro:**
 - 100% FLOSS client
 - Investment potential.
- **Con:**
 - Proprietary server / services / agreements



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Scarcity: setup / docs & know-how

- Extreme setup difficulty
- Limit this to scaling
 - Code is in git but
 - Keep your large deployment / scaling documentation closed.
- **Pro:**
 - Focus interest on large deployments
- **Con:**
 - Cloning of the documentation
 - Book publishers, community help / stack-overflow etc.
 - Public searchable docs are the expectation.
 - Automation: the Helm-chart.



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Scarcity: required data / config

- eg. wine setup(?)
- 100% open code
 - Harder to get config / deployment.
- Artificial Intelligence
 - Banal code / layers
 - Proprietary weights ?
 - Proprietary training data ?
- **Pro:**
 - Fully FLOSS
- **Con:**
 - Code much less useful without required data.

Lots of good people:

create minimal scarcity to

drive their project's development.

some compromise is inevitable.

An Economically Sustainable place

*needs to mix and/match
these approaches.*

“Long -term support for Linux Kernel to be cut as maintenance remains under strain”

ZDNet 2023-09-19

Scott McNealy: "Open source is free like a puppy is free." McNealy had a point. Using open-source and Linux is easy. Paying for the training it needs not to make messes on the kitchen floor, that's harder.



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How do you make money in Free Software

Bob Young – Founder of RedHat (sold for \$34 billion) Open Sources:

"No one expects it to be easy to make money in free software.

While making money with free software is a challenge, the challenge is not necessarily greater than with proprietary software. In fact you make money in free software exactly the same way you do it in proprietary software: by

building a great product, marketing it with skill and imagination,

looking after your customers, and thereby

building a brand

*that stands for **quality and customer service.**"*

Case Study:
***Monetizing artificial
scarcity of convenience***

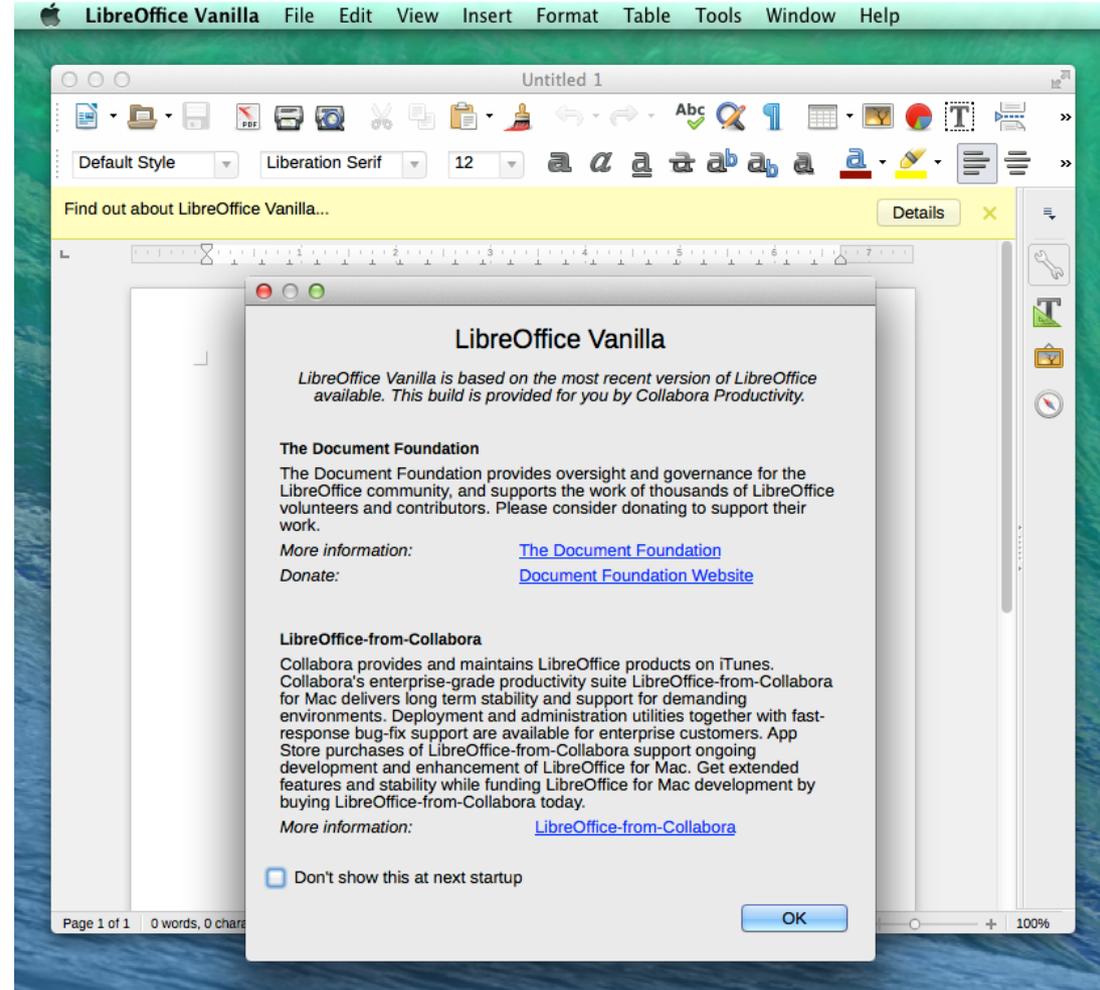
*(ie. TDF now sells LibreOffice in the Mac
app store, Collabora did the research here)*



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Conversion:

- LibreOffice Vanilla #1
 - Mid 2015
- Analysis 2017
 - 10 donations per month, 54 purchases of up-sell: \$480/month
- 12k downloads/month:
 - **Eur 0.04/download**
- ~Identical to TDF:
 - Eur 800k/20million
 - **Eur 0.04/download**

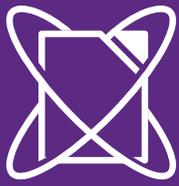




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Creating scarcity of convenience:

- LibreOffice Vanilla:
install for \$3
 - \$0 - 12k pcm
 - \$3 - sub ~0.7k pcm.
 - \$16 - sub 0.25k pcm
- Market demand curves are for this
 - But real world data follows.
- Note:
 - Yield can be:
\$3000/month vs.
~\$500/month
 - Six Times Higher
for 12k visitors ...**
 - Plus 11,000+ to
donate at TDF (?)

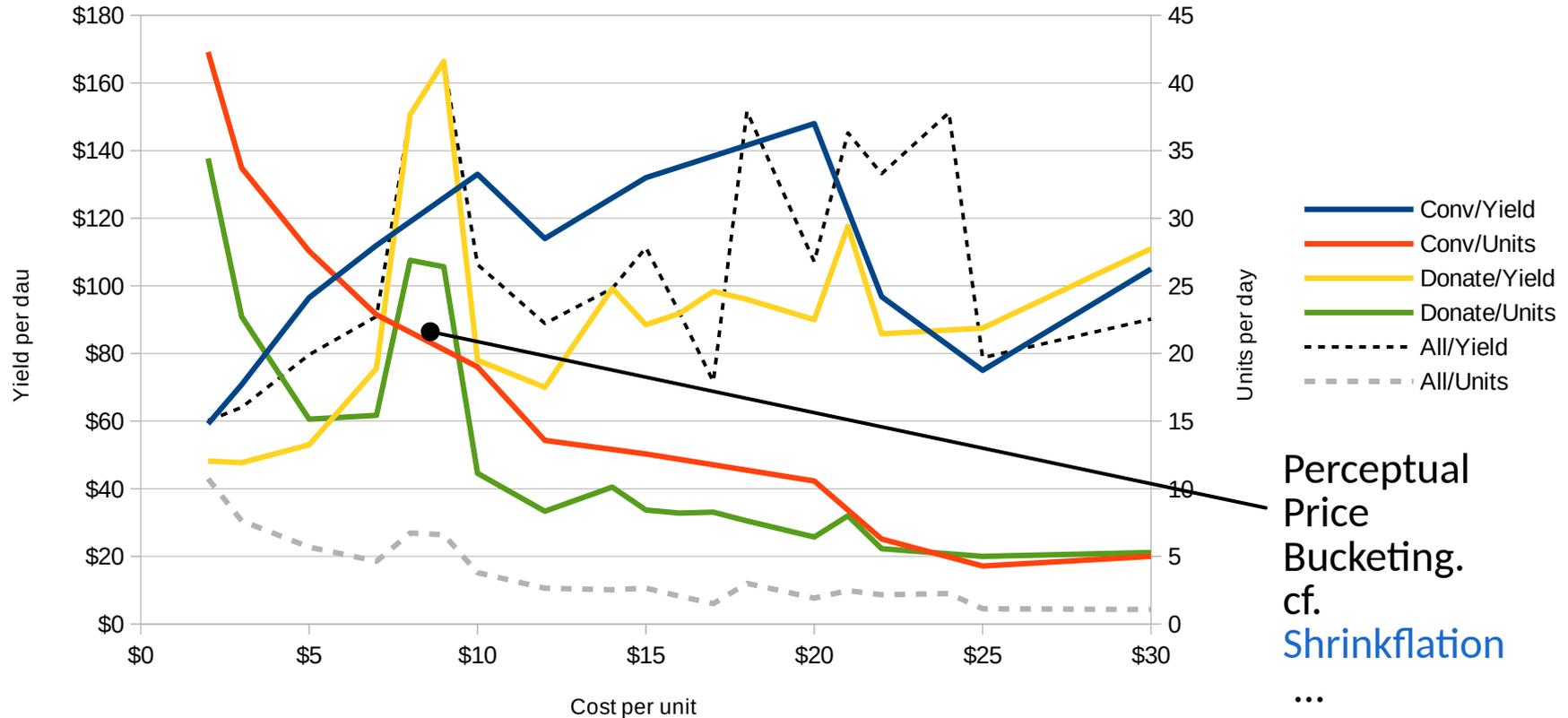


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Marketing convenience or donation ?

Market Demand curve

for Convenience of LibreOffice Vanilla in iTunes



Perceptual Price Bucketing. cf. Shrinkflation

...

*And now for something
completely different ...
a bit of light reading ...*

A. Why Nations Fail

The Origins of Power, Prosperity, and Poverty,

B. Wealth & Poverty of Nations

Why some are so Rich, and some are so poor

C. Guns, Germs & Steel

A Short History of Everybody for the Last 13,000 Years

Explanations:

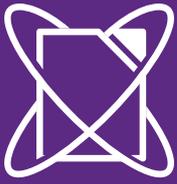
A. Institutions

B. Culture

C. Geography

Reality – no uni-variate explanation of anything

Not trivial to map property rights to FLOSS ...



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Inclusive vs. Extractive Institutions

Non-pluralistic institutions don't allow the population at large to exercise political power and don't create limits on government power. Therefore, non-pluralistic institutions are extractive by definition: They empower a few elites (the government and wealthy individuals) at the expense of the population at large, who can't exercise political power or hold their government accountable.

Inclusive institutions that are the foundation of all modern liberal democracies. In the **absence** of such institutions, when political power is usurped by a small stratum of society, sooner or later it will use this power to gain economic power to **attack the property rights of others**, and, therefore, to destroy inclusive economic institutions.

Thesis: Innovation requires inclusive institutions & strong rules & norms ...



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Culture - meritocracy:

Productive, experienced,
gentle, thoughtful,
friendly, contributor,
considerate,
mentor,
quiet

Minimal-contributing,
inexperienced, ignorant,
aggressive, thoughtless,
inconsiderate,
hostile,
noisy



Hypothetical
extremes

We hold these truths to be self-evident

that all people are created equal ...

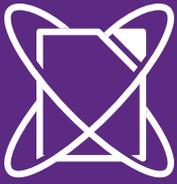
Metastable states ...



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Takers vs. Makers – Dries @Aquila

- **Makers:** Some companies are born out of OSS, and ... **believe** deeply and **invest** significantly ... With their help, OSS has revolutionized software for the benefit of many.
- **Takers:** Now that OSS adoption is widespread, lots of companies, from technology startups to technology giants, monetize OSS projects without contributing back to those projects.
- **Takers** reap the benefits of the **Makers'** OSS contribution [...]. The **Taker** is likely to **disrupt** the **Maker**.
- On an equal playing field, the only way the **Maker** can defend itself is by investing more in its proprietary offering and less in the OSS project.
- To survive, it has to behave like the **Taker** to the detriment of the larger OSS community.
- **Takers** harm OSS projects.
- An aggressive **Taker** can induce **Makers** to behave in a more selfish manner and reduce or stop their contributions to OSS.
- Cheap complement to a Cloud !



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Tragic BUSL1.1 – exodus ...

VC funded startups: Hashicorp’s Terraform – the latest

- *“With this change we are following a path similar to other companies in recent years. These companies include Couchbase, Cockroach Labs, Sentry, and MariaDB, which developed this license in 2013. Companies including Confluent, MongoDB, Elastic, Redis Labs, and others have also adopted alternative licenses that include restrictions on commercial usage. In all these cases, the **license** enables the **commercial sponsor** to have more **control around commercialization**.”*
- Really sad ... put off by **Taker** epidemic in eg. IAAS/SAAS ?

Add on diverse community challenges:

*Working together with others
with different perspectives*

Conclusions

- Our industry is changing
 - enabling non-contribution is no longer tenable.
 - Scarcity where - home / enterprise ? Encouraging volunteers ...
- Regulation cost++ ++
 - Cyber Resilience Act
 - Product Liability Directive
 - EU AI Act
- Inclusive, stable governance:
 - Everyone should be represented & included
 - meritocratic culture
- Beware of breakage:
 - Deliberately fragile ecosystems that create the software.
 - Hopefully designed to minimize scarcity to maximise fun.
- Avoid privileging Takers

Oh, that my words were recorded, that they were written on a scroll, that they were inscribed with an iron tool on lead, or engraved in rock for ever! I know that my Redeemer lives, and that in the end he will stand upon the earth. And though this body has been destroyed yet in my flesh I will see God, I myself will see him, with my own eyes - I and not another. How my heart yearns within me. - Job 19: 23-27