OW2 CEO Predictions for 2010

Continuing a tradition started by our colleagues in the Open Solutions Alliance (OSA), who merged with OW2 at the end of 2009, OW2 asked the CEOs or highest executives with responsibility for open source at OW2 and OSA member companies to make predictions about the coming year.

The Contributors

- **Miguel Valdés-Faura**, Chief Executive Officer and co-founder, BonitaSoft
- **Jean-Pierre Laisné**, Open Source Strategy Manager, BULL S.A.
- **Roger Burkhardt**, CEO, Ingres
- **Michael Grove**, CEO, Collabworks
- **Bertrand Diard**, CEO, Talend
- **Gabriele Ruffatti**, Engineering Technical Director, SpagoWorld, an OSS initiative of Engineering Group
- **Benjamin Mestrallet**, Founder and CEO, eXo Platform
- **Cedric Thomas**, CEO, OW2 Consortium

**Question 1:** As the economy started to sink a year ago, many predicted that bad economic news meant good news for OSS companies. Did 2009 help or hurt the OSS industry? How did your company fare? What do you see for your company and the industry in 2010?

**Miguel Valdés-Faura:** 2009 was one of the best years for most OSS vendors in terms of revenues. For BonitaSoft, 2009 was an excellent year as the company was created and funded this year ($3 million). I see 2010 to be even better for BonitaSoft as the company will release a new open source product. We will foster sales teams in Europe and we will open new offices in the US.
Jean-Pierre Laisné: 2009 has been a good year for Systems Integrators, and an even greater year for FLOSS vendors -- which confirmed the competitiveness of FLOSS solutions.

Roger Burkhardt: The economy put a spotlight on the predatory pricing practices of proprietary software companies. In addition, the press and analysts increasingly promoted open source software as an alternative to proprietary software and a cost-effective way to bridge the “budget gap.” Open source also burnished its reputation for superior innovation through leadership in social networking and e-commerce. This leadership position for open source was furthered by the announcement of the Ingres VectorWise technology. Overall the opportunity pipeline accelerated dramatically; however, there were also a number of project initiation delays that pushed some of the benefits into 2010.

Michael Grove: I think the economic news regarding OSS was mixed. Clearly cost-reducing efforts put more focus on OSS. However, outsourcing, SaaS, and reducing fixed costs were more critical to many CIOs than OSS. Many OSS companies who were negative cash flow suffered. Some went out of business.

The first half of the year was very challenging, but we kept our overhead very low. The second half has been very good for us. We see strong growth in 2010 and mixed results for the industry as a whole.

Bertrand Diard: The crisis has led IT executives to change their perspective on OSS. They have been asked to do more with less, and to provide faster time to value. 2009 has been the pivot year. OSS has become mainstream, by proving that it could deliver more value faster.

For Talend, 2009 has been an excellent year. We started in January with a round of investment led by very visible VCs. In 2009, we closed over 500 new accounts, about half of them Fortune 1000. We also consolidated our positions in all territories. And we closed the year with the preparation of the launch of the first OSS Master Data Management (MDM) solution.

The open source model has proven its value and validity in 2009. 2010 will be the year of growth and deployment acceleration. Adoption barriers and fears are history. A new era is upon open source: the execution era. Now more than ever, open source has its marching orders to contribute greatly to the software revolution.

Gabriele Ruffatti: During 2009, we saw a progression in using OSS by industries, mainly because of cost-reduction and its increasing effectiveness in many areas. However, it wasn’t a vast improvement. We are expecting the progression to be steady in 2010 as well. Engineering is expecting its OSS solutions (SpagoWorld Initiative: SpagoBI, Spagic, Spago4Q and Spago projects) to continue to support its internationalization process.

Benjamin Mestrallet: For Exoplatform it was a good year, but if not for the bad economy it could have been better. Our sales cycle has lengthen from six months to nine or 10 months, so cash flow management has been a bit more complex. Overall, I think it was a good year for commercial open source companies. We have been hurt less than proprietary companies because many customers have tried to spend less by switching to open source solutions.
The business of open source is interesting. For companies like Exo that use a subscription model, the ratio of subscriptions to sales is important, and we have a good one. We started 2010 with secure revenue, and we have a nice pipeline. However, this year we are opening an office in San Francisco, so we will be spending a lot on marketing. The market itself will have an impact because we expect more and more commoditization of open source applications this year, as has already happened at the operating system level.

**Cedric Thomas:** 2009 was a year of contrast where well established open source companies reaped the benefits of an aggressive pricing strategy while fledgling vendors found it difficult to gain recognition and growth in an especially risk-averse market environment.

As for OW2, there is no denying 2009 was a tricky year. In uncertain times, direct company interests generally take the priority over community interests and, despite continued downloads growth and new members joining from all geographies, we felt it was more difficult to organize member participation in our activities.

2010 will be a more comfortable year for everyone: open source will definitely be recognized as a mainstream alternative, our members will be better off and will realize that cooperation is something they do for their own benefit.

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**Question 2: Have the results of 2009 or expectations for 2010 caused any surprising changes in your deployments or perhaps even your business model?**

**Miguel Valdés-Faura:** The big surprise is coming from customers. While some years ago it was still difficult to convince some of them to use open source solutions, 2009 represented a key milestone on open source adoption (due to the crisis, but also to the maturity of open source vendors).

**Jean-Pierre Laisné:** As Systems Integrators, we are reinforcing our partnership program with FLOSS vendors in many areas such as BI, CMS, work flow, ERP, etc., to answer our customers' requests.

**Roger Burkhardt:** We have adjusted our plans to take advantage of two positive structural changes – one government (see below) and the other a substantial increase in the number of Independent Software Vendors (ISVs) who want to adopt complete open source infrastructure stacks under their applications (some proprietary and some open source). We piloted a large-scale recruitment program with Red Hat in central Europe and were pleased with the results. We will be expanding this systematic process to a global ISV recruitment campaign in 2010.

**Michael Grove:** Our business model has evolved. To keep growing our CIO network we added more services to our free membership. We focused our revenue generation on suppliers who needed to generate more revenue with fewer resources -- we have successfully collapsed the sales cycle for several suppliers.
**Bertrand Diard:** Surprising: no. But Fortune 1000 adoption has really grown tremendously, proving the enterprise readiness of OSS. As a result, we have had to adapt our organization to answer to more and more critical projects, and to ever-growing deployments. We have also reinforced our teams to respond to more demanding clients.

**Gabriele Ruffatti:** The interest in SpagoWorld solutions grew two or three times in 2009, while its correlated business had a “quite linear” progression. Engineering is investing more in open source development in 2010 and enlarging its network and community contribution without substantially changing the specific industrial free software model.

**Benjamin Mestrallet:** Yes, the longer sales cycle has caused us to work more on cross-selling to existing customers. It was a success. We had a very high ratio of existing customers who purchased a new service or subscription this year, so we have hired a sales representative dedicated to cross-selling.

**Cedric Thomas:** The main impact of 2009 as I see it is that open source vendors will be more cash oriented and will develop hybrid business models either through pure dual licensing approaches or through what I would call "proprietary open source" business models where apart from being able to look at some code little else will be different from conventional proprietary business practices.

With regard to OW2, ROI for our members and activities with tangible results will drive our actions for 2010. We will concentrate our efforts in satisfying our members' requests for a dynamic and engaging environment in which they can express themselves and a more visible organization.

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**Question 3:** Given how open source adoption earlier in the decade paved the way for the excitement around cloud computing today, how do you see OSS and cloud computing interacting in the coming year?

**Miguel Valdés-Faura:** I see OSS and Cloud complementing each other. Cloud in 2010 will be focused on the production environment. Customers can use open source solutions from vendors to build their applications and then put them in production through Cloud infrastructures.

**Jean-Pierre Laisné:** We will have to observe how FLOSS will coexist with the proprietary applications of Cloud computing. This will depend on the existence of licenses to legally define what is a "Free/Libre" service, as we do have for FLOSS.

**Roger Burkhardt:** These are two mutually reinforcing trends, and the pace of OSS adoption will be accelerated by cloud computing. Cloud computing embeds open source infrastructure once and then grows the usage at a geometric pace without any of the adoption hurdles and delays you see when you grow by adding new end users (skills, education, etc).
Michael Grove: I don’t see much change. It is critical that OSS suppliers develop Cloud-based solutions.

Bertrand Diard: Cloud computing is a deployment mode, not a licensing or development model. On one hand, Cloud computing leverages OSS software for its flexibility and cost effectiveness – it has no alternative, the proprietary model cannot answer the constraints and philosophy of the Cloud. As far as deployment, the Cloud mode is gaining traction. Talend is seeing a number of deployments in the Cloud.

Gabriele Ruffatti: Companies offering Cloud services will use OSS solutions, even if OSS will not derive much real benefit from this. Market trends are probably overestimating Cloud computing, just like we did with e-commerce some years ago. We are expecting only a few big providers, mainly in the proprietary context, having valuable economical returns from Cloud computing in the future.

Benjamin Mestrallet: Well, it's good and bad. There is some risk for companies inside the cloud. Google, Amazon and others have built their clouds on top of open source software. They have contributed back, but the ultimate value is not open source. We think the AGPL license is the right choice for cloud distribution because it requires that people who use the software have access to the code. On the other hand, the cloud is a good way for open source companies to diversify their revenues. It is easy for people to buy software as a service, especially in the application world.

Cedric Thomas: I think the relationship between cloud computing and open source will be complex.

First, I see cloud computing and open source as being two different solutions for the commoditization of software. An end-user who needs an application which happens to be commoditized will increasingly have the choice between an open source offering and a SaaS (or cloud-based) application. Second, I see open source, and the open innovation business practices associated with it as a key enabler for emerging cloud infrastructures and technologies. Cloud infrastructure will be built upon open source components and most of the components which need to be created will be developed in an open source way.

Therefore open source and cloud will most likely interact as both complementers and rivals.

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Question 4: In 2009, governments worldwide changed procurement rules in ways that help with open source adoption. Have these efforts worked? Do you see the trend continuing? What more can or should the US, the EU, and other governments and agencies do to remove roadblocks and help OSS gain wider adoption?

Miguel Valdés-Faura: A number of governments in Europe have been adopting open source technologies in recent years. As part of the advisory board for the Spanish government, I saw last year a big commitment of governments to adopt and promote open source, particularly in new developments.
Jean-Pierre Laisné: There are just some declarations of intent in some countries. In 2010, serving politicians will have to make the necessary changes in policies in order for FLOSS to fully demonstrate its power of wealth creation for the society as a whole.

Roger Burkhardt: 2009 was a milestone year for government open source policies as they moved from the aspirational policies of the previous decade (“open source is such a great idea… let’s do it”) to action-oriented programs that affect procurement policies directly. We have seen several governments in Europe change their policies in this way and expect it to become the norm in 2010. For example, Systems Integrators in the UK are now required to include open source in their bids or explain why not. We have also seen a substantial increase in bids that include open source as a result. The US Department of Defense (DOD) recently issued an important new policy to encourage open source adoption. Another example is the Hungarian government where they diverted 25% of their software budget from proprietary vendors to open source – thus creating a 6 billion HUF (£19.3 million) for acquiring open source and open standards solutions for use across government departments. Expect to see more alliances between government wanting to benefit from open source and leading open source players.

Michael Grove: The government efforts have helped but there is still a great deal of opportunity going forward.

Bertrand Diard: Government involvement in Germany and France has helped OSS in the past by providing a more fertile ground initially. But OSS in countries like the US and the UK did not benefit from this help, and this did not prevent OSS from going mainstream there too! Government rules are a positive step but we do not expect them to be game changing.

Gabriele Ruffatti: Nowadays, the trend of governments adopting OSS is increasing. However, this is not happening so fast as expected. Moreover, proprietary lobbies are working with good results. We don’t feel a real discontinuity compared to the previous years. Governments can help OSS gain a wider adoption only by supporting a real political choice. Nevertheless, this is not on stage in Europe yet, despite some vague declarations of interest.

Benjamin Mestrallet: The advice given by governments in Europe has been very important. Many now advise their IT departments to use open source products if they are of the same quality as equivalent proprietary software. Some countries has been been very pushy. France has been one, and Germany, Switzerland and Belgium too. Public administrations are using more and more open source, and that drove the growth of the open source ecosystem in those countries. But they still don’t understand the commercial open source model. Buying subscriptions is still difficult for them. In Europe, governments still want to purchase software and support from integrators. So subscriptions are not yet mature or well seen, but the market is getting better and better.

Cedric Thomas: Open source is becoming a requirement in many government bids. The trend is there, and this will not change. Implementing open source technologies into their information systems has many advantages for governments, including reducing expenses and empowering local providers.
However, my perception is that the more open source becomes a credible alternative for government procurement, the more it is targeted by lobbying efforts from conventional proprietary vendors. This explains some difficulties we perceive for open source to shift to the next level in government procurement.

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Optional Follow Up Question: What currently serving politician or other person of influence do you expect to be the biggest friend of OSS in 2010? Who will be the industry’s biggest political enemy?

Jean-Pierre Laisné: The biggest friends of OSS are the citizens, i.e. users -- consumers with the help of FLOSS organizations such as OW2, EFF, FSF etc. We are crucial stakeholders in the diplomatic negotiations between governments and industry.

Michael Grove: I see the White House CIO as being a positive force. I worry about Oracle.

Gabriele Ruffatti: The biggest political enemy of OSS could be OSS itself, if an increasing number of OSS producers are going to ape the business model of proprietary producers. OSS leaders tend to operate like proprietary providers, consolidating their solutions through the acquisition of companies, enlarging their commercial proposition with an entire commercial suite, concentrating their offer on few dominant providers.

Benjamin Mestrallet: The Obama administration might create a big push as they try to implement some cost savings. This is going to be controversial to say, but I think the actions of Monty Widenius, one of the co-founders of MySQL, will be more bad than good for open source. By trying to keep MySQL from being acquired by Oracle, he put a lot of fear out there that will lower the valuations of many open source companies, and that means less funding.

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Question 5: What new business challenges will OSS help address in 2010?

Miguel Valdés-Faura: I see two of them: adoption of cloud technologies in development environments and ability to grow (>100M$ of revenue).

Jean-Pierre Laisné: I identify three challenges for 2010:

- Interoperability: a clear definition is necessary for systems, applications and services for ecosystems to be able to grow in a fruitful environment.

- Hybrid models: as we will see more and more hybrid business models (mix of open source and proprietary) coming out, we must be sure that they do not jeopardize the consistency of OSS. These hybrid business models may be considered positively as far as they are not representing "Trojan horses" for the traditional proprietary models.
Openness: in 2009 the term "open" has been over exploited and became fuzzy. In 2010 we have to make openness a reality and not a buzzword.

Roger Burkhardt: Most generally open source will service the enormous latent demand for IT innovation that has been suppressed by the recession and needs to be addressed within very circumscribed budgets in both the private and government sectors.

Michael Grove: Two thoughts: First, just being an OSS doesn't provide a competitive advantage. There must be real value contributed by the community and consistent execution to win commercially. Second, it's time for a second generation of open source. We call it CollabSourcing where knowledge and solutions are shared among a community of participants.

Bertrand Diard: As the economy moves from crisis mode to recovery mode, IT will need to start new projects and initiatives. But they will still be under pressure to provide fast time to value, and to leverage restricted budgets. OSS will help them be more reactive and efficient.

Gabriele Ruffatti: OSS will have a significant improvement if many OSS stakeholders (politicians, users, integrators, producers, analysts) are able to work together promoting OSS, avoiding competitive insulation. The challenge is the ability to work with a new business community model, a real business ecosystem. The economic downturn is forcing companies to survive or to have immediate results, instead of looking for a long-term sustainable model. A new impulse to OSS could come from the “future Internet.” Moreover, we expect industrial free software to have new opportunities of matching and mixing the initial open source values with research in innovative contexts, like Engineering’s industrial free software model.

Benjamin Mestrallet: I see open source changing the market for small hardware such as netbooks, phones and tablets, such as the one Apple will introduce. Open source operating systems for tablets will quickly find hardware providers to create products that rival the quality of the product Apple will ship. We saw the same thing with phones when Google introduced its Android operating system, but I expect open source competition to ramp up much faster in the tablet market.

Cedric Thomas: Whole product categories, such as Business Intelligence, Content Management, Application Servers, etc. are already dominated or will soon be dominated by open source offerings.

The main business challenge for open source is to win major bids. We need to grow the expertise and reliability of open source software vendors (most of them are still small- to medium-sized companies), and we need the commitment of large systems integrators (most of them are still followers and do not naturally build their customers’ solutions on open source components). What we need are large-scale, mission-critical implementations of open source solutions that will once and for all signal where the state-of-the-art is.