Open Source Business Conference 2005
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Synopsis

Executive Summary

Open source is here to stay; however, it will not take over the entire computing world as its proponents would like you to believe. The traditional software selling model is broken and the open source model will force vendors into more creative selling techniques. There are many license models—BSDL, CDDL, GPL, LGPL, MPL—to open source software. Your choice depends on what goals you want to achieve with your application. You don't have to open source entire products: If your product is modular, try to open source most of it (and let the open source community fix your bugs!) and keep the core (probably containing most of your IP) close to your heart.

Keynotes and Sessions

Jonathan Schwartz (Sun) talked about how Sun became a leader (at least in his own mind) in open source movement going back to 1982 when it shipped its first workstation with BSD UNIX and the TCP/IP stack. Standards are key to open source software adoption and proliferation. The standards discussion in the U. S. goes back to the history of canals, railroad gauge, AC power transmission, and the automobile industry with open interfaces. From a Sun perspective, Schwartz feels only the following platforms matter anymore in IT:

- Architectures: Intel, AMD, UltraSPARC
- Operating Systems: Windows, Solaris, Red Hat
- Development Platforms: .Net, Java, Mono Project

Pretty altruistic view, I would say, especially writing off IBM's POWER architecture completely!

While McNealy is still a box pusher, despite his $1 per CPU-hour mantra, Schwartz believes subscription or pay-as-you-use is the thing of the future and went on talk to boldly predict that, ten years from now, you won't be buying cars, but will be paying $220 per month to use it. Period. My comment: Of course, you will be paying for gas, but how about maintenance, flat tires, torn windshield wipers, blown engines, etc.?

Schwartz also criticized the GNU General Public License (GPL) model as being too restrictive and defended Sun's open sourcing Solaris 10 under the Common Development and Distribution Model (CDDL), based on the Mozilla Public License (MPL) model. The GPL governs Linux and countless other projects in the free and open-source software arena. But a key tenet of the license creates a situation that amounts to economic imperialism, said Schwartz. (A GPL provision says source code may be mixed with other code only if the other code also is governed by the GPL. The intent here is to create a

body of software that must remain liberated from proprietary constraints.) But Schwartz said that some people he has spoken to dislike it because it precludes them from using open source software as a foundation for proprietary projects. CDDL is less restrictive than GPL and apparently grants to developers a world-wide, royalty-free, non-exclusive license.

Larry Augustine (MedSphere) talked about the inevitability of open source *applications*, and not just operating systems, tools, and IDEs (e. g., Eclipse and NetBeans). He cited four open source examples:

- Sugar CRM (CRM) uses MPL, 20,000 downloads per month
- Compiere (ERP) uses MPL, 800,000+ downloads so far
- Asterisk (PBX) uses GPL, over 130 systems vendors worldwide
- Medsphere VISTA, an electronic health-records application initially developed by the Veterans Administration, over $2 billion invested by the VA, 200+ developers.

The current enterprise software model is broken:

- Traditional ERP, CRM, and HR applications take years and tens (if not hundreds) of millions of dollars to deploy
- Big, proprietary vendors (Oracle, SAP, Siebel) have a chokehold on the market
- Never-ending patches and upgrades
- 76% of new-license revenue today goes to support S&M (that is sales and marketing)
- Customers have to *pay* to listen to sales and marketing pitches by vendors.

In most open source 'sales', the cost of sale is almost zero: You download the software, install it, use it on a try-and-buy basis. If you like it, you may continue to use the free version or *buy*, *licens*e or *subscribe* to (typically) an enterprise version with the associated support and maintenance costs. (This model is often termed by some as *Both Source* or *Dual Licensing* model.) You don't have to beg your prospects for a proof of concept in open source sales.

While large vendors have traditionally focused on Fortune 100, there is a huge market for the under-served small and medium businesses market, with over 4.2 million SMBs in the U. S. alone.

Kim Polese (Spike Source) gave a lame presentation of comparing the open source movement to the early (1850s) housing industry in the U. S. when custom-built components were slowly replaced by standard 2x4s, 4x6s, and 1x12s. In the housing industry, you make money because of, not with, lumber. In the software industry, you make money because of, not with, open source. Spike Source is doing interesting work on testing and certifying open source software stacks. The open source movement has an enthusiastic developer *ecosystem* vis-à-vis the proprietary environment where the vendors have built a self-serving *egosystem*.

Geoffrey Moore (*Crossing the Chasm*, *Inside the Tornado*, and *Beyond Darwin* to be published later this year) discussed beyond the chasm of adopting of open source. What is open source anyway? It is:

- A non-proprietary product model with embeddable components
- A value-added, contributed, compensated services model
- A collaborative, self-organizing community
- An altruistic behavior
- A cool hobby
- "Good for my career"
- A capitalistic tactic
- Not a Commie propaganda

Some components of the open source movement, e. g., JBoss Application Server, have already reached maturity. Most others are still in the early-adoption stage. Linux is marginalizing AIX, HP-UX, and Solaris. The Internet is a critical enabler of open source and organizations are adopting open source to become more cost-efficient.

Before you open source any of your products, look at the *core* and *context*. Core is any process that contributes directly to sustainable differentiation leading to competitive advances in target markets. Context comprises all processes required to fulfill commitments to one or more stakeholders.

For instance, Domino's Pizza's core is guaranteed delivery within 30 minutes; its context is the pizza. Round Table Pizza's core is the pizza; its context is the pizza parlor. Chuck E. Cheese's core is animatronics; its context is pizza. Over time, core becomes context. As an example, in the mobile-phone industry just a few years ago you used to spend hundreds of dollars to buy a cell phone when it was the core. Now, carriers are giving away cell phones with one- or two-year contracts. The cell phone is now the context and content (dating, Internet surfing, music and ring-back tone downloads, multi-player games, SMS, video) has become core.

So, what is the strategic role of open source software?

- Commoditize context processes by extracting resources from context to focus on core
- Minimize differentiation, thus reducing risks and lowering costs
- Provide flexible APIs by offering clean interfaces to a context abstraction layer
- Support value-added differentiation atop context

To have a successful open source strategy, you need to centralize and standardize (administrative tasks), modularize (consulting), automate (products), and outsource (support services).

Where does Microsoft fit in the open source model? Microsoft can compete with Google and IBM because the enemy is visible. But with open source, it can't find the enemy because it is everywhere! If Microsoft were smart, it should open source 80% of Microsoft Office so millions of developers around the world can fix the bugs!

How can open source succeed?

- As a community
  - Drives competition nuts
  - Can't find the enemy
- As a collaborative
  - Give before you receive
  - In search of the greater good
- As a cooperative
  - Be disciplined in the use of scarce resources
  - Be self-aligned

How can open source fail?

- Slips into control culture
  - Led by the bureaucracy of standards organizations
  - Co-opted by vested interests
- Slips into cultivation culture
  - Ego inflation and demagoguery

Finally, the U. S. has lost its structural advantage vis-à-vis emerging nations (the BRIC countries—Brazil, Russia, India, China—all of which are aggressively adopting open source) and one solution is "aligning with SOAs and continue innovating." Brazil last year spent $1 billion on software and only $600 million on poverty programs!

Irving Wladawsky-Berger (IBM) spoke about innovation in an On Demand world and the related challenges and opportunities. He touched upon Blue Gene (now delivering 183.5 TFLOPS, will reach 360 TFLOPS by YE2005) and national and supercomputing grids (China, Holland, Italy, UK, and US). Collaborative innovation in open source communities is not just looking at source code, but doing collaborative work with Linux, Apache, Eclipse, OGSA and having virtual access to services—computing, information, applications, and business processes.

Ed Screven (Oracle) gave a sales pitch, instead of a keynote, for Oracle in the data center. Interesting points: Oracle shipped the first commercial database for Linux in 1998. Today, 31% of Oracle shipments (by volume) are on Linux.

Emerging Litigation Issue in Open Source—Panel Session

Eric Dratell (Cisco) said all engineers in Cisco are required to get permission before they download and use OS software. "If you call something a standard, you shouldn't impose patent issues on it, that is, no RAND—reasonable and non-discriminatory."

Before you open source your products, try to address the following issues:

- Why are you open sourcing something in the first place?
- Is it a business issue?
- What is the rationale behind it?
- How do I monetize my patents?
- There are over 90,000 projects on sourceforge.net. If I download something and start using it, how do I know I am protected from copyright issues?
- If you are getting open source software, find out where it is coming from.
- Are there too many open source licenses?
- Are they hurting anyone?
- Which ones should we get rid of?

Charles Schwab has done a great job of managing open source software. They get over 1,000 requests per year from their internal developers to use open source software and over 90% are approved because they have cross-functional teams constantly looking at open source software issues.

Lawrence Lessig spoke on cleaning the air about open source and discussed the ongoing entertainment companies versus Morpheus, Grokster, and KaZaA lawsuit being heard in the U. S. Supreme Court. Lessig said this is Civil War. Yes, between the North and South — Northern California and Southern California. This is not a lawsuit, it is greed attacking innovation. "If you—the technology community—cannot take a more active role in Washington, don't come to me or any other lawyer for help." He also discussed how emerging technologies often threaten established monopolies. Cases in point:

- Packet-switching was presented to AT&T in 1964 but was rejected because it was a threat to AT&T's traditional analog lines.
- Thomas Edison, totally in favor of DC power transmission, fought with George Westinghouse who favored AC transmission, and went around the country demonstrating AC-powered electric chairs frying animals to prove his point that AC is dangerous!
- Verizon and other telcos have spent $800 million lobbying and are fighting cities (e. g., Philadelphia) and municipalities around the country that are attempting to provide wireless access to their citizens.

The point here is that established proprietary players in the IT industry are being threatened by the open source movement. (By the way, Lessig added, "I am not a liberal Democrat, I was the youngest delegate to the 1980 Republican National Convention.") So, how will Microsoft react to the open source movement? "I hear a huge sucking sound

from Redmond for lawyers," said Lessig. A monopolist's strategy is to defend itself. Microsoft's stance will change from defensive to offensive and it will build an arsenal of patents that will prevent new players from entering the field.

CIO Perspectives: Beyond Linux in the Enterprise

Peter Quinn, Commonwealth of Massachusetts' CIO predicted that the public sector, at least in his State, will completely go open source within three to five years. (I think he is being too optimistic.) Ameet Patel, CTO of Lab Morgan (a unit of JPMorgan Chase) disagreed and said he foresees core mainframe applications staying there for a long time, but most of the edge computing moving to open source.