TIM Lecture Series

Growing a Global Company Anchored on Open Source Software

Fred Dixon

> " *Open source brought us a global market and we created a* "
> *global company to satisfy that market.*

Fred Dixon, CEO
Blindside Networks

Overview

The seventh TIM lecture of 2012 was presented by Fred Dixon, CEO of Blindside Networks, active committer to the BigBlueButton open source project, and serial entrepreneur. Dixon shared his experiences growing a global company and an open source project that was spun out of Carleton University in 2008. The event was held at Carleton University in Ottawa, Canada, on September 13th, 2012.

Richard Alam and Fred Dixon are the two original co-founders of Blindside Networks. Alam is an alumnus of Carleton University's Technology Innovation Management program. He was the first graduate student to complete a research thesis on how companies can make money from open source projects. His thesis led the way for many other master theses and projects to be completed at Carleton.

The TIM Lecture Series is hosted by the Technology Innovation Management program (carleton.ca/tim) at Carleton University. The lectures provide a forum to promote the transfer of knowledge from university research to technology company executives and entrepreneurs as well as research and development personnel. Readers are encouraged to share related insights or provide feedback on the presentation or the TIM Lecture Series, including recommendations of future speakers.

This report summarizes the presentation delivered by Fred Dixon and its key messages, including the lessons learned by audience members.

Summary

Fred Dixon first described his experience as a serial entrepreneur and the early days of the BigBlueButton (bigbluebutton.org) open source project. He compared his previous experience as the founder of companies that owned proprietary technology with that of launching and growing a company that was anchored on software developed by an open source community.

Dixon explained that the business opportunity, as conceptualized in 2007, was for him and his co-founder to create a new global market anchored on an open source project and launch a global company that could best meet the requirements of the customers in this new market.

Dixon fondly remembered a key conversation with Tony Bailetti that occurred in 2007. "Fred, how will you make money from concurrently creating an open source project and launching a company?" asked Tony. Fred answered, "I do not know. However, I know how to figure it out."

Dixon compared his four-year experience as the CEO of Databeacon with the start of Blindside Networks. Cognos (now IBM) purchased Databeacon in 2004. The comparison went something like this: i) Databeacon had raised $13.5 million from venture capitalists, Blindside Networks had no money; ii) Databeacon had 65 employees who were paid every month, Blindside Networks had 2 employees (Fred and Richard) and no money to pay them; iii) Databeacon owned technology, Blindside Networks was developing code for an open

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source project; and iv) Databeacon charged $35k per license and a $100k original equipment manufacturer's fee, Blindside charged no dollars for the code it contributed to the BigBlueButton open source project.

There were at least six reasons that drove Fred and Richard to pursue their opportunity, regardless of the seemingly unfavourable comparison between the 2008 view of the Blindside opportunity and the Databeacon experience. First, they both believed that open source software was disruptive. What made open source disruptive was its ability to enable attractive business models that proprietary software vendors could not imitate. Second, they bet that the market for video conferencing systems to support educational institutions such as Carleton University would grow exponentially. Third, their business model was a customer-pull model instead of a supplier-push model. Fourth, open source attracted many talented individuals worldwide. Fifth, Blindside Networks had their first customer, Carleton's Technology Innovation Management program. Carleton paid for services, provided useful feedback to evolve the software, and provided references to other customers. Sixth, it was an opportunity for Fred and Richard to contribute to society as a whole.

Four important decisions were made early on:

1. The business model for Blindside Networks. There are various business models for a startup that wishes to leverage open source projects. Some of the most popular include: custom, integration and hosting services, appliance, certification, application store, dual licensing, freemium, software as a software service, original equipment manufacturer adoption, and so on. Blindside Networks chose to deliver custom integration and hosting services.

2. The license for the code produced under the open source project. Open source licenses can be organized into various categories (tinyurl.com/48257m). Open source licenses can be positioned in a spectrum anchored around two extremes, from "very permissive" license (e.g., MIT license: tinyurl.com/3vfsyal) to "very restrictive" license (e.g., AGPL license: tinyurl.com/czpvj57). The LGPL license (tinyurl.com/c6vubrw) was selected to cover the code produced by contributors to the open source project known as BigBlueButton. This permissive license made BigBlueButton attractive for other companies to

embed all (or parts) of it into their commercial products, thereby accelerating improvements to the product and providing Blindside Networks a second customer base.

3. The company's "imprint". The organization imprint of a startup is very important. The imprint enables the startup to do things and learn about things that create value. The following phrase defined Blindside's organizational imprint: "We will not permit you to fail." The message to potential customers was clear: Blindside is a commercial company that would reduce your risk of using open source software and ensure deployments to your end users would be successful.

4. Product-market focus. Blindside decided to target the educational market. While many other markets for web conferencing systems exist, Blindside remained focused on the educational market to establish a customer base that could reference each other, thereby making it easier for Blindside Networks to obtain future customers in that market.

From 2008 to 2010, Blindside Networks focused on contributing code to the BigBlueButton open source project and building a healthy worldwide community of contributors and customers. These were hard years.

In 2010, Blindside Networks' business began to grow. Customers paid upfront for services. Blindside started managing the BigBlueButton server infrastructures of others as well as developing internal tools for monitoring, scaling, load testing, management of recordings, and so on.

After four years, the earlier comparison between the Databeacon experience and the Blindside opportunity looked quite different. Blindside Networks has a global and growing brand, it is delivered in 35 languages, its sale cycle is short, global diversification has reduced its risk, and its development team is comprised of talented individuals located all over the world.

The BigBlueButton Foundation will soon start operations. Its short-term mandate will be to accelerate the growth of the BigBlueButton ecosystem; its long-term mandate will be to make BigBlueButton the "#1 web conferencing system in the world".

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Conclusion

Dixon concluded his lecture by highlighting the benefits of having a global mindset from the outset and the need for both the company and the open source project to stay ahead of their competitors. His concluding remarks were:

1. An open source project brings a global market.

2. Selecting the LGPL license was the right choice.

3. Interests of the customers in the community must come first.

4. Focus is good.

Lessons Learned

In the discussions that followed the first and second parts of the presentation, audience members shared the lessons they learned from the presentation and injected their own knowledge and experience into the conversation.

1. An open source project can create a global market, which then needs to be served by the best talent available anywhere in the world.

2. You must balance an ecosystem driven by business and community priorities.

3. You must remain true to community members.

4. Community members include committers of code, customers, suppliers, complementors, and users.

5. Startups need to get paid, they are not charities.

6. You must stay ahead of competition.

7. Never transfer intellectual property out of the commons.

8. Open source projects bring together talented individuals distributed worldwide.

9. The problem that the community solves must be a hard one to solve.

10. Your brand name must be unique.

11. Open source projects allow you to observe how talented individuals behave before you hire them.

12. To build a brand, an open source project needs to fulfill a differentiated promise it made.

13. When targeting a specific market, trade shows are effective channels to customers.

14. Focus on being successful; nothing else matters.

15. Figure out how you will scale upfront.

16. Select a unique name for the open source project.

17. Startup founders are always learning.

18. Earning money is not easy; you must work very hard.

19. The highs are very high.

20. The social benefits of open source projects are very rewarding.

21. Success is in the execution, not in the planning or discussions.

About the Speaker

Fred Dixon is CEO of Blindside Networks. He is a serial entrepreneur, having been CEO of two previous companies: Databeacon (acquired by Cognos in 2004) and OpenLava software. In 2003, he was selected as one of Ottawa's "Top 40 under 40" executives by the Ottawa Business Journal. In 1992, he earned a Bachelor of Mathematics from the University of Waterloo. He proudly wears his developer hat when communicating with other members in the BigBlueButton community.