Rob Buckley muses on why open source start-ups sometimes fail to meet eye-to-eye with the business world

Foundation and Empire

Picture it: Innovate!Europe 2005 - a pan-European conference held in sunny Zaragoza, aiming to spark innovation in Europe. Governments were there to see what they could do to nurture new companies, promote cross-border cooperation and stimulate their economies. Start-up companies were there to show off their software and services,

in the hope someone would invest in them. Venture capitalists were there to see what start-ups looked promising and to let the unpromising ones know what they were actually looking for. In short, everyone in the business ecosystem, with one notable exception, was there, looking for ways to make money and encourage business. The missing party?

The open source movement.

It wasn't because the invites had never been sent out. Mike Sigal, CEO of the Guidewire Group, which organised the event, says: "Our invitations were to companies and business leaders that have significant interest in, resources dedicated to, and/or experience in helping European emerging technology businesses achieve

global scale success. Software licence model had nothing whatsoever to do with our selection process."

Indeed, MÂrten Mickos, CEO of MySQL, did speak on the second day of the conference on the various barriers to pan-European innovation. But IBM's representative was unable to attend and almost no open source-based companies chose

to exhibit. More to the point, Microsoft's Simon Brown spoke at length at the ways that the company helped and nurtured its ISVs, partner companies and Microsoft developers. No one hinted at a similar eco-system existing for open source companies.

Sigal cites a number of potential reasons for the open source no-shows: companies didn't think promoting their products in a commercial environment was something they wanted to do; they didn't have the funds to be there; or they didn't think the conference was a good place to promote their products.

But the problem remains that two messages went out to those at the conference: developers working on open source were told that they were on their own in every sense; the message to the rest of the business community was that open source isn't yet open for business.

As we've seen in the rest of this series of articles, companies that have based their products and services on open source have emerged and have been able to mature and flourish within the current market, developing newer and more varied business models over time. Companies are now willing to pay for open source

companies with proprietary products. Even if there are open source applications that provide the functions the organisation needs to run, getting them to work together can be a management nightmare. Getting the companies that support or customise these applications to work together can be an even bigger nightmare.

If open source is to have a chance of replacing proprietary software in larger organisations, there has to be an open source equivalent of proprietary "end-to-end" systems that provide all the services necessary but with better levels of management.

Fortunately, in Europe, there are the beginnings of this infrastructure. Some of this is informal and comes through the normal process of business. Comments Danny Rimer, a venture capitalist with Index Ventures, "If you look at MySQL, it has relationships with HP, Dell and SAP. If you look at Zend, it has relationships with SAP, Intel, IBM and Oracle. More and more ISVs are working on assisting open source companies."

Larger open source companies such as JBoss are also reaching out to create their own ecosystem. Sacha

us thanks to Linux."

But as well as these organic partnerships, there have been attempts all over Europe to create more formal ecosystems of companies that can deliver on bigger contracts. Open Ireland, for example, exists as

sector. Founder and executive director Mark Taylor highlights the fact that 55% of the UK's IT work is done in the public sector, but 85% of that work goes to just eleven big companies. "Open source companies can compete in the

Companies are now willing to pay for open source because it offers better support, better technology and lower prices

because it offers better support, better technology and lower prices. Venture capitalists are actively looking for open source companies to invest in, even creating companies around open source projects when none exist, because they think open source can revolutionise markets and displace long-entrenched market leaders.

But we've also seen that organisations with greater needs will often turn to

Labourey, European general manager at JBoss, explains: "We think the value of JBoss is in the ecosystem. We don't want to do everything. So we have a pretty strong channel programme. After all, we've been helped by Linux. Linux is like our big brother. It's always easier to go out late at night and get the key of the car when you have a brother like Linux. Many companies have made the choice of Linux and things are definitely easier for

both a lobby group for promoting open source in the public and private sectors and as a trade organisation that helps to the deployment of open source systems. There are similar bodies throughout the rest of Europe as well, including Denmark and the former Yugoslavia.

The UK has gone further. The Open Source Consortium launched in 2005 as a way to help open source companies sell their services to the public

private sector. But for larger projects in the public sector, the perception that open source is a risk stops them in their tracks."

As well as promoting open source to the government, the consortium operates in three phases: phase one is an internal market, with the consortium bringing in work that members can compete for; phase two, aka "mini consortium mode", lets a number of members come

together to provide services for a contract; phase three enables the OSC to manage the member companies to provide a single point of management for the client.

Phase three in particular can also draw on expertise in other countries and Taylor says there are already close ties with open source groups in other countries.

It's a strategy that appeals to many open source vendors, members and non-members alike. "A peer-to-peer organisation is a good idea," says Jan Hichert, CEO of German open source security firm Astaro. "It would be good to talk to these people. At the moment, very few customers come to us because we're

the OSC as well as the all-important open source community will have to continue to nurture and support this eco-system. With some elements of the community against profit being made from open source, this will be harder than it should be.

"Open source emerged in Europe, because it ultimately had to come out of a more socialist environment," argues Index's Danny Rimer. That socialist environment may have given birth to open source, but for open source to triumph against proprietary software it now has to embrace capitalism. As MÂrten Mickos of MySQL pointed out

There have been attempts all over Europe to create more formal ecosystems of companies that can deliver on bigger contracts

open source. It would certainly help us if somebody was interested in forming a special focus on open source."

Open source's onwards march throughout the world won't inevitably lead to its eventual dominance. But an emerging eco-system of cooperative open source companies that aren't "fighting each other for scraps off the table", as one critic puts it, is going to be equally as important as larger open source companies. These will be necessary for the largest contracts that may require facilities to be built, for example. But, says Taylor, the reality is that there aren't many contracts of that size in the UK. "By the time there is, we'll be ready for them."

Until then, bodies such as

back in sunny Zaragoza, "Making a lot of money is not high on the list of proper civic activities in most European societies. Inheriting money is fine, as is having it and earning it. And sometimes even stealing it. But making money is often seen as verboten. However, to offset the enormous risk that an innovator takes when embarking on a seemingly impossible enterprise, there must be a serious reward awaiting him or her. Otherwise, innovators will not innovate."

Only by combining the cooperative nature of the open source movement with the desire of capitalism to make money will open source be able to take on proprietary software - and win.

I say potato, you say?

Two surveys, two conclusions: which is right? The National Computing Centre recently polled 140 "senior technology executives" in an online survey and asked them how they were using open source technology. According to the survey's results, more than 50 per cent of respondents have either adopted or are planning to adopt open source software. Three out of five said open source will become a fundamental component in their core IT systems and three-quarters said their organisations' IT strategy will include open source over the next five years. Atos Consulting, which sponsored the survey, maintains that companies that prepare their open source adoption roadmap thoroughly can realise tangible cost-benefits in a very short time.

However, CIO Connect, an industry forum for CIOs in the UK, does a yearly poll of its members to see what issues are most pressing for them. This year, just 8% of the 120 members polled thought open source software was "a significant or major benefit to the organisation"; just over one in three think it's a moderate benefit, with just over half saying it has little or no benefit. This was an improvement on the previous year, when 0% thought open source was a major benefit. Similarly, CIO Connect's own online survey of members suggested that 86% believed the cost benefits of open source were no longer clear, with various respondents making comments such as "Open source is not a universal panacea and never was" and "I'm not sure the cost benefits were ever clear."

So who's right? A quick look at methodologies shows who's been answering which survey. Atos conducted its survey online, getting respondents from the National Computer Centre web site. These respondents were therefore the kinds of IT decision makers who visit the site - a kind more open to technological experimentation and frequently in charge of smaller companies. The CIO Connect surveys, however, surveyed CIOs, who tend to head up larger companies' IT departments.

The result is that it while it seems clear to heads of IT in smaller and medium-sized companies that open source will have benefits for their companies, larger UK companies are finding it far harder to see what's in it for them if they use open source software.