

## *SDForum – The Future of Commercial Open Source Think Tank* *Summary Report*

This work is licensed under the Creative Commons Attribution2.5 License. To view a copy of this license, visit <http://creativecommons.org/licenses/by/2.5/> or send a letter to Creative Commons, 543 Howard Street, 5th Floor, San Francisco, California, 94105, USA.



### 1. Introduction

On January 19, 2006, over 70 attendees gathered in Santa Clara, CA, for the open source industry's first ever think tank-type event hosted by the [SDForum](#), a leading non-profit trade association for entrepreneurs, and co-chaired by Laura Merling, Executive Director of the SDForum and Andrew Aitken, Managing Partner, of the [Olliance Group](#), a leading open source management consulting firm. The purpose of this event was to discuss the future of commercial open source software. The participants included more than 15 CEOs of companies whose primary business is derived from open source related solutions, senior management from open source companies, and large and small software providers, executives from standards bodies, end user CIOs, and open source legal and consulting experts.

The audience, comprised of many of the industry's 'thought leaders', was given the following mission: describe commercial open source software in the year 2010 and the process of getting to that end state. The technique used to facilitate this discussion, 'Remember the Future', was developed by [Luke Hohmann](#), Principal Consultant and Founder of Enthiosys, Inc., and has been used by numerous organizations to develop perspectives and insight into their own businesses.

To facilitate this mission, the SDForum organized participants into six breakout discussion groups – each tasked with answering a question related to specific aspects of commercial open source software including business and distribution models, licensing and intellectual property, and innovation. The day's other events included a keynote panel consisting of Tim O'Reilly, President of O'Reilly Media, Simon Phipps, Chief Open Source Officer at Sun Microsystems, and Rod Smith, Vice President of Emerging Software Technology at IBM. The panel was led by [Larry Augustin](#). This group enthusiastically discussed the trends, dynamics, and challenges of the current commercial open source landscape. There was also a very concise GNU General Public License version 3 (GPLv3) update delivered by [Mark Radcliffe](#) of DLA Piper Rudnick Gray Cary and some thoughtful and entertaining closing remarks made by [Doc Searls](#), Senior Editor of the Linux Journal.

The energy level remained high and spirited discussion occurred throughout the six hour event. The breakout groups precipitated what could best be described as 'lively and interactive discussions'. While there were a few entertaining disagreements, overall, the level of consensus achieved was unexpected given the audience's backgrounds, the disparity in company maturity levels, and the many different customers served by the organizations represented.

The conclusions drawn by the members of this talented body, all already immersed in 'the business of open source', provided rich insight into the challenges and opportunities presented by open source. Most notably, they recognized and generally concurred on the implications to larger ISVs, OEMs, and corporate end-users alike. Moreover, they acknowledged that while open source may come to represent a dominant commodity computing model over the next several years, today it is still considered a disruptive force.

Some of the key findings include:

- ISVs will look and conduct business very differently than they do today and will be much more dependant upon services revenue
- Many of the legal concerns around open source licensing will be resolved or fail to come to fruition
- Open source is not a business model in and of itself
- Open source will be a standard, core element of most compute environments
- Like Linux, open source will achieve ubiquity

## 2. Opening Remarks

After opening remarks made by [Andrew Aitken](#), conference co-organizer and founding partner at Olliance Group, a panel discussion commenced. The focus of this panel was to discuss current commercial open source software practices and how these industry luminaries see it changing over the next five years. The panel was comprised of the following members:

*Larry Augustin, Chairman of the Board, VA Software (moderator)*

*Tim O'Reilly, Founder & CEO, O'Reilly Media*

*Simon Phipps, Chief Open Source Officer, Sun Microsystems*

*Rod Smith, Fellow and VP of Emerging Software Technology, IBM Corp.*

### a. Recap

Larry Augustin kicked off the discussion by reminiscing over the meeting held with Eric Raymond in 1998 in which the term 'open source' was coined. They had observed that free software was being developed faster than commercial software; however, many were turned off by the word 'free'. The goal of the meeting was to identify a word or phrase that would facilitate commercialization.

And facilitate commercialization it did. The open source industry has come a long way since that meeting with annual revenues now in the billions. Hence, it was appropriate that the panel's first question was whether or not open source is still viewed as 'free'?

The panel largely responded from the vendor perspective and not the end user point of view. In general, the panel presented the view that the P&L between the open source and proprietary software company can look very different, those differences being attributed to time to market and lower cost of sales and marketing. However, Tim O'Reilly then pointed out that the P&L structure between Borland and Red Hat is virtually the same, the only difference being where it says 'license revenue' on Borland's P&L, it says 'services revenue' on Red Hat's.

O'Reilly went on to say that companies fly the open source flag for a variety of reasons. It really comes down to using the Internet to virally distribute one's software. Simon Phipps concluded with the statement that while there are six different open source business models<sup>1</sup>, open source is more of a tactic than a model. To believe that open source software is fundamental to your P&L is simply a mistake.

The next question tackled by the panel asked whether or not companies that release open source software but do not develop a community are really open source companies at all? Tim O'Reilly stated that there are several axes<sup>2</sup> that determine whether or not something is open source. Some fantastic communities have been

---

<sup>1</sup> Six open source business models:

Model 1 – Mixed: using open source as a component of a larger work (ex. Websphere)

Model 2 – ISP: using open source to provide infrastructure services. Invisible – customers don't see it

Model 3 – Core: open source is your product (ex. Red Hat)

Model 4 – For the Glory: companies that write/contribute to open source to generate publicity which can be converted into revenue streams

Model 5 – Consultation: using community for the purpose of delivering service (ex. Covalent)

Model 6 – Deployment: using open source to provide and extend online services (ex. Amazon, Google, salesforce.com)

<sup>2</sup> Axes used to determine if something is open source:

(1) The license

(2) Architecture of participation (i.e. is the software structured in such a way that independent actors pursuing their own activities build the value of the system)

(3) Distributed/collaborative development process (extent to which software is developed by external contributors/ecosystem)

(4) Free distribution as viral marketing

created around software products that use little to no open source (ala MFST); on the other hand, there are thousands of open source “projects” with little to no community. The consensus from the rest of the panel was that ‘it depends’.

At this point, the focus shifted to the question of whether or not specific companies could be characterized as true open source companies?

*Amazon* – uses open source to provide web-based services, but not an open source company.

*eBay* – created a great community and have open APIs, but not an open source company.

*Oracle* – Not open source, but recent code contributions show awareness of importance.

*Red Hat* – Yes, an open source company whose value is in integrating technologies harvested from the community. But, it was pointed out that they have failed to monetize the middleware space.

*SAP* – Not an open source company, but moving to open R3.

*Google* – Yes, they use open source to build services that can be monetized. Tim O’Reilly pointed out that Google’s is a completely different business model than Microsoft – which is why Microsoft struggles with it.

Next, the panel was asked to describe the key to making open source work and the importance of ‘letting code go’? Rod Smith stated that the key for companies that want to benefit from open source *is* the ‘letting go’ process. In essence, using collaboration to address customization issues – a primary business pain point. Before, customers would say, “If you fix these ten things, I’ll buy your software.” Now, by developing a collaborative community around a piece of software, the pain can be shared. Simon Phipps stated that successful open source companies almost always create a community ecosystem that provides value for its members. In essence, to service the ‘Long Tail’<sup>3</sup> that companies have a difficult time servicing themselves.

Tim O’Reilly concluded that making it easy to contribute, whether open source or not, is the key to making software work. While people may initially build something for their own purpose, it then becomes something that can be used by others, too. This is the heart of the open source business. ‘Letting go’ is the key to getting more out of the process.

At this point, the panelists were asked what advice they could offer to ‘real’ open source companies (most of this conversation centered around Red Hat)?

*Red Hat* – Tim O’Reilly advised Red Hat that they must know what business they are in and that their mentor should be Dell as integration is the heart of their business. Rod Smith agreed that integration/certification is Red Hat’s primary value. They’ve not embraced ‘letting go’. It has less to do with open source and more to do with focusing on your customers and building value you can actually deliver. If you are too religious about anything, you’re not serving your customers or your business. Finally, Tim O’Reilly cautioned Red Hat to ‘watch their data’. Often, the value lies in the data associated with the software and not the software itself. If you don’t protect that data, someone drafting behind you could build a business designed to take the profits that should have been yours.

---

(5) Re-usability and 'remixability'

(6) Transparency for purposes of learning and imitation (low barrier to imitation; think HTML)

(7) Status of the software as social currency

<sup>3</sup> The phrase 'Long Tail' was first used as a proper noun by Chris Anderson, Editor in Chief, Wired Magazine, to argue that products that are in low demand or have low sales volume can collectively make up a market share that rivals or exceeds the relatively few current bestsellers and blockbusters. Stated in relation to the software industry, there is a long tail of very custom process problems that software is supposed to help businesses solve.

Shifting the focus onto the end user, the panel was asked to describe how customer software acquisition and buying habits have changed as a result of open source? Rod Smith responded that as a result of open source, enterprise buyers have had to become more educated. Nonetheless, Simon Phipps pointed out that [in general] customers are making slower progress than the open source industry itself. Tim O'Reilly stated that the biggest benefit to the end user is more transparency. Commoditization and standardization is enabling the end user to truly focus on the question, "How do we effectively source and integrate all the components of a system?"

Rounding the final turn of the opening panel, the group was asked if integration was easier with open source? Both Rod Smith and Tim O'Reilly agreed that while there may be more opportunity for improvement in this area, open source creates visibility and more dialog about how to integrate.

And finally, as a precursor to the day's mission ahead, the panel was asked to describe commercial open source in the year 2010?

*Rod Smith* – "The value of the community has been extremely helpful. Community collaboration and contributions have leveled out enterprise-centric platforms. In 2010, we will see the blending of cross-industry solutions – in essence, verticals reusing technology."

*Simon Phipps* – "2010 is simply tomorrow for open source – the next step. Customers making slow progress today will be more circumspect as they come to realize the benefits."

*Tim O'Reilly* – "The software industry will be less hot than it is today. The frontier will have moved. Be prepared to be surprised by the things that emerge. Open source will just be a part of everything and in every business. Other things will move to the front and center that will upset the apple cart."

### 3. GPL3 Update

Immediately following the opening remarks, Mark Radcliffe, attorney and Open Source Practice Leader with DLA Piper Rudnick Gray Cary and Co-Counsel to the OSI, provided an overview of the discussion draft of the [GPLv3](#) released by the Free Software Foundation (FSF) on January 16, 2006. He also covered highlights of the first International Public Conference to discuss the draft GPLv3 held on January 16-17, 2006, at the Massachusetts Institute of Technology.

#### a. Recap

Mark Radcliffe opened by describing the process by which the GPLv3 will be created. It will be a year long process commencing with the FSF's release of the first draft on January 16, 2006. Four committees representing the hackers, industry, end users, and other miscellaneous parties will be formed. These committees will serve as the primary communications vehicle by which GPLv3 comments will be solicited. However, it was pointed out that final disposition of all issues rests with Richard Stallman and Eben Moglen. The current plan calls for a final draft of the GPLv3 in January of 2007.

Mr. Radcliffe continued by describing why the GPL is being revised. The software industry and the law have changed significantly since the introduction of the GPL version 2 in 1991. The increasing, pervasive use of open source software, combined with the ubiquity of software patents and the use of Digital Rights Management (DRM) technology to control distribution (knowingly and unknowingly), created the impetus for change that is driving the GPLv3 process.

Next, four key changes contained in the GPLv3 were described:

*New definition of 'Source Code'* – there is a more explicit definition that includes 'complete corresponding source code': scripts used to control activities; shared libraries; dynamically linked subprograms that the work is designed to require; encryption/authorization codes required to operate the program; decryption codes required to obtain output.

*Patents* – patent provisions in the GPLv3 are designed to grant patent rights and provide protection for broad distribution. The right to privately copy and modify the program is now dependent upon contributors and end users agreeing not to sue those that write the program. Additionally, the GPLv3's license compatibility provision includes the right to impose software patent retaliation; however, this provision is much narrower than the software patent retaliation provision in the Mozilla Public License.

*DRM* – this strongly worded provision basically states that you cannot use GPL code to implement any type of DRM technology.

*License compatibility* – the GPL version 2 was incompatible with many of the OSI's other 56 approved open source licenses. The statement was made that the license compatibility terms in the GPLv3 now make at least three additional licenses compatible and bring others closer to compatibility.

There is also a limited hosting provision that asserts that those hosting GPL'd code will not be required to open up their own code.

In conclusion, Mr. Radcliffe let the group know that there is a [25 page PDF document](#) that describes the rationale behind the GPLv3 initial draft. He also invited those that would like to get involved in the process to [contact](#) him.

#### 4. Breakout Sessions

The primary purpose of the SDForum's The Future of Commercial Open Source Think Tank was to discuss and define [in detail] the intricacies of the commercial open source space from the perspective of the year 2010. To accomplish this goal, participants were organized into six breakout discussion groups, each led by a moderator. Using a method called 'remembering the future' the breakout groups were each given a specific question to discuss. The questions were designed to generate views from six different vantage points within the overall commercial open source ecosystem. Finally, group moderators presented their data to the general audience for discussion. After each presentation, event moderator Luke Hohmann (LH), facilitated a discussion with the wider audience. Where audience questions and feedback were substantive or particularly insightful we have included a summary.

- a. Group #1 question: "Imagine it is the year 2010, what were the ways that software companies leveraged open source to drive revenue?"

Moderator: Chris Erickson, CEO, ICEsoft

##### i. Key Conclusions

- New or existing companies leveraging open source have focused upon commoditization vs. innovation within their offerings
- Products followed the 'wisdom of the crowd'
- Successful companies have leveraged the viral marketing aspects of open source to more quickly reach their markets
- Open source has created more innovators and integrators which has resulted in higher quality software, better aligned to customer needs
- More companies leveraging open source has led to a broader range of product offerings that are more interconnected with other products
- Marketing has become even more important, but is very different than the way things were performed in 2006 (ex. ubiquity of blogging, self-marketing communities)
- Business models are different and companies operate more like a civil engineering firm – new solutions are being constructed using many more standard or reusable components

- b. Group #2 question: “Imagine it is the year 2010, how has open source changed customer usage models? As you answer this question, you may want to think about such things as: support; compliance and risk management; software development and management models.”

Moderator: Tim Golden (TG), Bank of America

i. Key Conclusions

Support

- Open source enabled end users to focus more on their core competencies and differentiated software components
- More infrastructure was supported using outsourcing and on a time and materials basis
- Customers became more self-sufficient with less reliance on traditional support offerings

Services

- Large OEM and ISV vendor lock-in started to erode
- Smaller, agile companies performed many of the services that larger companies used to perform
- The most successful service offerings were based upon integration services

Compliance & Risk Management

- Open source became ubiquitous in the infrastructure space (like Linux today)
- Open source penetrated [to varying degrees] every application vertical
- Mutually-assured destruction (MAD) for patents worked and the level of legal concern over open source dramatically declined
- Every company had a functional open source compliance and risk policy
- In the end, company risk profiles remained unchanged; increases in open source usage were attributed to the fact that specific risks were mitigated

Development

- Open source enabled companies to enjoy the benefits of reuse and ‘value sourcing’
- There were fewer ‘false starts’
- Open source shortened the software development cycle and made it cheaper

Bottom line... There was a shift in focus from making and acquiring software to making software work.

ii. Audience Feedback/Discussion

LH: Will there be a much more collaborative environment in 2010?

Group Response: There will have to be because there will be many more collaborators. Thanks to early adopter vendors that wanted to extract the economic benefit of open source but didn't want to do a lot of the heavy lifting, commercial users of open source have had to train themselves to meet a lot of their own needs; hence, why the number of collaborators has and will continue to increase. Future customer usage will simply consist of collaboratively leveraging all of the elements that comprise a [successful] solution from both traditional and non-traditional sources. That is why many vendors will have to stop viewing open source as a one-way benefit and start to provide higher

order value or smaller, more customer experience oriented companies will take their market share away piece-by-piece.

- c. Group #3 question: “Imagine it is the year 2010, how has open source impacted global software innovation? As you answer this question, you may want to think about such things as: software quality; time-to-market; new products; global development.”

Moderator: Lisa Lambert, Intel Capital

i. Key Conclusions

Broad Impacts

- Open source became more of a development methodology
- Open source increased transparency and reliability
- Open source engendered shared invention; created ubiquity of access
- Open source expanded internal (ex. Infosys) and external (ex. SourceForge.net) access to source code; thus, enabling rapid time to market

Ecosystem

- Open source enabled entrepreneurs to capitalize on an idea more quickly
- Open source eroded the consolidation model where one or two vendors dominated a market
- Software consumption and reuse increased
- Peripheral or secondary capabilities became core capabilities

Control and IP

- Control was maintained via an ‘economy of sharing’
- Emerging markets used open source as a defense against the US

Economics

- Open source was used extensively in emerging markets due in large part to its affordability
- From the GDP perspective, proprietary software was considered too expensive (ex. Microsoft). This facilitated the increased usage of local resources.

Standards

- Self governance became inherent
- Commoditization/standardization lowered the cost of technology
- Interoperability was be facilitated by a ‘network effect’

Final Thoughts

- Innovation shifted from technical to business models
- The rest of world’s economies started to look like the US market
- Software license margins died in 2010
- Talent – the best programmers became ‘free agents’
- Incumbent software vendors had to change or they died; this signaled the death of the traditional ISV

ii. Audience Feedback/Discussion

LH: Can you elaborate on the concept of developers becoming ‘free agents?’

Denise Cooper: the community already has a super class of well known developers. Assuming they can earn enough money, they may be able to contract with companies directly and individually. There will also be many more service companies like Accenture and fewer Oracles.

- d. Group #4 question: “Imagine it is the year 2010, how has the commercial open source community evolved over the past five years? What was the role of open source consortiums, standards bodies and foundations in this evolution?”

Moderator: Gary Phillips, Symantec

i. Key Conclusions

- Bill Gates was asked to deliver a keynote address at LinuxWorld
- The line between free and open continued to blur
- Virtually every software company was involved in open source in some way
- Consumers in the IT community drove requirements
- Open source was absorbed into all software; hence, the open source community simply became part of the software community
- Many ISVs shifted to the open source distribution model
- Commoditized data was open and available to all (ex. Google, Wikipedia)
- Standards were based upon open source implementations
- A confluence of factors caused various groups to combine creating ‘mega-consortiums’:
  1. Hacker (Apache, et al.)
  2. Pragmatic (Eclipse, et al.)
  3. Hegemony (Google, Microsoft)
  4. Bundles (ex. LAMP)

- e. Group #5 question: “Imagine it is the year 2010, what were the key issues surrounding commercial open source licensing over the past 5 years? How has the community of commercial open source providers and their customers resolved these issues?”

Moderator: Mark Radcliffe (MR), DLA Piper Rudnick Gray Cary

i. Key Conclusions

- By 2010, the patent issue was solved. The ‘patent trolls’ overreached. This caused a reduction in the value of software licenses
- The dual license model continued to thrive as hybrid software became ubiquitous
- The term ‘proprietary’ was replaced with ‘closed’
- Copyright issues finally became a real issue. The EU and Asia led the effort to overcome. The US followed.
- Foreign governments drove open source adoption

- Lawyers specializing in open source went the way of ‘internet lawyers’ and were replaced by in-house counsel and software lawyers
  - Open source security and data issues were overcome
  - Universities became key sources of open source
  - A significant and disruptive legal event happened that tested the enforceability of open source licenses
- f. Group #6 question: “Imagine it is the year 2010, how has commercial open source impacted software business models? As you answer this question, you may want to think about such things as: current models that survived; new models that emerged as viable.”

Moderator: Tom Shields, Woodside Fund

i. Key Conclusions

- Almost every existing horizontal market was affected by open source
- More transparency equaled more efficiency. As markets became more efficient, business models changed. There was a need for fewer brokers. Customers only required salesman when they were ready to purchase.
- Open source enabled the acceleration of innovation, drove efficient sales processes, and made integration simpler (this was a huge business opportunity)
- There was a shift in buying patterns. Functionality was no longer the priority and it became similar across products. Customer now focused on reliability, efficiency, and cost.
- Open source enabled better customer focus and more efficient customization
- The ‘network effect’ became critical to business models. When a product became ‘capable enough’ and attracted a community, it was harder for a competitor to displace.
- Data became more important than functionality
- Large software companies experienced margin erosion
- Proven markets were initially the most vulnerable to open source
- There was a general move from licensing revenue to services

## 5. Closing Remarks

For the day's last scheduled event, the audience was treated to a thought-provoking and slightly eccentric presentation by Doc Searls, Senior Editor of Linux Journal, titled, "Some things I'm still learning about open source." The presentation was rich in pictorial content and included an amusing stop action penguin sequence that would make Dreamworks envious.

The main thrust of the presentation was an analogy between the software and construction industry. In essence, while there is a lot of building material that can be used to put together a building, those components that are standard, commodities, and cheap and easy to produce, are usually sought after first. And so it goes with open source and the current marketplace today and at least for the foreseeable future.

### a. Recap

Doc Searls' presentation opened with the statement that we are all starting to learn 'the Because Principle'; that is, you make money with open source, not because of it.

Further isolating the software from the philosophy, Doc states that there is no unified open source community; there are development projects – each with their own community.

Next, we transition to the very clever, aforementioned penguin stop action sequence that, over a span of 15 slides, tells the mythic tale of the Linux operating systems' journey from obscurity to ubiquity. It is a tall tale whose clear purpose is to provide a caution that while the community has created its own history, we must be careful to discriminate between fact and fiction. This is not a one size, winner takes all story.

Moving forward, we come to the meat of the presentation whereby the construction industry is used as a metaphor to describe why open source is having an impact on the software industry. The construction industry is 'mature' and is a \$5 trillion market. In the construction industry anyone can participate, it loves commodities, materials are discrete, modular and substitutable, IP is isolated, and there is no 'Microsoft'. The software industry [pushed by its customers] is starting to value these same characteristics. Hence, the appeal of open source; leading to the conclusion that the software industry must also be maturing along a similar path.

At this point, we are introduced to Stuart Brand's book, *How Buildings Learn*, where it is stated that 'form follows funding'. Borrowing some key concepts from the book, Doc Searls' states that open source is what Brand calls 'vernacular architecture' and 'low road construction'. In essence, characterized by common architecture and quick assembly methods. Was this perhaps a slight against open source? Definitely not, when you consider that vernacular architecture and low road construction are native, causal and astute, respectful of reality, open to evolution, more craft than art, resourceful, smart, self-educating, and inexpensive. Isn't this the essence of open source?

Shifting gears, Doc Searls provides several interesting observations with respect to the dynamics of the commercial open source software ecosystem:

- There are no open source companies. Just like there are no periodic table companies or physics companies.
- Linux is a species. It's not about Moore's Law; it's about natural selection, adaptation, and evolution.
- Open source isn't about morality; it's just less selfish than closed source.
- Networked markets are pushing open source along. Everyone can participate; moreover, everyone can produce.
- Open source is the Non-Recurring Engineering (NRE) killer; nobody owns it; everybody can use it; anybody can improve it.

Using the Burton Matrix, the presentation continues with a series of slides that take us from the way the world looks today ‘open and public domain vs. proprietary and closed’ to a view of how things should look. That is, infrastructure is open and public domain (hence, ubiquitous), and only commerce (the business transaction) is closed and proprietary.

However, in this model, infrastructure supports commerce, and commerce continually contributes to infrastructure. This contribution process leads to further commoditization, freeing up commerce resources to focus on higher order closed and proprietary areas and the wheel once again turns.

In conclusion, Doc Searls closes with the message, “Hey software industry, commodities are good!” In the networked marketplace, open source will only continue to grow. Companies will need to adapt.

## 6. General Observations and Analysis

In addition to the discussions that occurred as part of the Think Tank's formal agenda, the day was characterized by several facilitated and spontaneous group and sidebar discussions. Following the event, several blogs appeared and the organizers received feedback that contained various viewpoints with respect to areas of consensus, areas of disagreement, and some of the obstacles that may block progress with respect to some of the 2010 predictions presented within this document. The most prevalent of these viewpoints are summarized below.

### a. Areas of Consensus

- i. ISVs will not look like they do today or conduct business in the same manner. Open source will have fundamentally changed the software industry, driven by a backlash against vendor lock-in, and enabled by networked markets that distribute development and lower the cost of distribution. Services revenue will be a much larger component of the ISV business model and they will be tightly linked to communities, open source or otherwise.
- ii. Open source will no longer be considered a business model, but a component of a business model. To succeed, companies selling open source-based solutions still need to deliver a compelling value proposition to customers, have effective sales and marketing, and enough, sustainable differentiation from the competition, just like proprietary software companies.
- iii. Open source will no longer be viewed as software; rather, an efficient means to develop and distribute software. The open source model will have a profound impact on the way all software is built, sold, and used. As such, open source will no longer be talked about as such a disruptive force, but as an important material used to make a finished product.
- iv. Open source will continue and accelerate the trends of standardization and commoditization across the entire software stack. In essence, open source [as a whole] will reach ubiquity in the infrastructure space, with limited, but important gains extending up into the application layer. The net benefit of open source standardization and commoditization will be a shift in focus whereby functionality will become the single most important factor in software development.

### b. Areas of Disagreement

- i. While there was high level agreement around the definition of an open source company, there was a lack of consensus with respect to many of the subtleties that go into this characterization. Opinions varied concerning the degree to which a company needed to produce open source software, contribute code, or derive revenue from open source-based solutions to be considered a true open source business.
- ii. The rate at which open source will change the world. Many felt that by 2010, open source would account for over half of the software acquired by enterprises and licensing revenues would simply dry up and blow away. Others disagreed vehemently, stating that 2010 is virtually tomorrow and that these changes would occur much more slowly. In fact, many felt that proprietary software would still hold a dominant position in the 2010 marketplace [however marginal]. It is interesting to note that both sides were not in disagreement over the idea that these changes were in fact coming. In essence, they were disputing the 'when' and not the 'if'.
- iii. Whether or not the rate of industry consolidation would increase or decline as a result of open source was also in dispute. Some believe that consolidation will increase as a clear preference will emerge in each software category and competitors will go out of business. Case in point Red Hat and the Linux market. Still others believe that the rate of consolidation will decrease. This belief is based upon the idea that open source means anybody with a computer, some development skills, and a broadband connection can start an open source company.
- iv. Where will the resources to drive all of this community-based development come from? The majority of those in attendance believe that the resources will come from the same place they do today, from the ISVs. However, a significant number of the audience shared the opinion that to scale to the level of resource efficiency that will be required to fuel this growth, developers may

become free agents and move from company to company, project to project. The critics of this viewpoint stated that developer skills are too specific to particular industries. That that level of skills portability cannot be achieved; hence, developers will remain in their ISV silos.

c. Potential Obstacles

- i. The fear that a major economic recession would hit that dries up financing and puts pressure on currently non-positive cash flow open source companies; thus, driving many of them out of business.
- ii. Over-funding by venture capitalists in open source companies resulting in a non-differentiated, crowded marketplace with too many companies chasing too few opportunities.
- iii. A situation whereby there are not enough developers to participate in all of the open source communities that require talent.
- iv. SCO wins.

## 7. Tomorrow

This discussion has led us through many aspects of commercial open source software. After a significant amount of discussion, a central theme emerged; the landscape is going to look different in the year 2010. While there was disagreement with respect to how different things would look, the consensus view holds that the open source phenomenon will factor heavily into these changes. In conclusion, we present a composite view of these changes from the perspective of the future software vendor and the future open source end user.

### a. A Description of the Future Software Vendor

The future software vendor will have an open source strategy and will have an open source element within its business model. It will produce applications incorporating a variety of open source components. It will produce and consume copious amounts of its own open source software and generate a majority of its revenue from services (support, maintenance, professional services, training). It will have to continually innovate as the community and its competitors will have access to its software and be able to commoditize its offerings rapidly. Delivering functionality will be key to an ISVs ability to attract and retain customers.

### b. A Description of the Future Open Source End User

Open source will rest peacefully alongside proprietary software throughout the spectrum of the end users IT environment. Open source [and software in general], will be supported by end user developers, vendors, and the community alike. Many developers will be compensated for working on open source projects. Every corporate end user will have an open source policy and will contribute significant amounts of their non-core or non-value added code to the community.

8. List of Attendees

Andrew Aitken, Managing Partner, Olliance Group  
 Matt Asay, VP of Business Development, Alfresco  
 Andy Astor, CEO, EnterpriseDB  
 Larry Augustin, Entrepreneur, Azure Capital Partners  
 Srinivas Balasubramanian, CEO, Infracore  
 Ray Barker, CEO, rSmart  
 Edward Birss, Partner, Advanced Technology Ventures  
 Mark Brewer, CEO, Covalent  
 John Brockland, Partner, Cooley Godward  
 Fabrizio Capobianco, CEO, Funambol  
 Philippe Cases, Partner, Partech Venture Capital  
 Stuart Cohen, Executive Director, OSDL  
 Mary Coleman, Partner, Walden International  
 Danese Cooper, Open Source Evangelist, Intel  
 Karen Copenhaver, General Counsel, Black Duck Software  
 Ward Cunningham, Director, Eclipse  
 Scott Dietzen, CTO, Zimbra  
 Paul Doscher, CEO, Jaspersoft  
 Chris Erickson, CEO, ICEsoft Technologies  
 Matt Filios, CEO, Virtuas  
 Ismael Ghalimi, CEO, Intalio  
 Bernard Golden, Consultant, Navicasoft  
 Tim Golden, SVP, Bank of America  
 Steven Grandchamp, CEO, Open Logic  
 Michael Grove, CEO, Open Country  
 Bill Hewitt, CMO, Novell  
 Luke Hohmann, Facilitator, Enthiosys  
 Armond Inselberg, Director, Open Country  
 Adrian Ionel, Founder, Thrive Security  
 Vladimir Jacimovic, Partner, New Enterprise Associates  
 Lonn Johnston, Principal, PageOne PR  
 Chander Kant, CEO, Zmanda  
 Susanna Kass, COO, Palamida  
 John Koenig, Consultant, Riseforth  
 Lisa Lambert, Director, Intel  
 Steve Larsen, CEO, Krugle  
 Deborah Magid, VP, IBM  
 Laura Merling, Executive Director, SDForum  
 Dennis Moore, Partner, SAP Labs, LLC  
 Tim O'Reilly, CEO, O'Reilly Media  
 Gary Phillips, Director, Symantec  
 Simon Phipps, Chief Open Source Officer, Sun Microsystems  
 Bill Portelli, CEO, Collabnet  
 Mark Radcliffe, Senior Partner, DLA Piper Rudnick  
 Sam Ramji, Director, Microsoft  
 John Roberts, CEO, SUGARCRM, Inc.  
 Doc Searls, Media, Linux Journal  
 Tom Shields, Partner, Woodside Fund  
 Rod Smith, VP, IBM  
 Lucinda Stewart, Partner, OVP Venture Partners  
 Zack Urlocker, VP, MySQL  
 Stephen Walli, VP, Optaros  
 Anthony Wasserman, Professor, Carnegie Mellon West  
 Bill Welty, Director, State of California

James Zemlin, Executive Director, Free Standards Group

***Report provided by Olliance Group***

Contributors

Tim Golden, Bank of America  
Steve Larsen, Krugle  
Laura Merling, SDForum  
Andrew Aitken, Olliance Group  
Brian Fan, Olliance Group  
Greg Olson, Olliance Group