Open Source beyond 2020 -
Powering a Digital Europe:
Role of Open Source as Innovation Enabler

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Red Hat

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- Leads a global team responsible for Red Hat's corporate strategy on open source community engagement
- Former Deputy State CIO, US State of Oregon, responsible for enterprise IT and statewide ICT policies
- Public Sector Communities Manager at Oregon State University Open Source Lab, founder Government Open Source Conference (2005-2011)
- Board Director, Open Source Initiative

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Role of Open Source as Innovation Enabler

How Red Hat derives value and innovation from open source.

Community growth
Strong communities keep our product lines stable.

Community participation
We help make it, so we can support it.

Diverse innovation
Broad set of global talent sparks immense creativity.

Rapid development cycles
Communities can support faster cadences.

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Economic Benefits

- Lowered total cost of ownership (TCO)
- Rapid innovation through code reuse vs. DIY
  - Code reuse cost savings (>100B EUR/year)
- Leverage shared knowledge of wider pool of collaborators
  - Opportunities to collaborate amongst competitors to create shared value, reduced costs
- Power startup bootstrapping through ubiquitously available, cost-free technology stack

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Business Models

Red Hat as an exemplar

Red Hat is an enterprise software company that uses open source as its development methodology.

Open source is NOT a business model.

It is a way of licensing software and a development methodology.

THE WORLD'S LEADING PROVIDER OF OPEN SOURCE, ENTERPRISE I.T. SOLUTIONS

MORE THAN
90%
of the
FORTUNE
500
use
RED HAT
PRODUCTS &
SOLUTIONS*

~13,800
EMPLOYEES

105+
OFFICES

40+
COUNTRIES

THE FIRST
$3
BILLION
OPEN
SOURCE
COMPANY
IN THE WORLD

Forbes | 2012
WORLD'S
MOST
INNOVATIVE
COMPANIES

2018!

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Red Hat Business Model

Red Hat provides customers with support, training, and innovation for open source developed software.

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Watch for emerging business models that imply open source as "core".

Open core is rising (again) under the moniker "Commercial Open Source Software"

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"The open-core model primarily involves offering a 'core' or feature-limited version of a software product as free and open-source software, while offering 'commercial' versions or add-ons as proprietary software."

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Things that bring pause about open core contributors

Participation is Constrained

By definition, avenues of innovation will be blocked, because an open core company will not want to allow contributors to add new features that match the software's "premium" features.

Community is Devalued

"... [W]e didn't open source [MongoDB] to get help from the community, to make the product better. We open sourced as a freemium strategy; to drive adoption." - MongoDB CEO Dev Ittycheria, June 2019

Vendor Lock-In

Premium features, like any proprietary software, increases the aspect of vendor lock-in for customers.

Deployment Constrained

Customers are either forced to pay with licenses like SSPL, or forbid use of any "hybrid license" product for fear of unsanctioned licenses entering a business IT environment.

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Challenges and Threats on a global scale: Cybersecurity
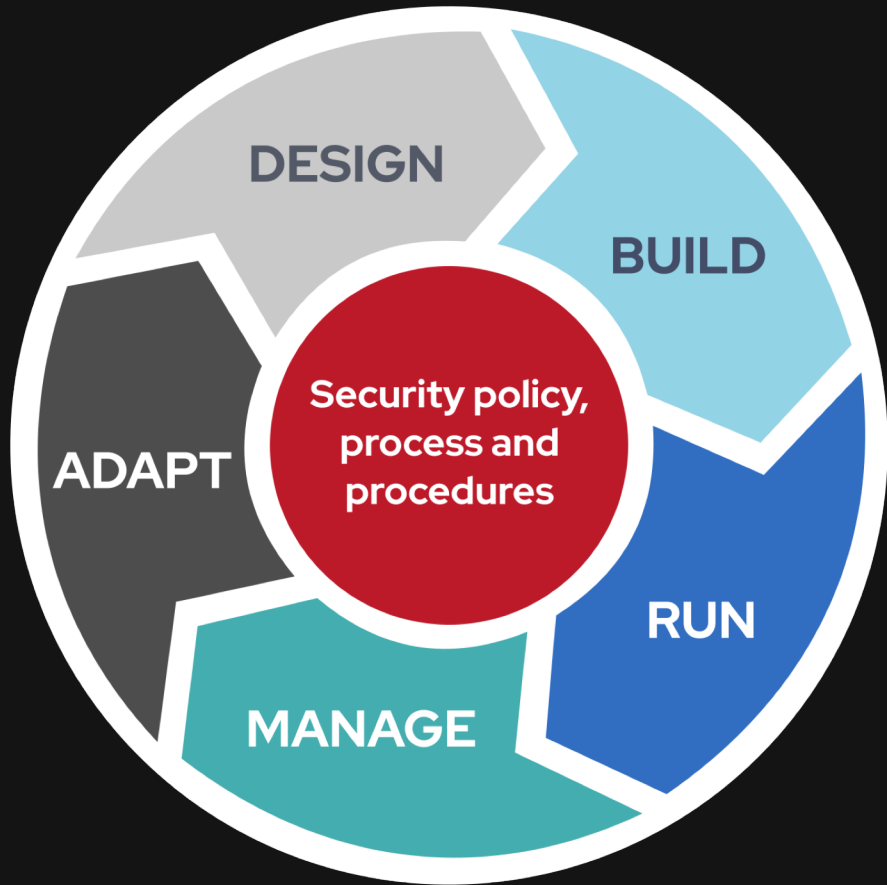
Established open source software vendors can lend their expertise in the open approach to cybersecurity

What actions of the European Commission could maximize the positive impact of Open Source in the European economy?

Recommended Priorities for New Commission

- **F**oster co-creation and open collaboration across public sector and member states

- **R**ecognise future of European digital economy is 'open innovation' & encourage participation upstream as a full partner

- **E**nsure a level playing field and non-discrimination of OSS
  - Focus on essential role of open standards and fora/consortia to promote interoperability
  - *Default to open* in government procurement

- **E**nhance skill development in curricula and on-the-job training for the future technologies

Thank you

Red Hat's Open Source Program Office is passionate about, and dedicated to, providing business-useful insights into community management and success for our fellow Red Hat associates and the entire open source ecosystem.

 https://www.facebook.com/redhatopen/

 https://twitter.com/redhatopen

ANNEX

speaking notes for certain slides

Speaking Notes

Slide 4: How Red Hat derives value and innovation from open source

- Community growth
  - Strong communities keep our product lines stable.
  - Keeping communities healthy is not just about maximizing adoption, it's about ensuring a project's longevity.
- Community participation
  - We help make it, so we can support it.
  - We can incorporate user requests faster.
- Diverse innovation
  - Broad set of global talent sparks immense creativity.
  - Talent doesn't just live at Red Hat. Or in one country, gender, or race.
- Rapid development cycles
  - Communities can support faster cadences.
  - Time-to-market innovation is decreased.

Speaking Notes

Slide 5: Economic Benefits

- According to estimates from 2012, the global value of open source for Europe alone is ~$150B in savings through code reuse and lowered TCO. (Conecta Research / European Working Group on Libre Software: *The Economic Value of Open Source Software*)

- Value of Red Hat's open source product portfolio alone was recently seen to be ~$35B (Price for acquisition by IBM)

- From just the perspective of Red Hat Enterprise Linux, The RHEL ecosystem will make more than $82 billion this year and will grow to $119 billion in 2023 with a CAGR of 11.5%. For every dollar of revenue made by Red Hat in 2019, the ecosystem will make $21.74. (IDC Research report *The Economic Impact of Red Hat Enterprise Linux: Trillions, Yes Trillions, of Dollars*)

- Tangential benefits of open source as an innovation engine: code reuse narrows the skills gap / IT worker shortage due to easily reusable components; lowers total cost per hire by providing a pre-vetted and pre-skilled up pool of candidates for recruitment.

Speaking Notes

Slide 10: Watch for emerging business models that imply open source as "core"

- Saying commercial open source software is a bit like saying "potato pomme frites" - open source software *is* commercial software. We have two decades worth of companies using open source software as part of their business practices - support subscriptions, selling custom created code, etc. - to prove it.
- Amongst some of the conclusions of the EU's OSS workshop was the recognition of the importance of understanding "true" open source software thereby avoiding the concern raised by EU re. "obfuscating, deliberately confusing and disguising licenses"

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Speaking Notes

Slide 12: Things that bring pause about open core contributors

- Participation is Constrained:
  - We believe that with open core, avenues of innovation will be blocked, because an open core company will not want to enable contributors to add new features that match or exceed the software's "premium" features.
- Community is Devalued:
  - Then there is the commercial outlook on community, this take from MongoDB's CEO Dev Ittycheria last June:
  - "… [W]e didn't open source [MongoDB] to get help from the community, to make the product better. We open sourced as a freemium strategy; to drive adoption."
- Vendor Lock-in
  - If there are premium features present, those are going to present opportunities for a vendor to lock-in a customer. Open source values put the priority on customer freedom.
- Deployment Constrained:
  - The advent of new hybrid licenses like SSPL create a situation where a customer either has to pay for software or not use it in the environments in which they want to use it.

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Speaking Notes

Slide 14: Established open source software vendors can lend their expertise in the open approach to cybersecurity

- We are at a critical inflection point where open source software is now used to power mission critical applications in every aspect of our lives. Simultaneously, cyber attacks have become more prevalent and sophisticated, with open source software recently taking the brunt of several supply chain attacks.
- To fully leverage the power of open source as an innovation tool, researchers, corporate cybersecurity teams, and policy makers must work together on an open approach to security. Long established open source software vendors, such as Red Hat, can share both their lessons learned and the value of the academic, industry, and government relationships they have established. To this end we have applied for the Cybersecurity Stakeholder Grouping ('SCCG') at ENISA so that our Chief Security Architect can assist directly to these important discussions across the EU.
- Open collaborations around cybersecurity act as a force multiplier for individuals or research consortia, who can team with and leverage the resources available to industry leaders. In turn, industry leaders can share the best practices for threat response they've developed with these researchers and with policy makers who are keen to keep the open source software innovation channel safe to use.

Speaking Notes

Slide 16: Recommended Priorities for New Commission

- Organizations like Red Hat stand ready to share the expertise they have developed in open collaboration and agile development methodologies through, for example, programs *such as*:
    - Red Hat contribution to a wide range of standardization efforts that define future interoperable technologies - https://community.redhat.com/standards/
    - Red Hat's Open Innovation Labs - https://www.redhat.com/en/services/consulting/open-innovation-labs
    - Open Practice Library - https://openpracticelibrary.com/
    - Red Hat Academy - https://www.redhat.com/en/services/training/red-hat-academy
    - …