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The Value of Open Source

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The economic downturn is accelerating the adoption of open source software (OSS). IDC demand-side research shows that users are becoming very practical in their opinions and perceptions of the value of OSS and that end-users' buying criteria for software are very closely aligned with the value proposition of OSS. Moreover, users view the importance of OSS to their organizations almost at the same level as proprietary software, especially among organizations with 100 or more employees. With these findings in mind, Red Hat posed the following questions to Michael Fauscette, group vice president of IDC's Software Business Solutions.

Q. How are enterprises coping with today's imperative to reduce costs and do more with less?

A. Whenever business is discussed these days, the elephant in the room — the pressure that everybody feels — is the current economic environment. The financial crisis we're experiencing is driving behavior in a direction different from traditional approaches to IT. Cloud computing, for example, is rapidly moving into the mainstream because it optimizes the pay structure as an operating expense versus a capital expense. The point is, there's a lot of cost pressure for the industry to change, so some changes we thought were a few years in the future are becoming reality now.

Virtualization, for example, now considered a mainstream technology, is transforming the way organizations deploy and manage their IT resources. By helping to improve the utilization of hardware and software, virtualization will continue to enhance IT flexibility and scalability while also driving out costs.

Yet another example is open source software, which is seeing increased adoption not only because of economic pressures but also because of factors such as increased reliability along with good support and service. Open source gives organizations a really high-quality product for a very reasonable cost, along with a high return and low total cost of ownership. So it's very attractive. The services that help companies get open source software running — and keep it running — are attractive because, again, it's an operating expense versus a capital expense for the support.

Q. What has changed in the past few years about open source adoption, and why is now a good time to seriously evaluate such deployments?

A. Sixteen months ago I could have asked a roomful of CIOs how many of them had open source in their stack, and very few would've raised their hands. When I ask the same question today, they all raise their hands. In reality, they ran open source all along, mind you, but they just didn't want to talk about it.

In 2007, the two biggest inhibitors or roadblocks to using open source software were the risk of intellectual property (IP) infringement and a perceived lack of support. In 2008, the support inhibitor totally reversed — companies actually became interested in using open source *because* the quality of support was so good. Moreover, organizations have increasingly realized that the transparency of open source doesn't expose them to the risk of IP infringement. Open source vendor indemnification clauses have only served to make organizations even more comfortable. I think open source vendors and the open source community deserve a lot of credit. In 2007, 12% of projects had support from an open source vendor; in 2008, that number grew to 42%.

As a result, open source deployment has rapidly evolved from snippets of code embedded somewhere in the enterprise software stack to complete operating systems and important applications.

Q. What are some of the areas where open source deployments have had a big impact on cost reduction initiatives?

- A. Linux as a server operating system is by far the leader in enterprise deployments, particularly with the combination of virtualization and the optimization of servers. We're also seeing Linux make deeper inroads into even more mission-critical elements of the IT infrastructure. For example, more organizations are choosing to deploy their databases and ERP applications on Linux, particularly for new application deployments and when migrating from RISC-based systems to less expensive commodity x86 server architectures. The growth is not necessarily centered in any one or two application areas, but these are a couple of examples that come to mind.

All different parts of the software stack have open source offerings now, so customers are seeing that they can do projects of nearly any kind — operating systems, infrastructure, security— all the way across. More organizations are evaluating the merit and cost savings of open source middleware solutions versus traditional proprietary offerings. As another case in point, Linux client deployments weren't in the top five projects of IDC's 2007 survey, but now they are. Indeed, those projects are seen as "critical" or "of high importance" by 60% of the respondents to our 2008 survey.

Companies have shifted focus away from siloed application development and now focus on systemwide infrastructure and applications, such as ERP and databases, because those applications have a much broader footprint across the organization and therefore the greatest potential for significant cost savings. Those applications give companies a competitive advantage by lowering initial costs and total cost of ownership. But they also provide much higher business value in some cases by increasing revenue on the business side.

Indeed, open source has moved from being an isolated IT case to supporting a business case that impacts the entire organization.

Q. For organizations that have experienced impressive open source savings, what are keys to their success?

- A. The number one key to success is a well-defined open source strategy. The most successful enterprises have written clear policies and strategies around how they will use open source software — what applications, which vendors to buy from, how support will be delivered. This is comparatively new as well. Two years ago, very few companies had a well-defined open source strategy as a part of their overall IT strategy.

The second key is to invest in the complementary services around open source software that will make it truly usable. In the past, organizations struggled to implement open source

projects without having the right kind of help, the right kind of training, and the right kind of support to mitigate risk. Now, however, the most successful companies make sure that open source projects are treated right — like any other important project. Companies are investing in training and support services because they believe the product is important.

Q. Beyond cost savings, what are the additional benefits organizations typically realize from open source deployments?

- A. The truth is that customers now regard open source as more secure, more reliable, higher performing, and higher quality. I believe the reason for this perception is explained by how traditional software is developed versus how open source is developed.

It seems counterintuitive, but what used to be thought of as open source's greatest weakness — the community — is now viewed as its greatest strength. The quality of open source software is the result of contributions from the entire IT industry, including core open source developers, the government, commercial entities, chip manufacturers, and IHV and ISV partners. With almost every leading IT vendor funding open source development groups, the aggregate horsepower has become very formidable and promises stability for the continued growth of the open source model. As the community continues to expand, a halo effect encourages even more vendors to join and contribute. This is good for the customer because it mitigates risk and offers choice. Also, open source vendors we've looked at have very good approaches to quality assurance — and the truth is that they have access to many more testers than if they didn't have that community.

The other huge benefit is not being locked into a single vendor. Customers don't feel as though they're stuck, the way they often do with traditional big software packages. Sure they're investing in ongoing support and maintenance, but they're getting a quality product that continues to be updated. And they didn't make a huge capital expense up front. Many users like the fact that they're participating in an open source community that really does support them and the product.

ABOUT THIS ANALYST

Michael Fauscette leads IDC's Software Business Solutions Group, which includes research and consulting in ERP, SCM, CRM, and PLM applications (and the associated business process that the software supports); small and medium-sized business applications; partner and alliance ecosystems; open source; software vendor business models (SaaS); and software pricing and licensing.

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