Open Source Business
Unqualified Reality Check

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EMEA Open Source Affairs
I am not a scientist, not a lawyer – but experienced Dutch. Living in Munich.

FLOSS advocate for 10 years

Red Hat Community Architecture team (associated member)

Former Core Developer of OSCommerce
  - 100,000+ community members
  - 20,000+ online shops running with OSCommerce
85% of all companies worldwide use Open Source

(Gartner 2008-11)
30% of all servers in companies run Linux

(European Commission 2007)
The Broken Way

- The vendor defines the level playing field
- Direct Interoperability
- NDA, IPR
- 1:1 deals, no openness
- Closed market
- No verification possible by third party
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The Better Way

- The Standard defines the level playing field
- Open market
- 1:n relation
- Implementations can be verified by third parties
I will start with a confession: I am still a big fan of open standards. I believe in openness, and I believe in practising what one preaches.

[...]

Many authorities have found themselves unintentionally locked into proprietary technology for decades.[...] This is a waste of public money that most public bodies can no longer afford.

*Neelie Kroes, European Commission Vice-President for the Digital Agenda*
*Brussels, 2010-06-10*
Play and Build

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ZeroCostStartup
From #1 in industry to a whole new industry

Motivations – Mythbusters in action

• Open Source is NOT a business model
  • It is a development model – only.
• OS Developers want to make the world a better place
  • They are lazy – they have a problem and solve it.
• OS is domain specific
  • It is everywhere. It is Mission-Critical, Live-Critical
• OS is a cost saver
  • Only if you understand the triple play
Stagesetting

CDC v CDC
CDC – Company Driven Community

- Examples: Sopera, MySQL, Asterisk, Zarafa, Zimbra, OpenXchange, ...

- Characteristics:
  - Control is defined
  - Community has no “real” influence
  - Risk of forking
  - Community typically small, not connected
  - Incentive risk is a problem
  - Business Model often “Open Core”
CDC Community Driven Company

- Examples: Red Hat, Mandriva, (Apache, ...)
- Characteristics:
  - Subscription model, revenue independent of development
  - No direct control, influence is “currency”
  - Risk of insignificance, bad reputation
  - Reputation is most important
  - Business Model is Open
Red Hat as CDC – Community Driven Company
Seit 2002: Red Hat business model

SUBSCRIPTION MODEL: Subscribe once, predictable cost and value

RED HAT SUBSCRIPTION MODEL
CONTINUOUS STREAM OF FEATURES
YEARS
WHO IS RED HAT?

FOUNDED 1993
IPO 1999

~2900 EMPLOYEES

PRESIDENT & CEO,
JIM WHITEHURST

67 OFFICES IN
29 COUNTRIES
STEWADY, CONSISTENT GROWTH

In millions

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<th></th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
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<tr>
<td>Revenue</td>
<td>$202</td>
<td>$523</td>
<td>$653</td>
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<tr>
<td>Operating Cash Flow</td>
<td>$94</td>
<td>$120</td>
<td>$148</td>
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<tr>
<td>Non-GAAP Operating Income (a)</td>
<td>$203</td>
<td>$236</td>
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Red Hat 3 Year Financial Metrics

One of 2009 Forbes' 25 fastest-growing US tech companies

(a) Non-GAAP excludes stock based compensation expense and amortization expense. Please refer to investors.redhat.com for a GAAP to Non-GAAP reconciliation under the Featured Documents section.
Communities of practice are groups of people who share a concern or a passion for something they do and learn how to do it better as they interact regularly.
The Open Source Way

• The Open Source Way: Creating and nurturing communities of contributors

• It's a handbook you can rebrand and use to learn how to do and bolster usage of the open source way.

  http://www.TheOpenSourceWay.org/book

• It's a wiki you can participate in; help your community of practice document the knowledge on what does and doesn't work.

  http://www.TheOpenSourceWay.org/wiki
The Open Source Way

Creating and nurturing communities of contributors

Edition 1

Community Architecture
Red Hat Community Architecture team

team@th.opensourceway.org
The Do's

- Identifies and focuses on key future technology
- Funds key open source development
- Makes mistakes and learns from them
- Is daring about applying the open source way to non-engineering teams
- Works hard to preserve culture in a fast growing company
- Takes people who think they understand the open source way and really teaches them how it works
- Has a strong brand and steers that consistently through community interactions at all levels
The Don't's :-)

- Burns projects and loses momentum in technology leadership by ignoring community fundamentals.
- Breaks fundamental rules of community
- Fails to learn from mistakes
- Misses the opportunity to adopt and grow key or future open source technology for your own IT
- Does not include community strategy in all new projects
- Separates community from business
Questions

- People are Networks -> Open Source is now far beyond the software domain.
- Open Source cannot be ignored (Gartner)
- Gartner predicts no commercial software will be possible without OS elements
- Practical Communities form across markets (AMQP)
- OS skills are now ++, 5 years ago it was --
Questions?

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