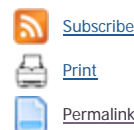## Blogs

# Is Open Source Competing Unfairly?

Dirk Riehle **SAP**
Business Card
**Company:** SAP Labs LLC
Posted on Apr. 30, 2008 01:27 PM in Beyond SAP, Emerging Technologies, Interoperability, Ranting, Scripting Languages, Standards

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Commercial open source firms go to market trying to create an "unfair" competitive advantage that lets them win customers more easily than their competitors. So do most other companies. Commercial open source firms do this by bypassing the traditional purchasing process by getting their software into customer companies for free, before the customers even know they will need the software. But is an employee's decision to install a piece of open source software a good decision for the company? After all, every software locks in its users, whether open source or not.

MySQL's CEO likes to joke about how many CIOs don't know that they have MySQL installed internally already. A recent article recounts the story of a customer call, where the CIO declared they are "a proprietary software shop" only to be contradicted by a MySQL sales person saying that the company downloaded MySQL (and presumably used it) more than 1,300 times over the last six months. Open source is a go-to-market strategy that relies on employees of future customer companies to try out the open source software, under the radar screen of IT and purchasing.

Did you ever download a content management system or a wiki engine to get your workgroup going? What happened when your IT organization realized that they needed to license and operate this software, because it was becoming important? Did the firm behind the open source software have an advantage in the purchasing process? How did the evaluation and purchasing process look like when there already was a champion for one solution in the house, and the locked-in-pain of moving from the existing solution to another solution was oh so apparent?

Obviously, open source creates a competitve advantage for selling the software. It is under the radar screen of IT and its CIO and typically bypasses existing regulations, for better or worse. It locks customer firms into a specific solution before the firms even know they'll need this software. Personally, I don't mind. As far as I can tell, this is just smart competitive strategy, and it is up to each company to handle this appropriately.

I would love to hear, however, whether you've seen this process happen. Were you a champion who brought in some open source software? Where you annoyed about an implicit (and premature) decision by a colleague? Did the purchasing process become contentious?

Disclaimer: I'm a fan of open source, most of the time. Well, of good software, in general. However, business realities are what they are, and one should take a sober look at them. That's what I'm trying to do here.

Thanks for sharing your thoughts!

*Dirk Riehle* leads open source research at SAP and is an enthusiast of all things wiki.

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- Open Source ERP, a dream or a strategic move ?
  2008-05-01 09:22:19 Ignacio Hernández Business Card [Reply]

  Hi Dick
  at beginning of the times IBM offered it hardware and you had to develop your business software by yourself, so then some guys thought in offer one business system to customers, let them customizing and extending, but with a common core, and charging licences for it, SAP was born. That model is the same that SAP is using now. But I think that +35 years after ( a millenium in IT industry ) the world changed. The technology offer was multiplied by a million, we have software by license, software by service ( free or charged ) and open software in most of applications today. Open software is an inversion, you invert in code to generate value. You can take that value after if you made it fine. ERP players could evaluate the production of an Open Source ERP, like MySQL could be a winner player of the future.
  Regards,
  Ignacio.

- Unfair, or using initiative?
  2008-05-01 08:39:04 Darren Hague Business Card [Reply]

  Hi Dirk,

  Excellent and thought-provoking article. I believe that this kind of "commercial open source" model usually works to everyone's benefit, and it's interesting to look at the whole spectrum of source-openness. At one end of the spectrum is, I suppose, Microsoft, who supply no source at all*. At the other end are Sun, who have now made Java available under the GPL. SAP are somewhere in the middle (nearer to Microsoft, perhaps), in that all of the ABAP code is there to be seen and used as a template.

  I think it would be very interesting for SAP to follow a similar model to MySQL, and make at least the NetWeaver Java stack open source and freely available. Lets look at what might happen:
  1. No existing license revenue would be lost. The people who are currently running NetWeaver are the kind of people who are running business-critical systems for which they require support from the original vendor.
  2. Like MySQL, NetWeaver Java could be a no-cost initial option for startups building their technology stack. Once they get big enough to have investors though, they will want to protect their investment and will also be seeking original-vendor support. This means more revenue for SAP, in precisely the small-to-medium segment where it it looking to get penetration.
  3. Imagine a tech startup has built it's infrastructure on SAP, as described above. Now it's grown a bit and is looking for an ERP solution - which proven vendor will be top of the list, I wonder?

\<blatant advert\>

I have proposed a discussion on Open Sourcing SAP for the Global Virtual Community Day on July 16th - find the details by searching the SDN Wiki for "community day webinar".

\</blatant advert\>

It would be good to have you there to continue the discussion.

Cheers,
Darren

- Unfair, or using initiative?

  2008-05-01 11:35:02 Dirk Riehle **SAP** Business Card [Reply]

  Hi Darren, thanks for your comment.

  In my post, I was mostly concerned about what it means to IT users if employees prematurely make decisions on future software evaluations and purchases.

  But open source in general is of course important to SAP. The official party line of course is that Netweaver is unlikely to ever be open source. How would you go about convincing SAP that it really should change its stance here?

  Thanks again for your candid opinion.

  Dirk

  - Unfair, or using initiative?

    2008-05-01 12:02:21 Darren Hague Business Card [Reply]

    Hi Dirk,

    You are correct in pointing out that I slightly missed the point you were addressing in your article - I guess my argument was partly that by adopting a dual-license model, SAP could make this "unfair advantage" their own - that would make it a pincer movement, getting into corporations from the bottom up and from the top down.

    By good fortune, the SE Radio interview with you got to the top of my playlist today and I have listened to half of it since writing my previous comment - I'll finish listening before I write more.

    Best regards,
    Darren

- I love freeware!

  2008-04-30 16:59:55 Michael Nicholls **SAP** Business Card [Reply]

  Hi Dirk

  I think it is not so much whether the application is open source, but how much it costs! Yes, open source is often free, but the piece that appeals is that I don't have to pay anything to run it. Recently I was looking for a free mail server to run and started looking on the Web. "Free" means different things to different people, and sometimes features had been turned off on the "free" versions or were for a short evaluation period.

  Yes, eventually he one I decided to persue was open source (James, for those who are interested), and it has some really neat features, but it's the "free" that really sold(?) me.

  - I love freeware!

    2008-04-30 17:06:54 Dirk Riehle **SAP** Business Card [Reply]

    Hi Michael, thanks for the comment.

    I'm curious: Is the mail server commercial open source? I.e. owned by some other company? Or, is there at least a company that provides services for it? In that case it would not be free (of cost) anymore and you eventually might have to convince your IT dept to pay for it.

    Dirk

    PS: Changed the title of the original blog post. Not sure the new one is perfect in conveying what I'm trying to say, but certainly better than the previous one.

    - I love freeware!

      2008-04-30 17:07:52 Dirk Riehle **SAP** Business Card [Reply]

      Sorry, meant to say "not free any more once you decide you need to purchase services to keep it running." As long as you are fine operating it yourself, everything is

dandy, of course.

■ I love freeware!
2008-04-30 17:12:13 Michael Nicholls [SAP] Business Card [Reply]

Hi Dirk

It's an Apache project, and if I read the license correctly I think it's realy free!

■ I love freeware!
2008-04-30 17:32:04 Dirk Riehle [SAP] Business Card [Reply]

Thanks. In terms of my point about "commercial open source competing unfairly", it doesn't apply, because Apache projects are community open source projects (see http://www.riehle.org/2008/04/06/commercial-professional-and-community-open-source-resolving-the-naming-confusion/ for what's commercial, professional, and community open source).

The key thing about community open source is that no specific company owns it but that many share in it and thus can provide services for it. This way, you can switch providers and ensure that the lock-in doesn't allow a firm to strangle you.

■ I love freeware!
2008-04-30 19:37:06 Michael Nicholls [SAP] Business Card [Reply]

Good point...

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