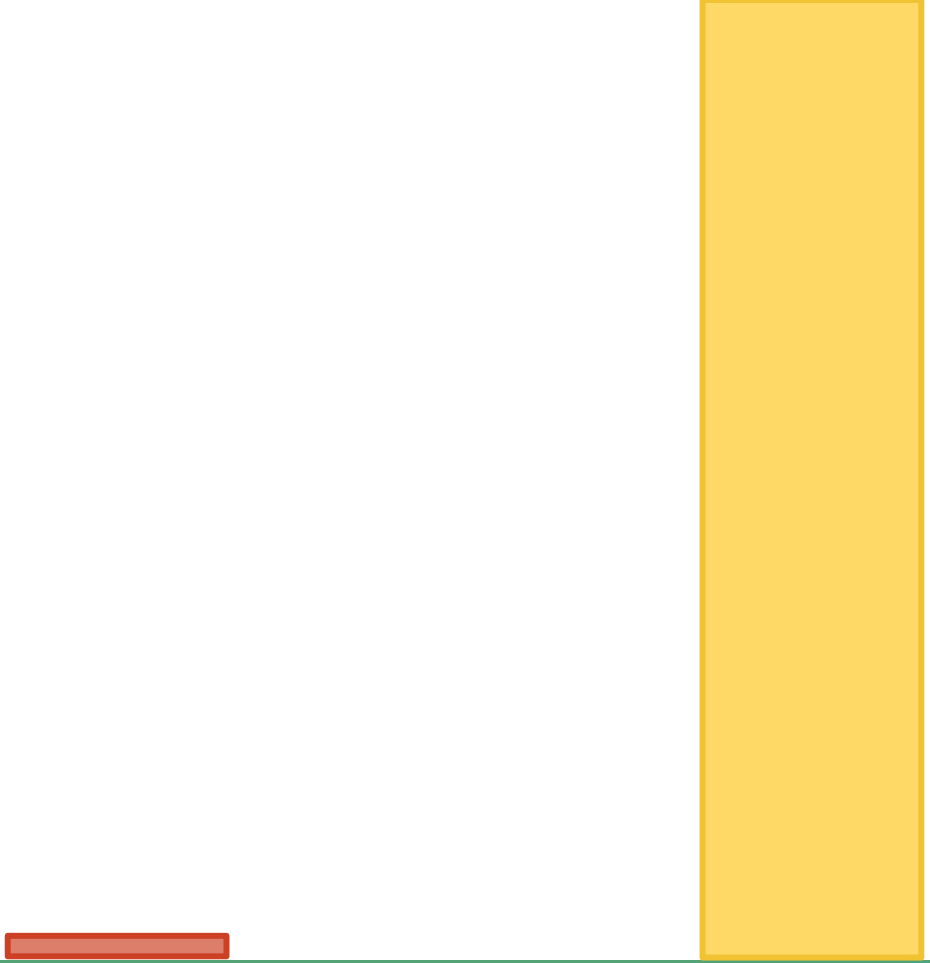
Funding open source, the hard way

@nayafia for Django Under the Hood

You don’t do open source for the money



Django’s projected revenue: $200,000 (2016)

Instagram’s projected revenue: $3.2B (2016)

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On one hand:

“Open source [is] an incredible force for quality and community exactly because it's not been defined in market terms….

…in market terms, most open source projects should never have had a chance.”

- David Heinemeier Hansson

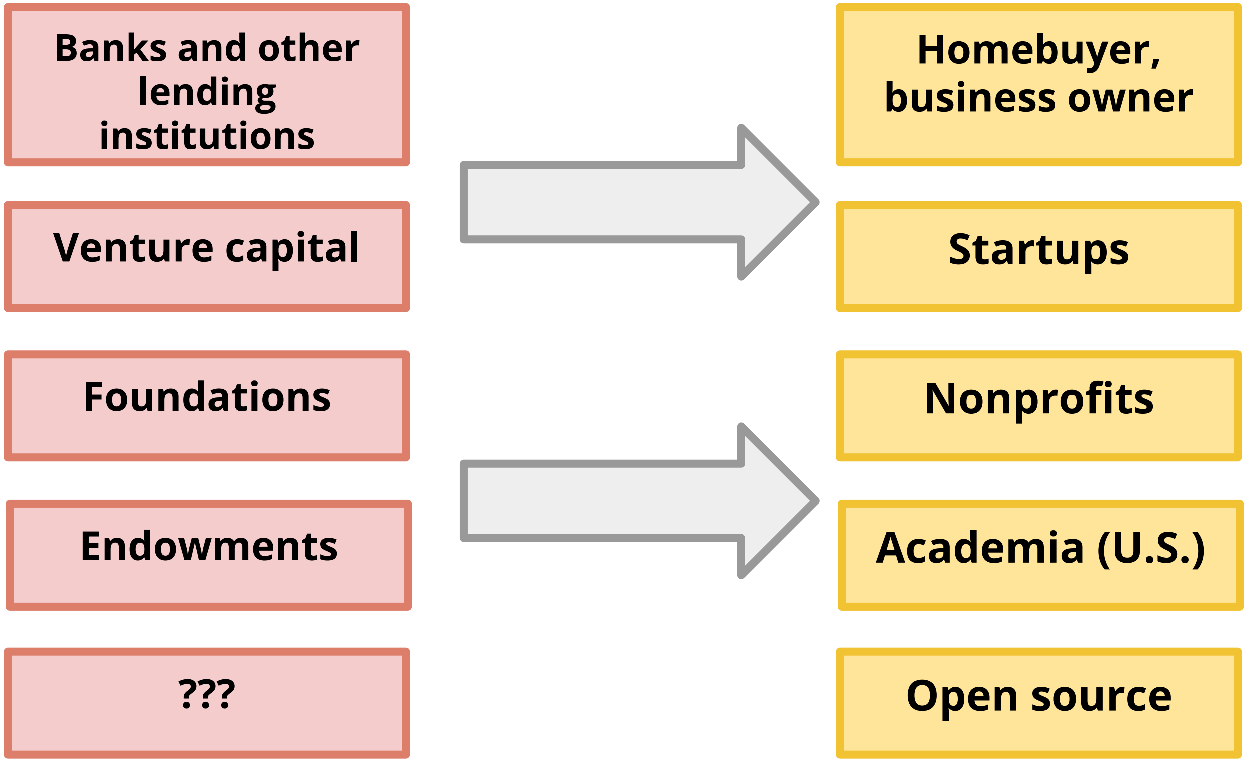
On the other hand:

”As an industry, it's frightening how much of the infrastructure on which we rely on on a daily basis is maintained by complete volunteers.”

- Russell Keith-Magee

What’s wrong with today’s open source funding options?

Not just about money but *access* to money



Banks and other lending institutions

Venture capital

Foundations

Endowments

???

Homebuyer, business owner

Startups

Nonprofits

Academia (U.S.)

Open source

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Right now, too much open source funding is ad hoc:

Crowdfunding

Bounties

Tipping

Access to institutional capital is ~~important~~ necessary

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What could we do with all that money in open source?

[1] Taking risks with new projects

Venture capital allows startup founders to take risks

Joyent hired Ryan Dahl to build out Node.js prototype

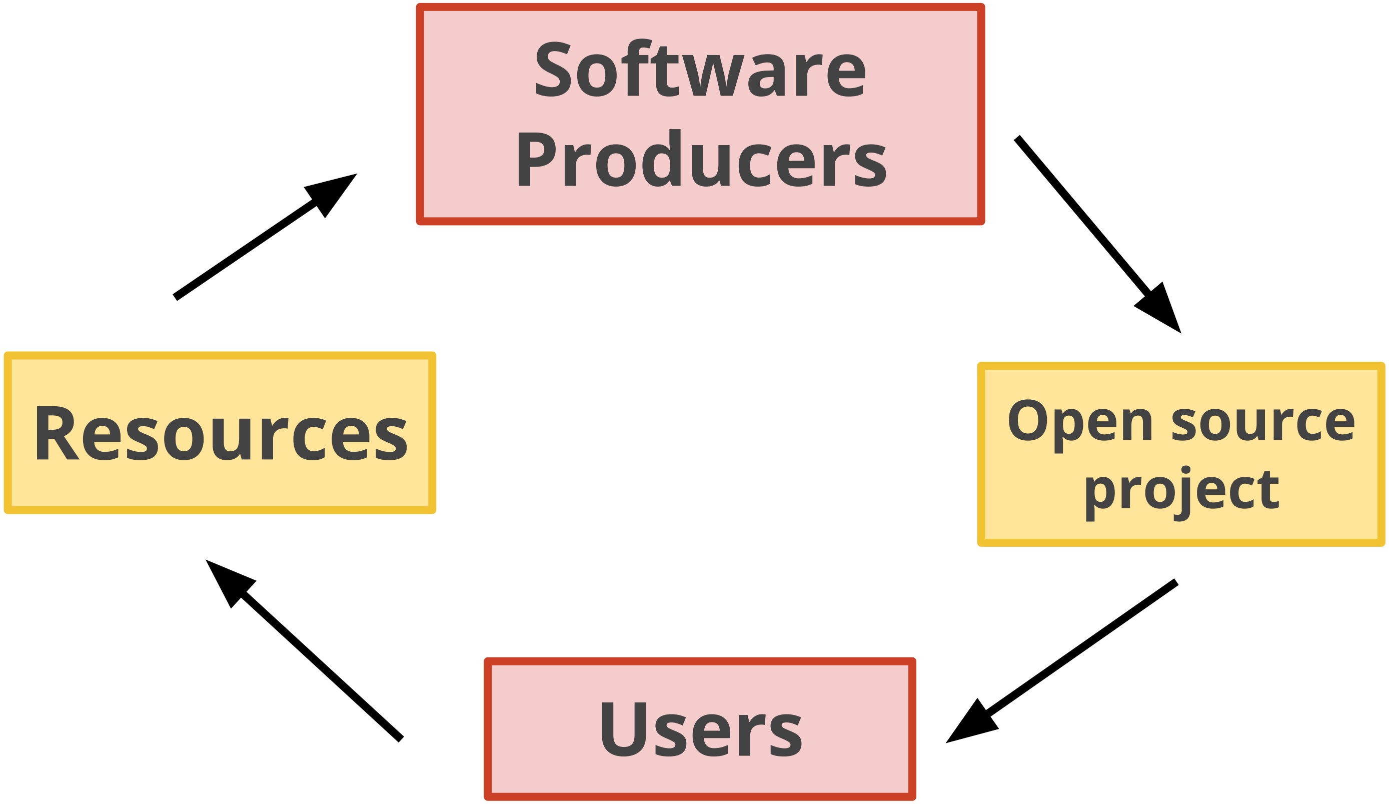
Many major open source projects were started by employees (including Django!)

[2] Investing back into existing projects

Nearly half of U.S. state spending on roads goes towards maintenance, not construction

Thanks to the Django Fellowship, *“for the first time in Django's history, we had releases according to schedule (Django 1.8 and 1.9).”*

How do we get money into the open source ecosystem?



The open source production cycle

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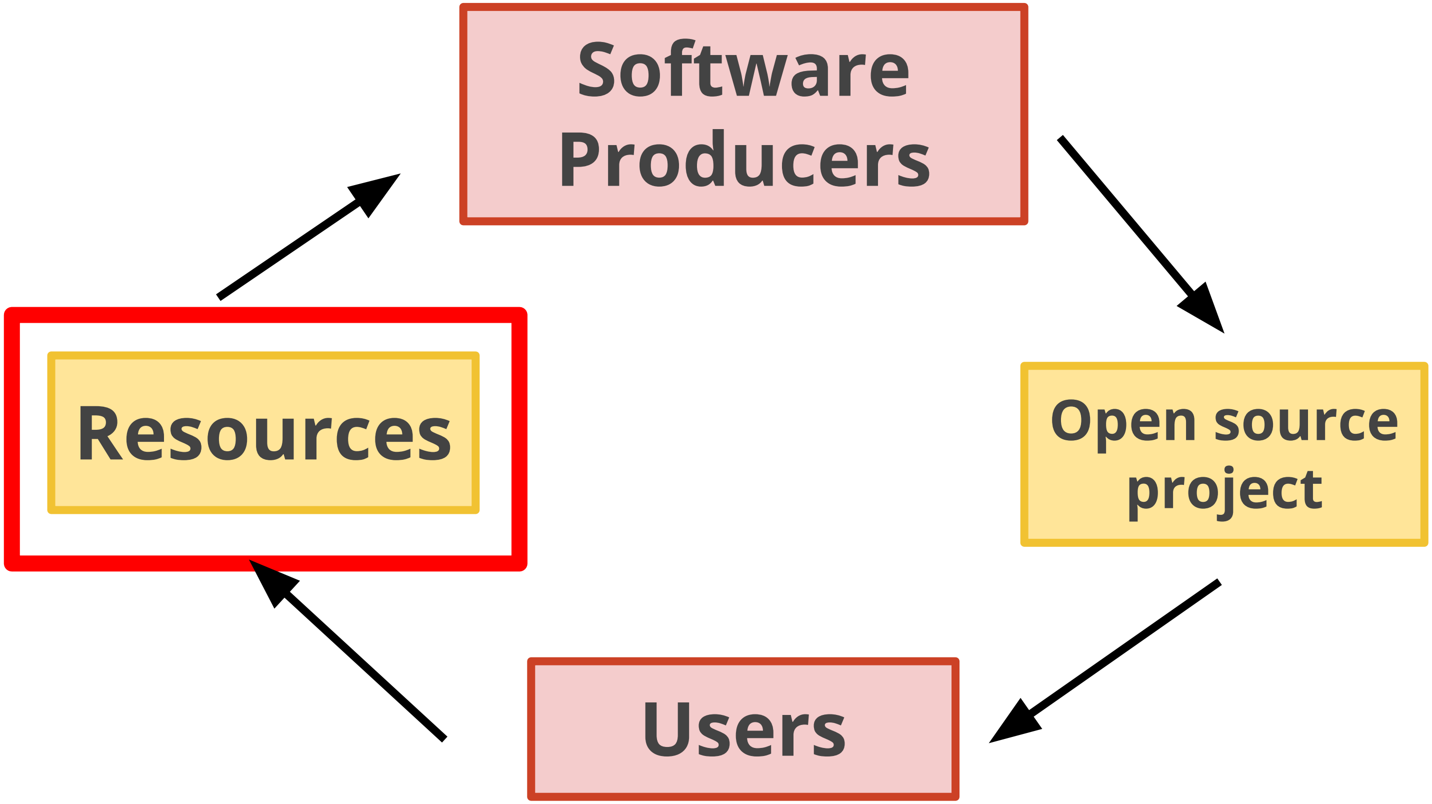

The open source production cycle

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Money is everywhere. Directing it to the right place is hard

Best worst question that I get:

I have a bunch of money, which projects should I give it to?

First, we need to figure out:

[1] Who needs money
[2] What do they need money for
[3] How to fund them
[4] Who should fund them

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Need to define and track two types of metrics:

1. **Ecosystem-level metrics**

   (dependency mapping)

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2. Project-level metrics

(usage, activity, health)

Project Stage	Description	Example Metrics
Incubation	Validating concept	• Total pageviews on project • # of downloads • Referring sites
Growth	Users + contributors growing	• Total contributor count • # of non-author contributors • # of opened PRs, issues
Maturity	Large community of users and/or contributors, formalized roles	• # of first time contributors • Average response time to PRs, issues • Month-over-month user growth

Project metrics, by project stage

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[1] Who needs money

[2] What do they need money for

[3] How to fund them

[4] Who should fund them

Project Stage	Description	Funding Needs
Incubation	Validating concept	- Dedicated time to write code
Growth	Users + contributors growing	- Infrastructure costs - Code review - Design
Maturity	Large community of users and/or contributors, formalized roles	- Dedicated sprints - Release management - Community management - Code review - Biz dev

Funding needs, by project stage

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[1] Who needs money

[2] What do they need money for

[3] How to fund them

[4] Who should fund them

Should funders give to people, or to projects?

Funding Method	Pros	Cons
Projects	● Transparent governance ● Build institutional resilience	● Need legal entity ● Funding restrictions based on legal entity
People	● Respects decentralized structure ● Good for one-off work ● Don’t need legal entity	● Can lead to favoritism ● Funding doesn’t transfer if person leaves project

Pros and cons of various funding methods

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If funding projects, centralize efforts

(Ruby Together, JavaScript Foundation, Software Freedom Conservancy, OpenCollective, Linux Foundation)

If funding people, build up opportunities for individual grants

(Mozilla Open Source Support, Linux Core Infrastructure Initiative, Open Technology Fund, Stripe Open-Source Retreat)

Still need to figure out: how do projects become financially sustainable?

[1] Who needs money
[2] What do they need money for
[3] How to fund them
[4] Who should fund them

Who cares the most about protecting the open source commons?

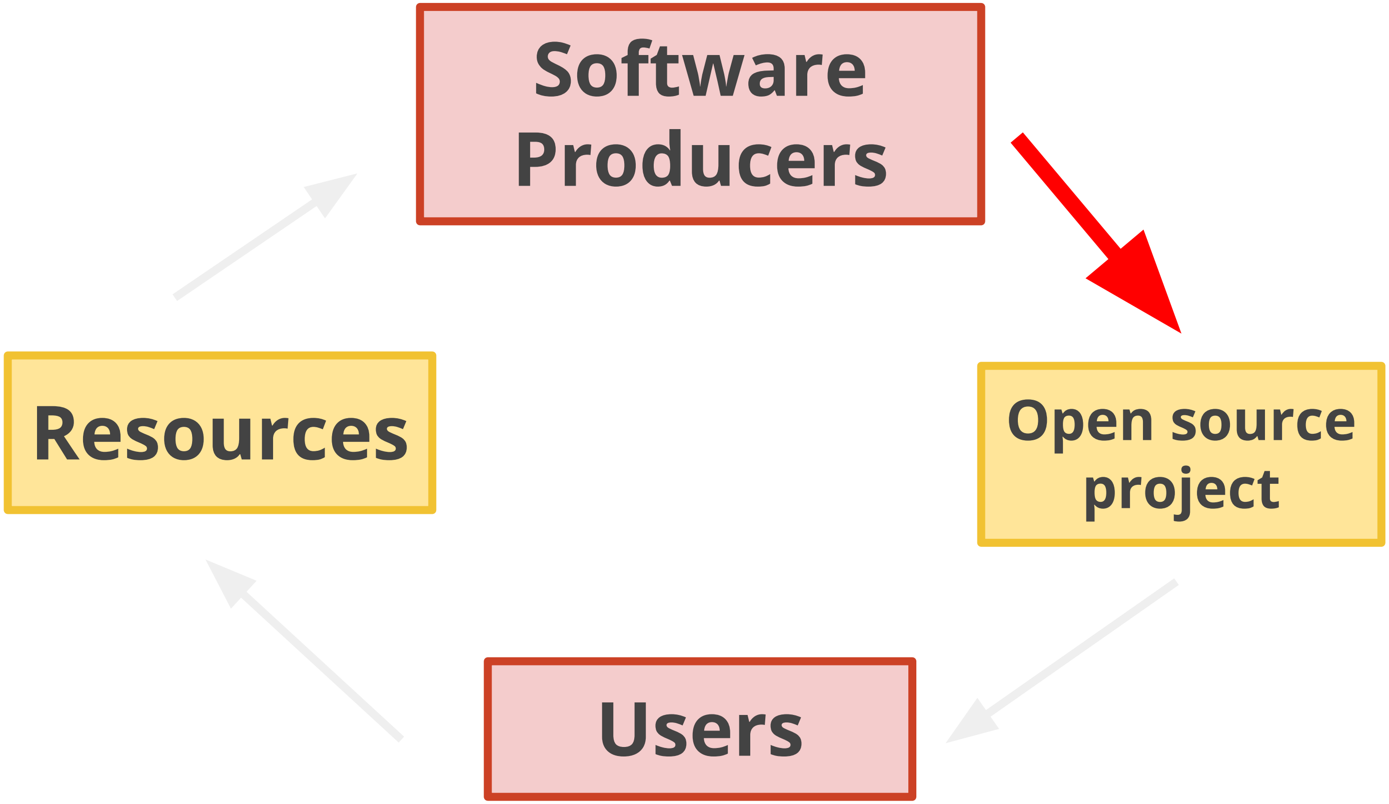
Companies: *Need commons for cheap resources + protect against competition, but also beholden to business goals*

Government: *Natural steward of public goods, but risk averse, and many projects are transnational*

Academia: *Sustainable model for R&D work, but don’t innovate at pace of modern software*

Finding the right funder will probably be the last piece of the puzzle

We’re at the beginning of exciting times



1970s-1980s: getting producers to care about open source software

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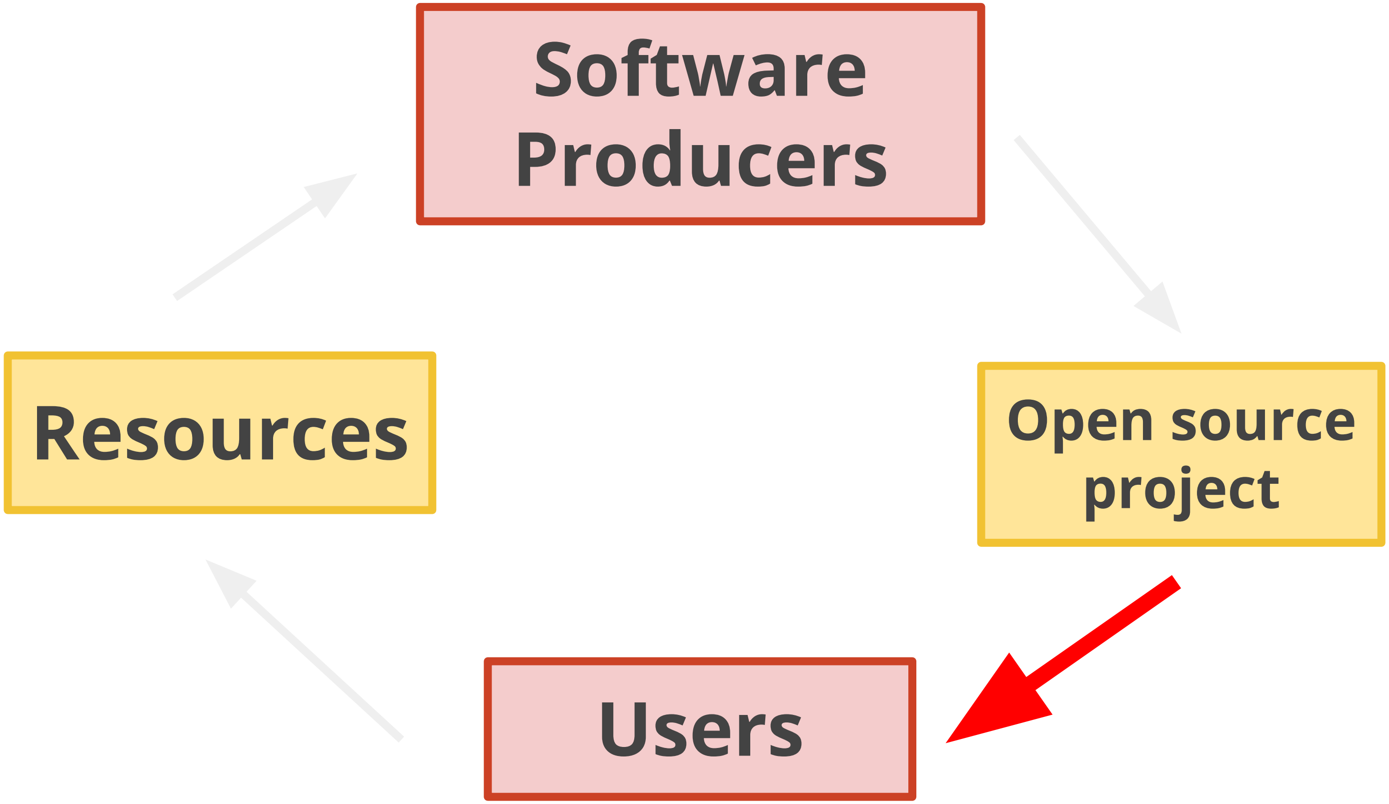

1990s-2000s: getting users to consume open source software

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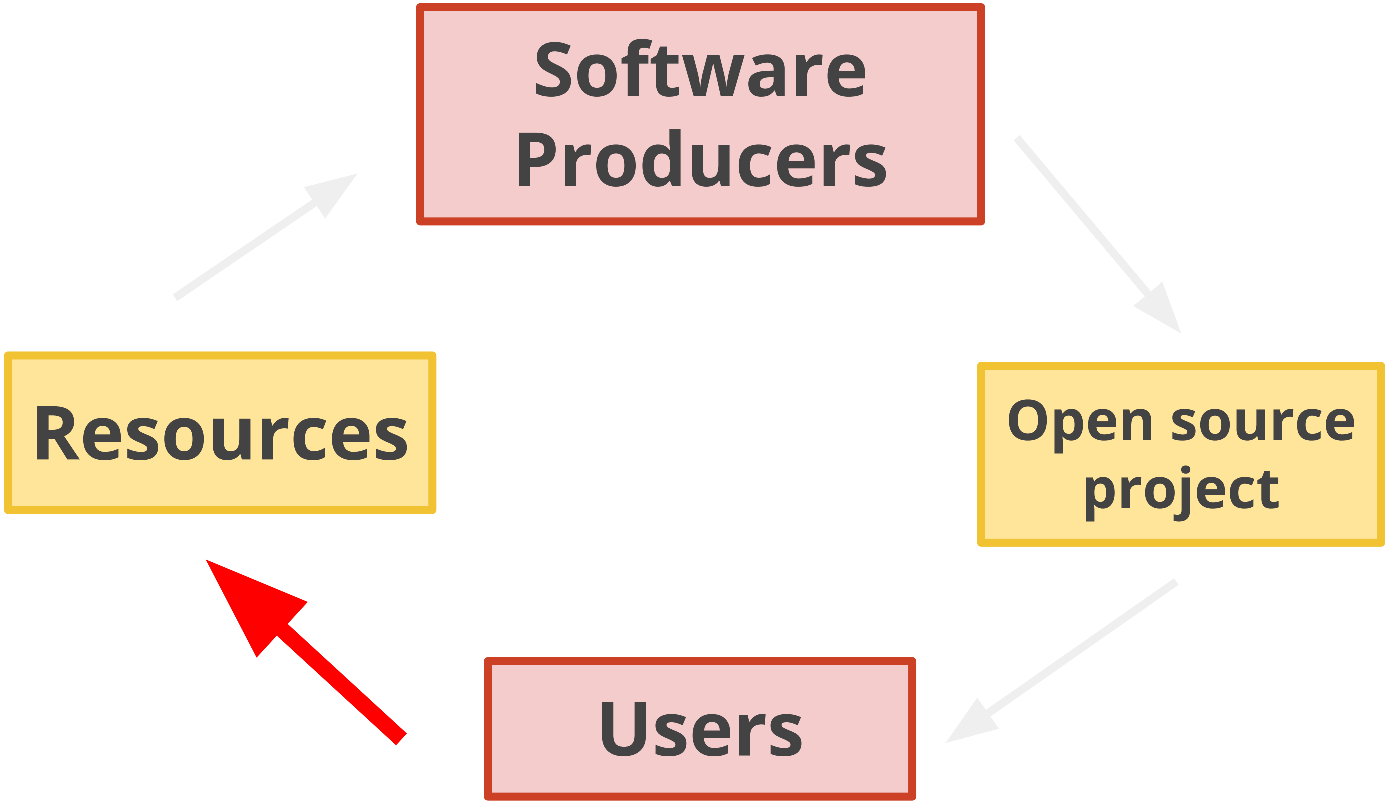

Mid-2000s: startups create outsized returns

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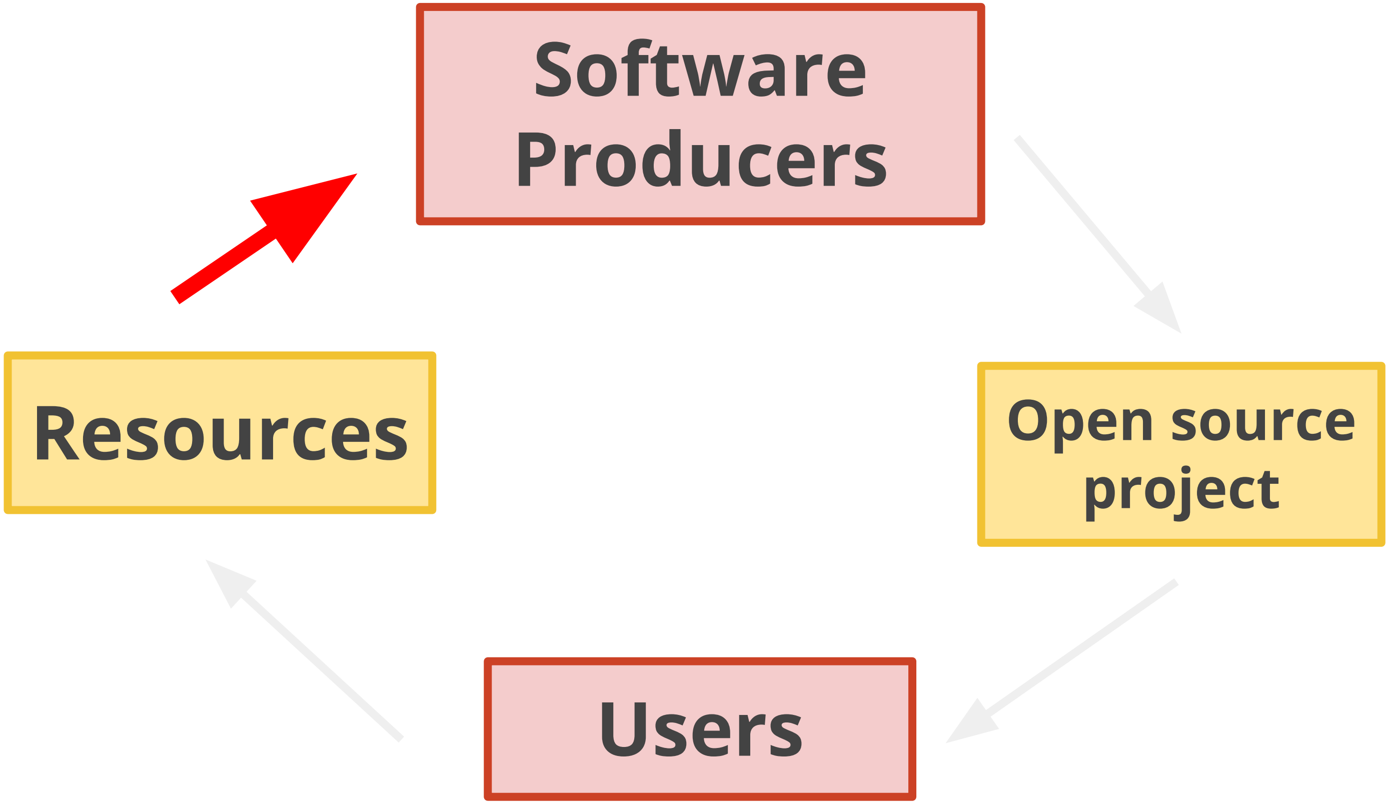

Today's challenge: getting resources back to producers

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FIN

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