OPINION

4 Ways to Play in Enterprise Open Source

As the value of business open source becomes clear, there are several ways for software vendors to join the game.
By Tom Berquist, Ingres Corp.
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From my 10-year vantage point as a software analyst with Citigroup, Goldman Sachs and Piper Jaffray, I've watched my share of enterprise software trends come and go. In the 1990s, I covered Red Hat after it went public. Many thought it would challenge Microsoft on the desktop. It didn't but it revolutionized the server market and made clear the opportunity of open source.

The power of open source to individual developers is now well understood. A large, active community, low costs and fast deployment are just a few of the advantages that make open source attractive to its converts.

Now is the time for open source to move into the enterprise. We will see open source continue to move up the stack - from operating system to database, application server, development tools, security, systems management - over the next decade. That's why I left Citigroup to become CFO at Ingres Corp., a business open source software company recently spun out of CA by investment bank Garnett & Helfrich Capital.

It is hard to imagine a massive shift away from propriety software driving the enterprise - but it happens. In the 1990s, IBM was in charge of IT systems. Their hold on budgets was broken when many best-of-breed vendors came in and sold comparable products based on new technologies at lower prices.

It takes a long time to create an entirely new footprint - lots of Oracle products today still run on midrange systems from IBM. But today's software vendors have a chance to participate in the transition of the enterprise to open source.

Delivering Improved Value to the Enterprise
Many vendors, such as Ingres, are working to define the open source genre for enterprise software. We're not trying to revive old legacy products. We're trying to define a new way to lower the cost of infrastructure software.

The cost structure of IT organizations is changing dramatically. In the 1990s when the software market was on an upswing, license purchases were the biggest cost for IT while maintenance costs were relatively small.

Yet as enterprises purchased lots of licenses, maintenance costs began to rise and eat up significant chunks of IT budgets. It's created a situation where software capital expenditures are now greater than they were in the 1990s.

But open source brings a new reality to what it takes to run IT systems. I believe open source software can reduce the costs of running core systems by 25 to 50 percent - without giving up functionality or reliability.

Open source also speeds deployment. I've yet to walk into a CIO's office without a whiteboard full of projects waiting for launch. Buying software licenses takes time - time that passes without IT helping the business. Customers of proprietary vendors must commit before their companies receive any value from the purchase. Open source enterprise products can be downloaded and put into action long before a software license contract is even signed.

And although people equate open source with free, very few enterprises want to be on the hook to fix a very complex enterprise product. If they want to, they can fix it on their own. But knowing a vendor stands behind the open source offering makes most CIOs even more confident.

The result is that many vendors now provide enterprise open source products that offer comparable performance, functionality, scalability and reliability to that of proprietary products.

The Vendor Opportunity
The open source model provides several benefits to software vendors (see **"Time for a New Software Model"**). As the market for enterprise open source emerges, software vendors can get involved in a several ways.

Buy Scale. At Ingres, we are fortunate to boast an installed base of 10,000 customers, plus thousands more who use Ingres embedded in another system. When we announced the switch to open source last year, our customers were ecstatic. Some of our users have been with us for 25 years. It is a great business community that is incredibly receptive to this change. They know our reputation as an easy-to-administer, reliable product will remain. We've had 25 years to fix bugs and optimize performance. Software vendors can get a big head start by acquiring the scale needed to drive an open source model.

Step Up. Witness the success of mySQL in the press. Yet the people who tend to use mySQL use it for personal productivity. They are workgroups, power individuals and students. They need more performance than a desktop database but don't have the complicated needs of the enterprise. Vendors of such individually-driven open source products have an opportunity to graduate to a more robust product with a broader set of tools and management capabilities for enterprise clients.

Build on It. Developing software on open source enterprise products improves performance and speeds releases. If there is a performance problem, the source code can be immediately accessed and the problem can be fixed quickly. That issue can be shared with the entire development community, thereby preventing similar issues in the future. Open source also lowers the number of platforms a vendor must develop for. Given our model and reputation, Ingres has had lots of large and small software vendors approaching us to help create embedded and integrated solutions.

Partner with the Best. For vendors and integrators choosing an open source development partner, it is important to understand the pedigree of the partner's code. It must have been built with "adult

supervision" so that it is reliable and proven. Open source partners must offer a model that allows other business entities to use and expand their product - not just individuals. The open source model also enables tools vendors to create products necessary to create an ecosystem without signing a detailed relationship with the open source vendor. We at Ingres expect that tools for our products will bubble up around the industry and be sold commercially as part of open source community.

Indeed, it is tough for enterprise software vendors to leave behind their proprietary models for open source offerings. The conversion takes time and cost structures must be completely reset. But in the end, vendors must recognize that their customers are looking for less expensive options to run their IT infrastructure. They must consider giving up some short term revenue in order to achieve a more stable model for the long term. Open source will be the model that will drive enterprise IT into the future.

*Tom Berquist is chief financial officer of **Ingres Corp**. Hear Tom speak further about enterprise open source at **Software 2006.***