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What is Open Business Really About?

Essay by [Carolina Rossini](#), April 10, 2009

Inspired by the open source software movement, the word “openness” is in wide use - from [Open Access](#) to [Open Design](#), passing through [Open Educational Resources](#) and [Open Business](#). However, compared to its sisters, Open Business is a hard concept to classify, and lacks international consensus regarding its principles and terms.

In the absence of such definitions, Wikipedia provides a good starting point: “Open business is in general the concept of doing business in a transparent way by intimately integrating an ecosystem of stakeholders and abiding by a model of transparency.” But, if we try to understand Open Business as being in the same group of models of openness as the other instances cited above, we need to focus on something bigger and more central than transparency. How does a business achieve an economic sustainability that is not dependent on its intellectual property assets? In other words, is the appropriation of knowledge through intellectual property regimes the only tool that companies can use to generate incentives for creation and innovation and to recoup the investment made? Or is there another route, such as services, that can address those issues?

Some of the clearest [Open Business examples](#) are in software – in 2003, IBM’s revenues from Linux-related-services was \$2 billion. Others can be found in the music or the film industry. In [Brazil](#), in the UK, [in Nigeria](#), and in the USA, a variety of artists and genres facing a range of challenges related to access to traditional production and distribution channels chose to experiment with openness and the generative power of the Internet and low costs of technology. While some established acts, especially [Nine Inch Nails](#), are high-profile and profitable examples, many more less-well known artists choose open licensing as a new method of advertising and consciousness-raising. Finally, there is a healthy debate around open business models in scholarly publishing, with service-based models ranging from non profit (Public Library of Science) to for profit (BioMed Central and Hindawi), each demonstrating significant progress towards sustainability.

Many authors try to face these questions with different perspectives. Law professors like [Yochai Benkler](#) tend to focus on motivations and the freedoms granted through licensing regimes. If there are other ways to capture value apart from exclusive licensing, and the network of users can contribute if given rights, then there is less push to pursue exclusive regimes and more rational reason to use open licensing. This also allows room for other motivations, ranging from altruism to “first to market,” for the peer production of goods. Benkler’s current project – [The Cooperation Project](#) – is a study that has the potential to provide a set of definitions and mapping coordinates for the concept of “open business”.

For business professors like [Henry Chesbrough](#) a business is open if it adopts a strategy of leveraging its intellectual property assets, such as patents, through a series of contracts, which allow a much broader participation of actors to participate in the innovation process. “Open” rests as much on low transaction costs and high transaction volume, as on the repurposing of the idea of how to use the intellectual property, as on the “freedom” implicit in any one license. Thus, Open Innovation (OI) recognizes that because “most of the smart people work somewhere else”, companies cannot work entirely on their own research, but should instead buy or license research products from other companies. OI also prescribes that internal inventions not being

used in a firm's business should be taken outside the company through licensing approaches. OI further places the business model of the firm as a [key element of value creation](#).

For [Eric von Hippel](#), open business is a natural outgrowth of user innovation (UI). UI comes from [von Hippel's discovery that](#), in industry after industry, the user is the source of many useful and novel innovations and not the manufacturer. Von Hippel credits this to the idea that knowledge is “sticky” and thus the users have more of the important knowledge that is relevant to their needs than anyone else, and are therefore most likely to figure out how to solve their own needs. Unlike OI, which calls for lower transaction costs and increased transaction flow of intellectual property, UI minimizes the role of patents and copyrights. The idea is that in a user-driven system, the user can go ahead and protect an idea, but the odds are good that someone else will share a similar idea, thus creating a free alternative with similar qualities. This creates an incentive to be first or most innovative but not an incentive to protect or license.

All these examples and theories demonstrate that Intellectual Property is not the only or main factor that boots creation and innovation, and that models that deal with “appropriation” and “exclusiveness” in a more flexible manner may be much more suitable for local needs. However, Open Business is evolving: we need to wait and watch as entrepreneurs experiment with models and implementation of Open Business practices to discover what works.

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