



Seminario sobre software libre en entorno empresarial

Building an open source company to compete
with SAP and Microsoft

Manel Sarasa , Openbravo
Madrid, 24th June, 2010



Agenda

The Openbravo story

- The Openbravo ERP
- Building the Openbravo company

Learnings from Openbravo

- Open Source myths

Conclusions & Recommendations

**Openbravo is the
company behind the
leading web-based Open
Source ERP**

Introduction

Company history and offer

Company

- Offices in Spain, US and India and unique int. presence
- Funded by top-tier VCs (2006 and 2008)
- Leading team of professionals (including Navision founder, Oracle, Exact, Baan,...)

Offer

- Leading open source company:
 - > 1.6M downloads; > 1,000 users; > 10,000 developers
- Fastest growing channel
 - >100 partners in 20 countries
- Most adopted commercial open source product
 - 5 broad sectors; >300 modules available and growing

Main milestones of our history

- Publication of code (April 2006)
- First Partner Program (April 2007)
- Marketing of Professional Edition (June 2008)
- New forge and modular product (April 2009)

International Recognition

➤ Awards:

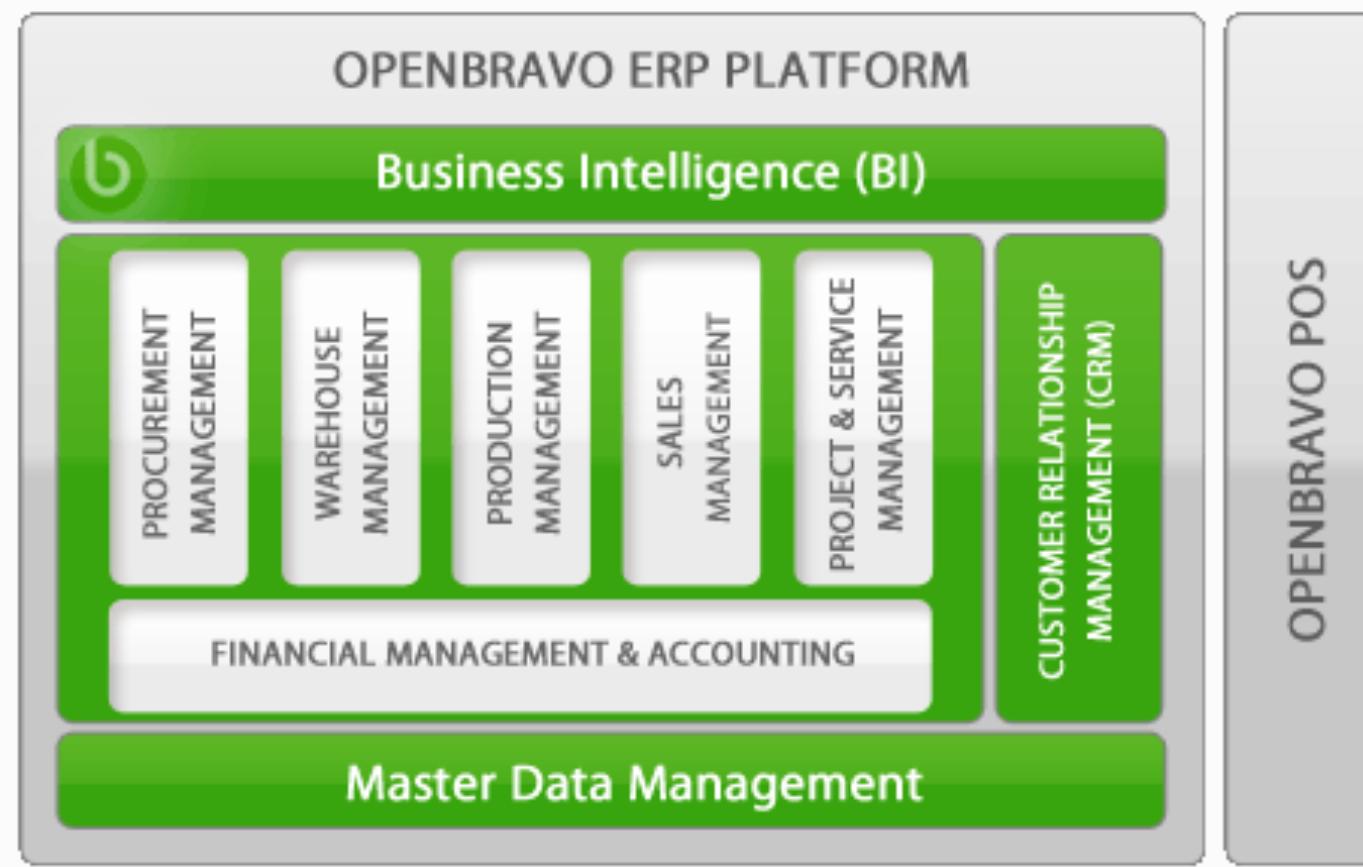


➤ Analyst reports:



Introduction

Comprehensive: Openbravo ERP functional footprint



Openbravo offers a rich functional footprint covering all business processes of companies

Our vision:

**Open Source is a better
way to build the best
ERP in the world**

Our vision

Open Source in the different software segments

Middleware



Operating Systems



Desktop Applications



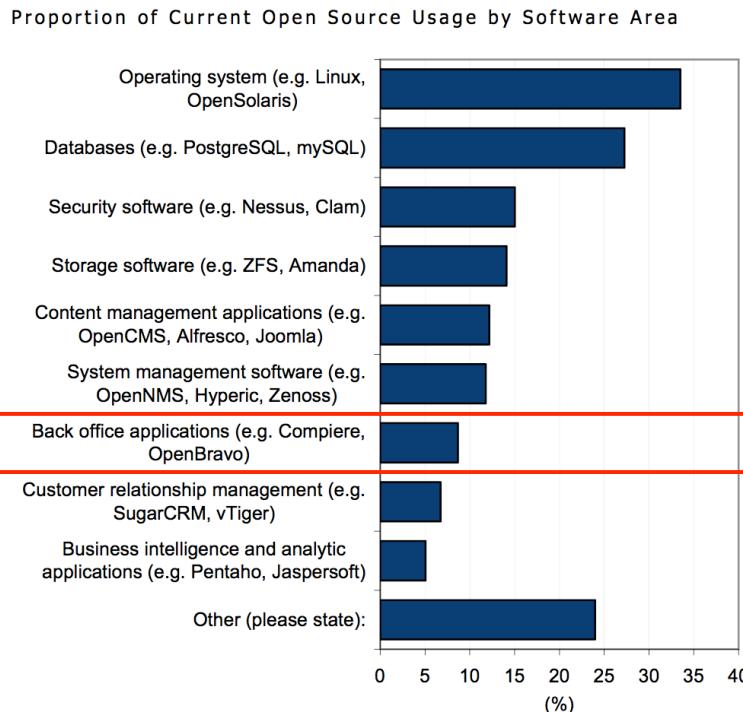
Business Applications



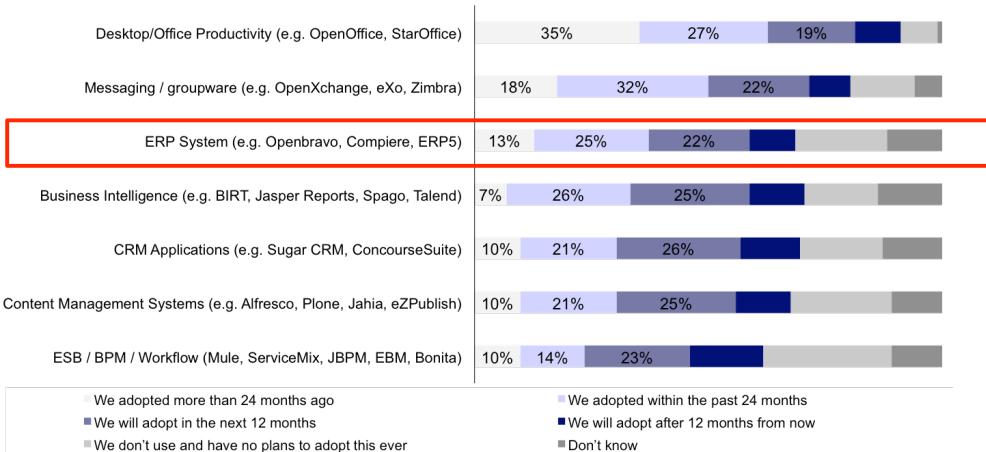
Eventually there will be an open source alternative for everything.

Our vision

Increasing adoption of Open Source ERPs



"Has your organization adopted or does your organization plan to adopt open source software within each of the following BUSINESS APPLICATION CATEGORIES?"



Base: 102 Senior Business & IT Executives involved in the decision making for open source software technology and related services in large enterprises. Western European OSS Online Survey conducted by Forrester Consulting and commissioned by BULL, September 2008

Independent analysts are finding out that open source applications are indeed penetrating the market.

Our vision

A different way to build software

No single vendor can build a solution that addresses the needs of all companies



Vision 1:

“Business process optimization”

Automate key business processes
to help companies be competitive



Vision 2:

“Data / Information is king”

Manage all data reliably and
efficiently for better decision making



Vision 3:

“Empowering people”

Optimize worker's value added
through user centric solutions



Our vision: “Empowering the ecosystem”

An ecosystem of partners with the right skills to build
vertical solutions to help companies better manage their
businesses

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Openbravo history

Fase 2: Spreading the word



Product / Community

- **Apr - Openbravo ERP 2.20**
 - Source code first published in SourceForge
- **Oct - #1 on SourceForge for the first time**

- **Ago - Openbravo ERP 2.30**
 - UI redesigned
- **First international price won**
 - Linux World product excellence award
- **Increasing community resources**
 - Wiki for documentation
 - Issues for public bug tracking
- **Feb - 500 K downloads reached**
- **Openbravo ERP 2.40 published**
 - Includes first community core contributions

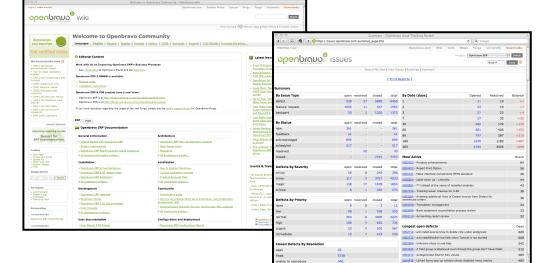
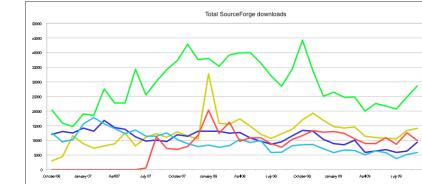
Sales / Business

- **Jan - First VC financing round**
 - 6.4 M \$ with Sodena

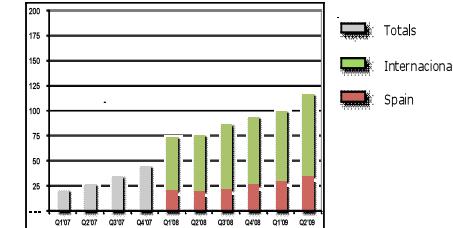
- **Dec - Founding member of the Open Solutions Alliance**
 - Non profit org. to promote open source enterprise software
- **Partner acquisition program launched**

- **First SAP replacement project**

- **Launched Professional Subscription**
- **Second VC financing round**
 - 12 M \$ with GIMV, Amadeus Capital Partners and Adara Venture Partners
- **100 business partners**



Partner evolution



Openbravo history

Fase 3: Empowering the ecosystem

Product / Community

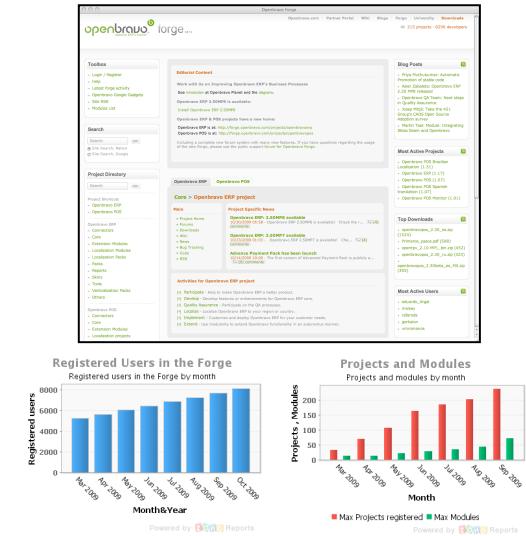
- **Openbravo Forge available**
 - Collaborative development environment with support for modularity
 - **Openbravo ERP 2.50 published**
 - Included support for modularity
 - **1 M downloads reached**

Sales / Business

- Navision co-founder to join Openbravo board of directors

2009

- **More community resources**
 - Automated test cases
 - Continuous integration server
 - **Central repository available**
 - Extension modules are accessible on-line from the module management window in Openbravo itself




DATAFASHION
HIS Hochschule
 Information
 Systeme



-openbravo™
opening ERP's future!

Recap: Openbravo's business model

Fase 1:
2001 - 2005

Building the product

Fase 2:
2006 - 2008

Spreading the word

Fase 3:
2009 - ...

Empowering the ecosystem

No channel.

Business is built
exclusively on
implementation
services.

Starts distribution
through partners.

Business is built on
implementation
services and
Professional
Subscriptions.

Sales exclusively
through partners.

Business of
modularity is
introduced.

Exclusive
functionalities
available for
Professional
Subscription
customers.

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Myth #1:

Open Source is a license

Community Services

Overview of free community services

Developer Resources

Communication

Social Networking

Description

- Mercurial code repository
 - Downloads
 - Stable releases, virtual appliances, release notes...
 - Issue trackers
 - Help and discussion forums
 - Continuous integration and automated testing
 - Translation and Localization tools
-
- Distributions lists
 - Public wiki
 - User and developer documentation
 - Planet aggregates the blogs from community members
 - Twitter
-
- IRC channel on Freenode.net
 - Available in English and Spanish
 - Community Conferences
 - Groups in Facebook and LinkedIn
 - Google calendar with public events

Examples

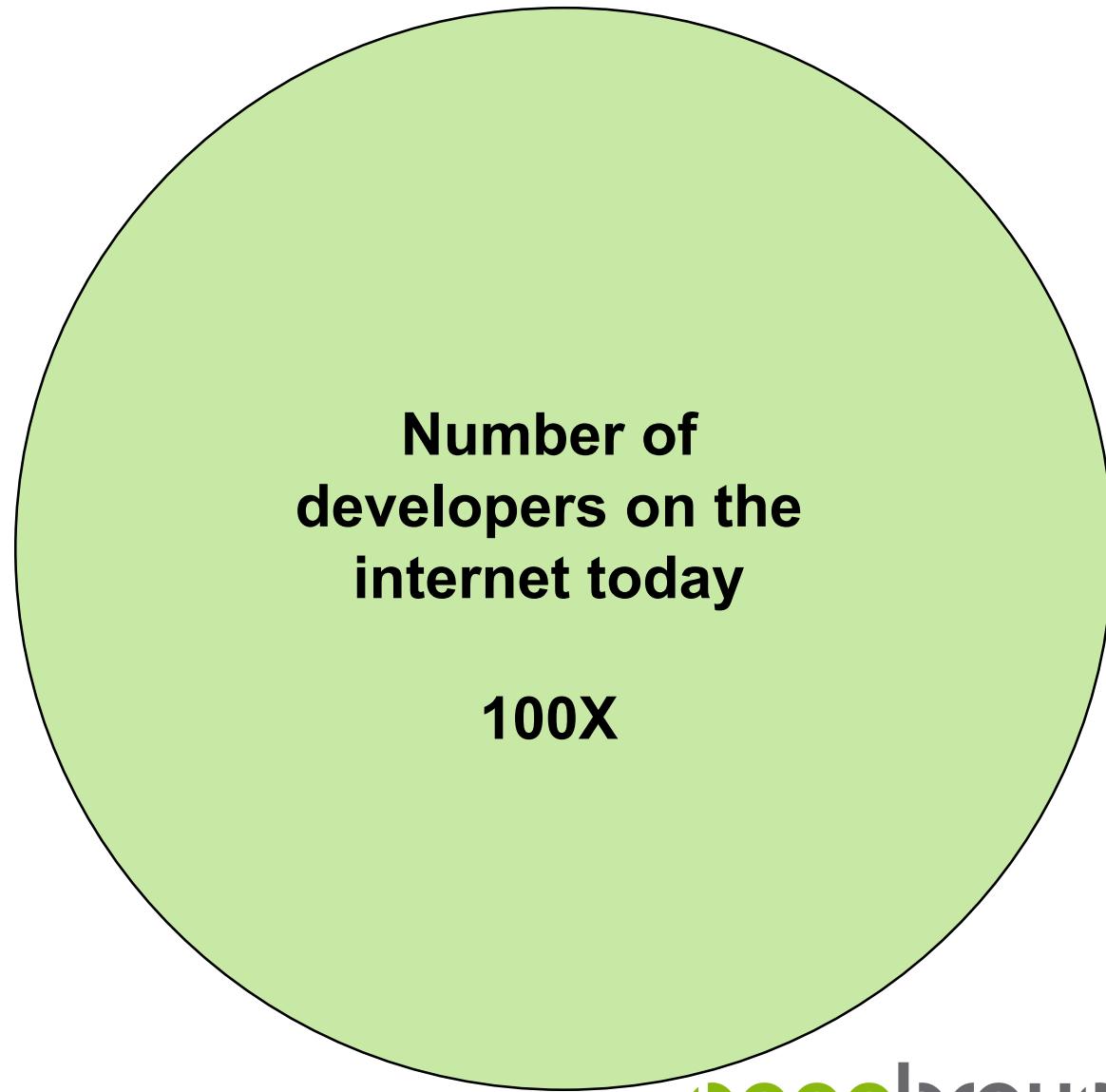
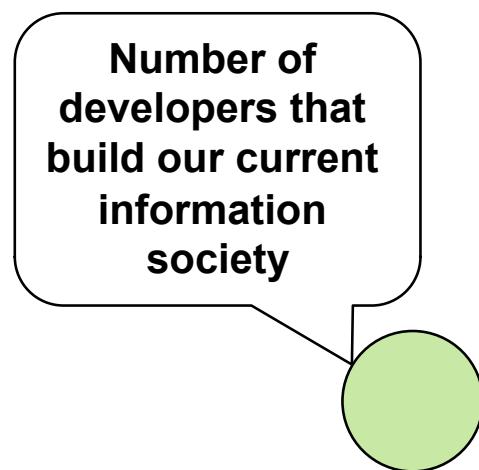
The examples illustrate the following features:

- Translations:** Shows statistics for various languages, including Arabic, Bulgarian, Catalan, Chinese, Croatian, Dutch, Finnish, French, Galician, German, Greek, Hungarian, Italian, Portuguese, Russian, Spanish, and Turkish. It displays translated, ready, and untranslated percentages along with total word counts.
- Forge:** Displays a dashboard for the 'Openbravo ERP project'. It shows the core project, news, forums, and milestones. It also lists 'Most Active Projects' and 'Top Downloads'.
- IRC Chat:** Multiple screenshots of the XChat interface showing conversations in English, Spanish, and German. The English and Spanish conversations are on the Freenode network, while the German one is on the Irssi network.

Develop “inside out” and provide the tools to level the playing field with your community.

Myth #2:

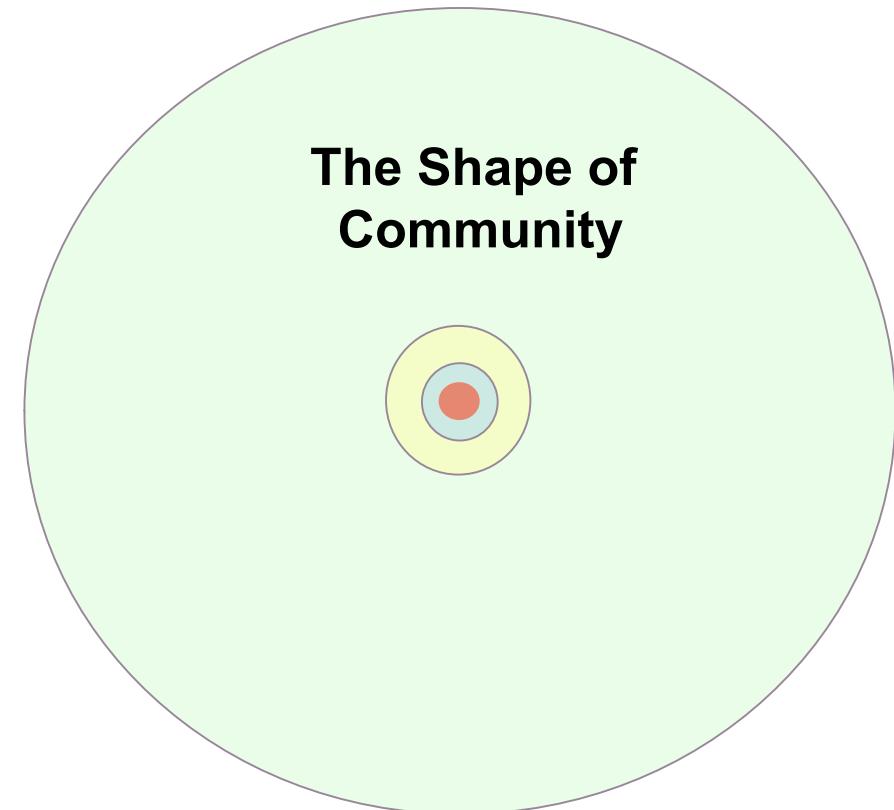
**The Community will do
my job for free**



Myth 2: The Community will do my job for free

Community mostly happens at the periphery of a project

- <15 core developers do 85-100% of **core development work**
 - 1000/10/1 (Users/ Bug Reporters/ Patch Submitters)
- **Community is difficult to achieve:**
 - 72% of “open source developers” write code for others like themselves
 - Most projects (55%) get no outside involvement at all
 - ***BUT...even big community projects are written by vendors***
- **The best place to solicit community involvement is in complements to a project, not the core**



Sources: Marten Mickos (MySQLUC 2005); O'Mahony & West, 2005; Mockus et al., 2005

Myth 2: The Community will do my job for free

Modern production thinking – Example Openbravo

- **2,000**
 - Number of paid employees of our closed source competitor – people who go to work every day whether they enjoy it or not
- **10,540**
 - Number of passionate developers active in Openbravo's on-line development facilities
- **1,000**
 - Number of passionate users volunteering every day to download Openbravo, use it, and help improve it

“Noah’s ark was built by amateurs and Titanic by professionals”

Myth 2: The Community will do my job for free

A decentralized developer community



The Firefox case

- **The community**
 - 45 full-time developers
 - 1,000 community code contributors
 - >20,000 nightly testers and
 - >500,000 beta testers
 - >50 million daily users and >125 million total users
- **> 6,800 third-party add-ons**
- **Number of add-ons before Mozilla's re-architecture?**
 - Roughly zero
 - Compare with Apple Safari and Microsoft IE, which also are weak on community



The Openbravo case

- **The community**
 - 50 full-time developers
 - > 10.000 registered developers
 - 11% of the commits are contributed by the community
- **>350 projects registered in the Forge**
 - 61 localization projects registered
 - 300 projects lead independently by community members not related to the Openbravo company

A modular architecture is critical to facilitate a decentralized community development process.

Myth #3:

**Open Source is a
business model**

1

Changes the way software is distributed and sold

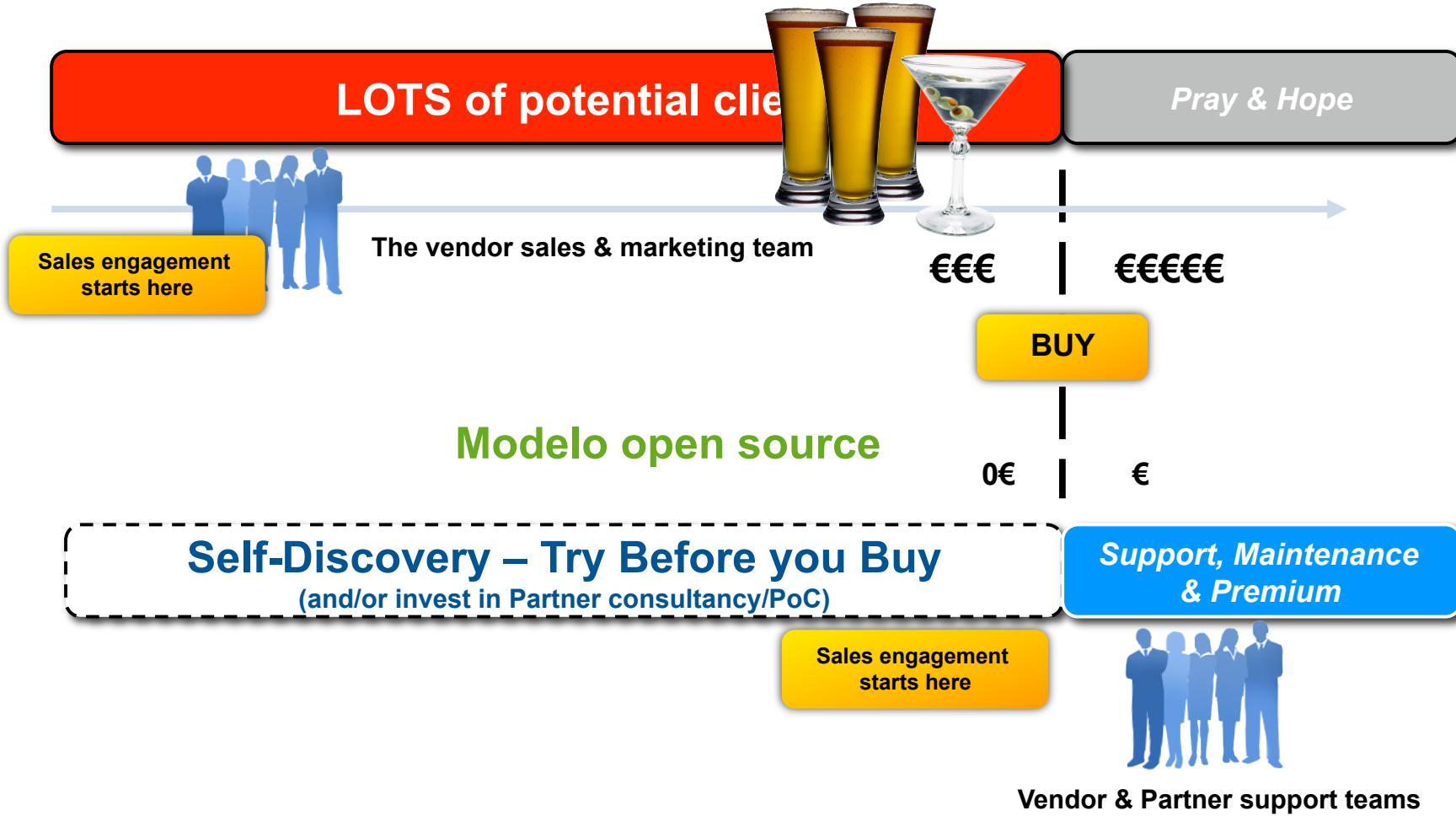
- Software is available in the internet facilitating dissemination
- Software sales shift from a proactive approach to a reactive one
- ... facilitates and reduces **Sales & Distribution costs**

2

Changes the way software is developed

- A large community is ready to participate in very diverse development related tasks
- ... speeding up the process and reducing **Engineering costs**

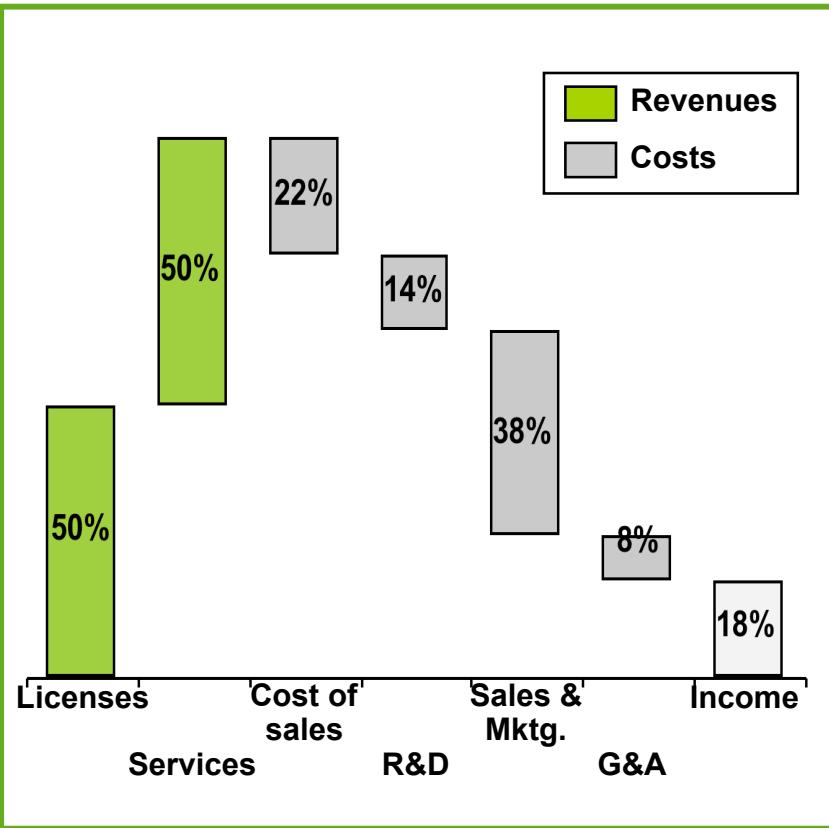
Software privativo tradicional



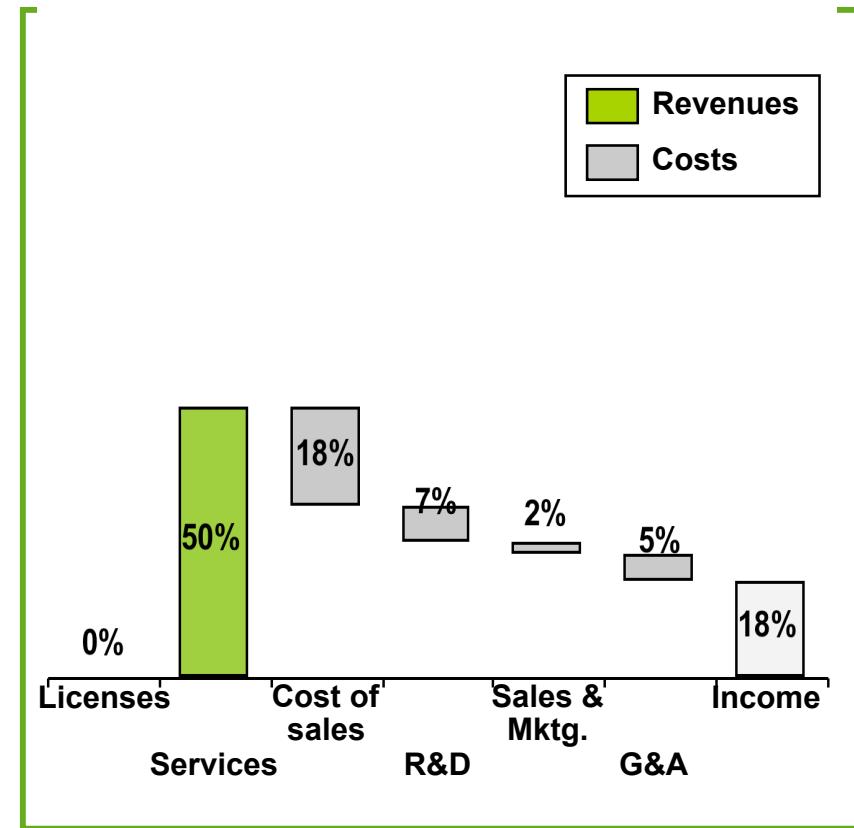
Myth 3: Open Source is a business model
The new economics of Open Source software

Conceptual

Traditional Software Business Model



Open Source Business Model



Commercial open source companies develop business models leveraging the two previous aspects presented.

Source: Own elaboration based on Open Source Catalogue 2007. Optaros.

Myth 3: Open Source is a business model
Red Hat: Professional Subscriptions

- **652 M \$ in revenue, 12,6% income margin from operations**
 - 541 M \$ in subscriptions
 - 111 M \$ in training and services
- **464 M \$ in operating expense**
 - 238 M \$ in Sales & Marketing
 - 130 M \$ in R&D
 - 95 M \$ in G&A
- **Annual subscription offers**
 - Access to certified distribution
 - Access to bug fixes, enhancements and upgrades
 - Access to support
 - Integrated management

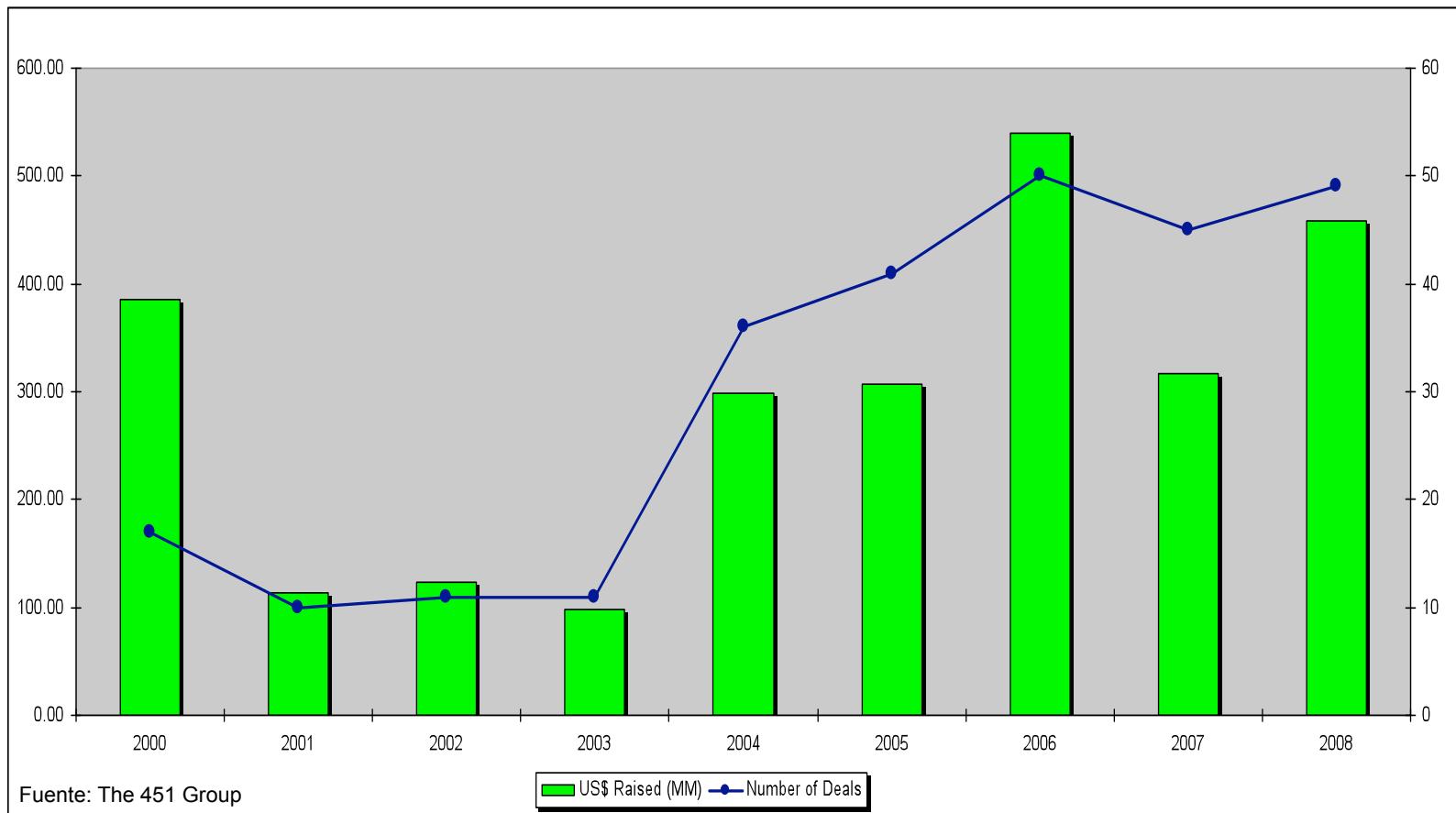


Freedom Success Stories

Success Story	Freedom
eBay	Trade
Google	Advertising
Skype	Telephony
Second Life	Social life
YouTube	Video production
Linux	Software freedom: operating system
LAMP	Software freedom: web & app development
IKEA	Furnishings

Source: Marten Mickos presentation "Why freedom makes a better business model" @ OSBC, May 2007

Myth 3: Open Source is a business model
Inversiones de capital riesgo en software libre



La inversión en software libre ha sido importante y sostenida en el tiempo.

Myth 3: Open Source is a business model **Open source business success**

1st GENERATION

IPO

Red Hat, Caldera (now SCO), VA Linux (now VA Software), Turbolinux

Acquired

SUSE, Cygnus

Private

LinuxWorks, Linuxcare (now Levanta), Sendmail

2nd GENERATION

IPO

Trolltech, Sourcefire, Mandrakesoft (now Mandriva)

Acquired

Conectiva, Lycoris, JBoss, Sleepycat, Ximian, Gluecode

Private

MontaVista, MySQL, Zend

Out of Business

GreatBridge

3rd GENERATION

ActiveGrid, ActiveState, Alfresco, BitRock, Black Duck, CollabNet, Collax, Compiere, Covalent, DB4O, Digium, Exadel, eZ Systems, Fonality, Funambol, Groundwork, Hyperic, Ingres, Interface21, JasperSoft, Joomla, Laszlo Systems, Medsphere, Mozilla Corp, MuleSource, OpenBravo, OpenLogic, Open-Xchange, OTRS, Palamida, Pentaho, rPath, SnapLogic, Sourcelabs, Spikesource, SQLite, WebYog, SugarCRM, Talend, Terracotta, Ubuntu / Canonical, Vyatta, WSO2, XenSource, Zenoss, Zimbra, Zmanda, etc.

Today over 2B\$ have been invested in OS ventures and 2B\$ have already been returned by 4 transactions

Fuente: Elaboracion propia y Why Freedom Makes a Better Business Model, Marten Mickos, MySQL 2007

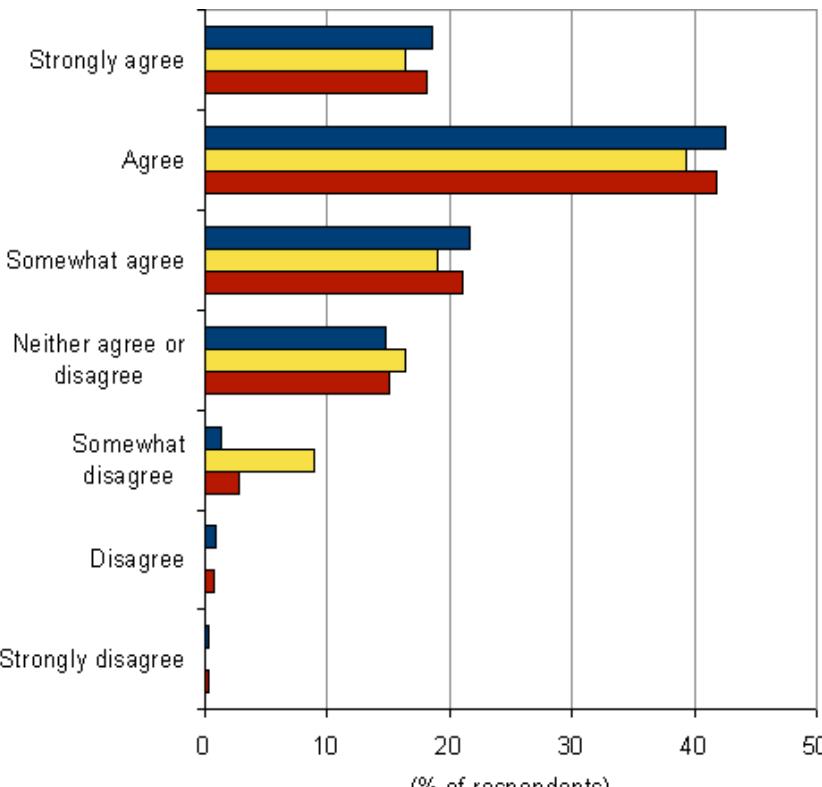
Myth #4:

**Open Source software is
better**

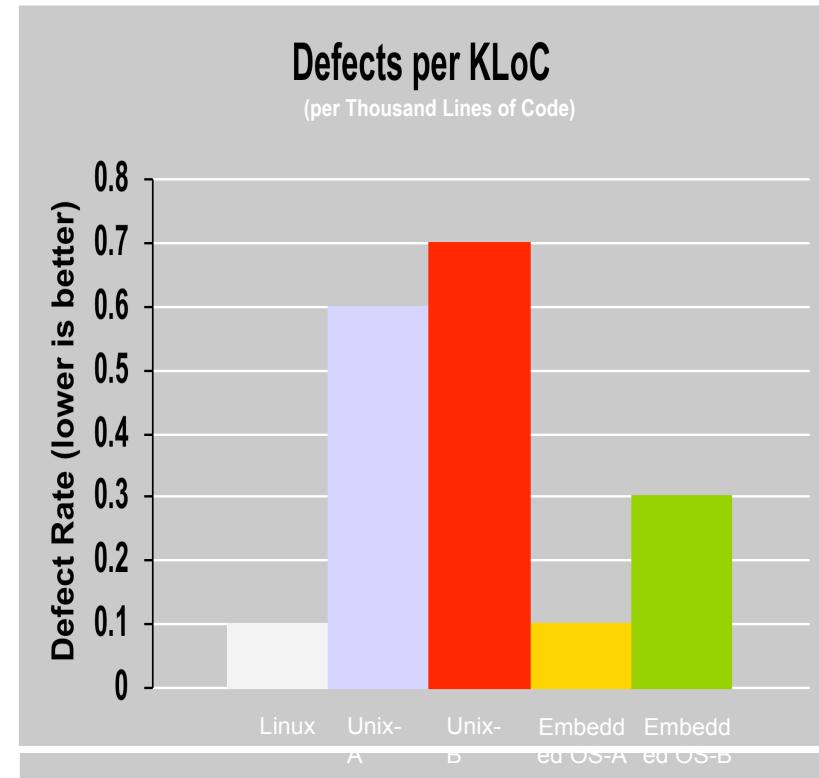
Myth 4: Open Source is better

Most of the people believe open source produces better software

"Open source produces better software."



Source: IDC (2006)



... and data seems to support that belief.

Myth 4: Open Source is better Transparency ensures honesty

Software privativo tradicional



Modelo open source



Aunque la mona se vista de seda...

Nada que ocultar

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Conclusions & Recommendations

No se despide a nadie ...

- 80's: No se despide a nadie por elegir IBM
- 90's: No se despide a nadie por elegir Microsoft
- S. XXI: No se despide a nadie por elegir Software Libre



... por elegir bien

- El software libre es:
 - más económico
 - de mejor calidad
 - ofrece un proceso de compra para el cliente final más adecuado
 - acelera el proceso de innovación
 - es el negocio de la libertad en el mundo del software

Hoy el software libre es la mejor elección

Conclusiones
No es oro todo lo que reluce

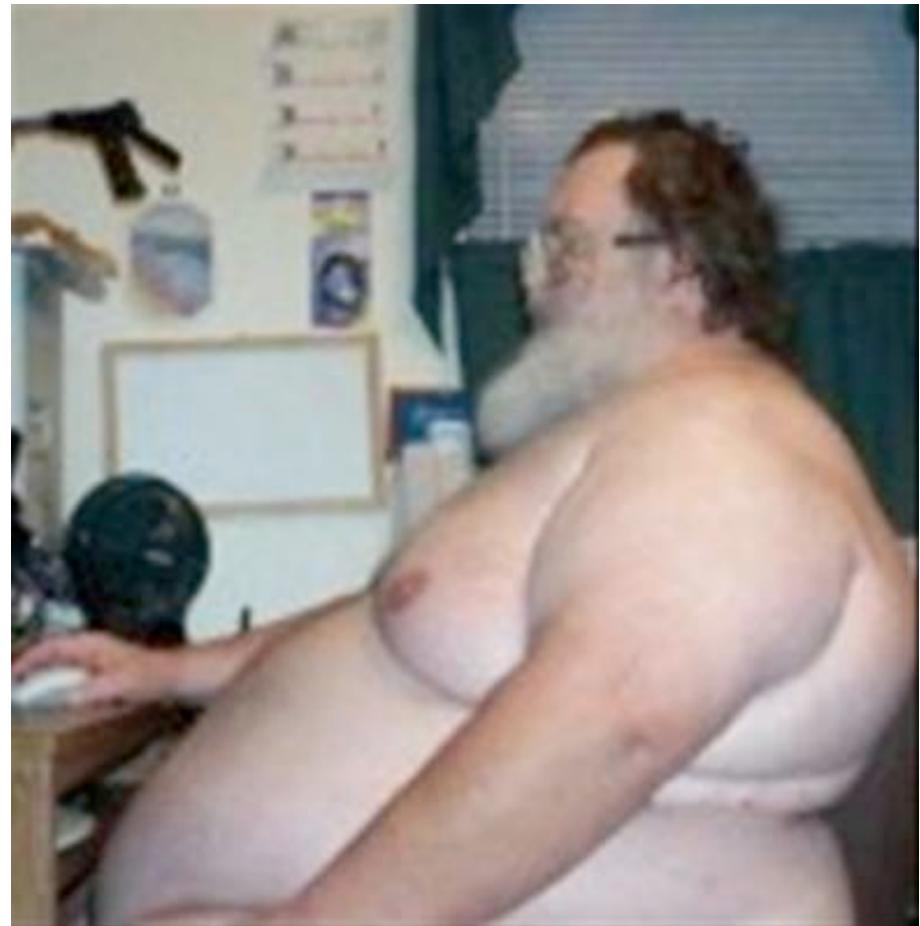
Software privativo tradicional



Aunque la mona se vista de seda...



Modelo open source



Nada que ocultar

- **Buscar proyectos solventes con comunidades dinámicas y consolidadas**
- **Asegurar que existen buena documentación y acceso a los recursos del proyecto**
- **Priorizar aquellos proyectos para los que existen opciones de soporte comercial de calidad**
- **Contar con el apoyo de profesionales qualificados**

Recommendations for would be entrepreneurs

- **Product is first, but it is not everything**
 - Documentation, installers, tutorials...
- **Know your target market**
 - Being open source is not enough
 - What are the drivers moving customers?
- **Have a clear path to revenues**
 - If you cannot pay your bills, it is very difficult you can do anything valuable
 - Business model can be very different depending on your target and your go-to-market strategy
- **In case of doubt do what is best for the client**

Muchas gracias!

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www.openbravo.com