Interview with Robert Fanini @ GroundWork

Tony Mobily

Please introduce yourself, tell our readers who you are and what you do.
My name is Robert Fanini and I'm the CEO and founder of GroundWork Open Source Solutions. Groundwork provides solutions that are based on open source software and that are designed for the IT management industry.

What's your main product?
Our main product, Groundwork Monitor, is designed to monitor the availability and performance of the IT infrastructure of small and mid-sized companies. Infrastructure consists of many different components including network components like routers and switches, servers running any variety of operating systems, applications as well as databases. GroundWork Monitor is able to monitor any device with an IP address, which pretty much covers the full range of IT infrastructure components.

Well, the keyword here seems to me "monitoring". What exactly do you mean by "monitoring"?
Monitoring provides IT staff with information on how well each component, or the entire system for that matter, is working. This includes availability (whether each of the components is accessible or not) and performance (how well each component or application is performing over time). GroundWork also measures for capacity planning purposes and will notify the user before failures occur. This allows IT staff to be more proactive about the way the IT infrastructure works.

Who is your product for? Who is the typical user of your product?
Typically our product is implemented and used by systems administrators within small and medium sized enterprises. The users of open source software tend to be very technical. GroundWork has helped to create an enterprise-ready solution using open source software. What that means is that we provide a solution that is easy to install, manage and maintain and one that provides information that is more useful to managers and C-level people within the corporation.

You obviously use free software within your products. Do you release some of your code? Do you send patches and improvements to the authors of the software you use? Basically, do you "give back" to the free software world?
Yes, we do contribute back to the open source software project that we work with by providing upgrades, bug fixes, enhancements and that kind of thing. We also provide upgrades to our customers if they purchase our support just like what they would receive if they were buying support of a commercial software package.

What do you mean by upgrades in this case?
What I mean is, if a customer buys our support we provide bug fixes, upgrades, application assistance and telephone and email level support for the solution features and functions. So, for each of our customers, we will provide the latest upgrade of the latest version of the software with the latest features, and push these features out to customers, just like in the commercial software world.

> If a customer buys our support we provide bug fixes, upgrades, application assistance and telephone and email level support for the solution features and functions

What business model do you feel is viable in a company based on free software?
It's really based on support, packaging and documentation. We have two different business models that we leverage today. The first is the services business model where we deliver a complete turnkey solution to our customers using open source software. We provide the services around making their solution work, installing it, calibrating it and training the customer. When we leave the customer, there is a complete turnkey working system in place. So, that's one way to do it. The second business model is the subscription

model. A customer can buy our support and, in exchange for that, they get a copy of the integrated software package, the documentation and our ongoing support service. This model is the most scalable of the two models, and it's what we've been focusing on in order to build out our business in a scalable fashion.

Let's talk about the funding you've received...

We started the company in November 2003—eighteen months ago. Very soon after that, we raised $3 million in funding from Canaan Partners. The purpose of the first round of financing was to create the management team, create a marketing presence for the company, get customer traction and establish a more scalable business plan to catch the future growth and scale the business. Within a nine month timeframe, we were able to sign up 35 customers and nearly $1 million of bookings. Things were going so well that in February 2005—one year later—we closed a second round of funding, $8.5 million dollars. This was led by Mayfield, one of the bigger names in venture capital here in California. We were able to complete that round—start to term sheet—within six weeks.

The VC firm... they weren't scared by the words "open source" or "free software"?

Absolutely not. They were very much into it. In fact, this was the most successful and fastest financing that I have ever been involved with. We had several term sheets and actually had more offers coming, but we decided to close that off. So it was a very, very positive experience.

Would you go as far as saying that free software is the "big thing" at the moment?

I think that right now there is a pretty interesting market for open source. The economy isn't looking all that fantastic in general. The software market seems to be consolidating and technology, in general, has been weak. I think that open source has been one of the bright spots because it provides the promise of allowing customers to do more with less resources/budget.

- -

I think that open source has been one of the bright spots because it provides the promise of allowing customers to do more with less resources/budget

- -

Let's suppose that one of our readers wants to follow your path and receive some funding. What criteria do you think a free software company would have to meet to even be considered?

I think the two most important criteria in getting a company funded (which is true for most companies anyway), is that you have to be selling into a very large market opportunity and you have to have an experienced management team. It turns out that the IT management market is a 6 to 7 billion dollar market. So, that's one criteria: the size of the market. The second criteria that is very important for raising money is how much experience the management has in the particular market and with working together. Having a demonstrable product and demonstrable customer traction are also very, very helpful, but not as important as the first two pieces.

Do you know of other free software companies that have received funding lately?

There have been several that have been funded over the last six months. One is SpikeSource, which was incubated at Kleiner Perkins Caufield & Byers, a popular VC here in California. SpikeSource provides services around different types of open source application stacks. SugarCRM is an open source company in the Customer Relationship Management space. They received a $6 million investment in February. In September 2004, SourceLabs raised $3.5 million dollars. The one to keep your eyes on is SourceFire. They raised $15 million last year and are doing very well.

So, from what you are saying, if you have a good business idea with a large target market, you just propose your idea and your management history, you are approved, and you receive a few million dollars in the bank. Is it really that simple? What are the trade-offs?

Yes, it can happen very fast if you get the market timing right. Of course, when raising money, the founders always have to give up equity in the company and also have to give up a certain amount of control. That can be difficult. All of the sudden, you have people that you are "reporting to" for certain decisions, because of the money they invested. So you give up a little bit of autonomy and equity.

So... is the company still "yours"?

Well, you still have a good amount of equity in the company. Emotionally, it's very much still yours—it's your creation. But now you have an obligation to other people to make sure

you make all the right decisions. It's not just for you; it's for the people you have working for you, the investors and the customers. So it changes things quite bit. But it's all part of the process.

Do you think that the funding is moving from the operating system level to the application layers?

Yes, I do, actually. There have been a lot of examples of this. When you talk about open source, everyone thinks of Linux because that's the most popular open source movement today. But it's actually starting to grow now out of just the operating system into a variety of different applications. I believe that over time software will become a commodity and open source does a very good job of taking over commodity areas of the software industry.

You started a company that received funding, and you seem to be doing very well. Well... do you have any secrets, or crucial pieces of advice you can share with those readers who want to follow your steps?

I would say that there is a very big opportunity with open source today. It's the kind of thing that happens every ten years or so—an industry that's in its infancy and that's going to be very substantial in the future. So it's a good area to focus on. My advice would be that whatever you do, be passionate about it. I think that if you're passionate about what you're doing, that's the ingredient that gives you the edge. You've got to have all the other stuff right too, like the right market and the right management, but if you're passionate about what you're doing, then you have an advantage to overcome some of the obstacles along the way. That's a bit of a philosophical answer, but passion is the most important thing, as far as I'm concerned.

Copyright information

About the author

Tony Mobily is the Editor In Chief of Free Software Magazine