The Open Source Paradigm Shift

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Paradigm Shift

A change in world view that calls everything you know into question
The PC Paradigm Shift (Hardware)

• Commodity hardware with an open architecture – IBM beats Apple

• Low cost and a pure play commodity hardware business model beat proprietary add-ons – Dell beats IBM and Compaq

• Companies stuck in the old paradigm die off: Digital, Data General, Prime

• Even open architectures have proprietary components – Intel Inside®
The PC Paradigm Shift (Software)

- Software decoupled from hardware
- Lock-in and competitive advantage move to software – Microsoft beats IBM
Paradigm Failure at Work!

- Linux critic: “There are no user-friendly applications on Linux”
- Linux advocate: Have you seen the latest release of Gnome, OpenOffice, or the Gimp?

What's being missed here?
User Friendly Applications on Linux

Google

amazon.com

Yahoo! GetLocal Maps
What’s Wrong with This Picture?

• These applications are being created by open source developers and run on an open source platform, but…
  – Source code is not distributed (and it wouldn't be useful to many developers if it were)
  – Licenses triggered by binary software distribution have no effect
  – The value in these applications is in their data and their customer interactions more than in their software
  – Most are fiercely proprietary
The Internet Paradigm Shift

- Commodity software with an open architecture
- Information applications decoupled from both hardware and software
- Competitive advantage and revenue opportunities move "up the stack" to services above the level of a single device.
- Lock in is based on data and customer relationships, not proprietary software
- Intel is still Inside, but so is Cisco, and eventually others -- there's plenty of room at the bottom as well as at the top
The Internet Application Platform

- Commodity Intel hardware
- The Internet protocol stack and utilities like BIND
- LAMP
  - Linux (or FreeBSD)
  - Apache
  - MySQL
  - PHP (or Perl, or Python)
- Platform-agnostic client front ends
"The future is here, it's just not evenly distributed yet."

-- William Gibson
“I’m an inventor. I became interested in long term trends because an invention has to make sense in the world in which it is finished, not the world in which it is started.”

-Ray Kurzweil
What Really Matters: the Three C’s

The three deep trends:

– Commoditization of software

– User-Customizable systems and architectures

– Network-enabled Collaboration
Software as Commodity

• Linux on Intel gives 10x savings
• Apache means web serving is not a revenue opportunity
• MySQL threatens to do the same for databases
• Open source promotes competition and drives down margins
• Open Unix/Linux/Internet architecture makes "plug-compatible" software the norm
• Proprietary alternatives must become free (as in beer) to compete - usually bundled with added value components
Software Customization, or Why the 'P' Matters So Much
Von Kempelen's Mechanical Turk
Customizability at Work

• Software is built for use in delivering services, not for sale

• Internet-era applications are updated daily, not yearly

• Interfaces are built with dynamic data, not just software - you might call this "infoware"

• Dynamic languages like PHP, Perl, Python are key to managing infoware interfaces and gluing together software components
Network-Enabled Collaboration

• Usenet: the real mother of open source
• The “Adhocracy” - like-minded developers can find each other and work in ever-shifting groups
• Software development teams can be distributed, even internationally
• Power shifts from companies to individuals
• Users help to build the application
What's more...

- Collaborative techniques are increasingly being applied to proprietary software

- With a large-enough development organization, OSS-like behavior emerges
Collaboration at the Data Layer

• Napster/Kazaa users build song swapping network as byproduct of their own self interest

• Google leverages millions of independent linkers via PageRank algorithm

• More people have "contributed" to Amazon than to Linux!
Business Model Thoughts for Commodity Software

• IBM WebSphere = Compaq
• ?? = Dell
• There are many possible "Intels Inside". Not just LAMP, but:
  – J2EE
  – .Net
• Platform = web services (digital identity, location, search)
• Aggregated and sold by subscription, not by the piece
Hidden Service Business Models in Open Source Software

• Not just “professional services,” but services delivered to end users
• UUnet, not RedHat - greatest open source business success to date
• BIND - a monopoly in disguise
• Sendmail and Apache - not software sales but email and web hosting
• Google, Paypal, Amazon et al - the next step on the path to a service-based software economy
What Keeps Me Up at Night?

- Internet application providers have gained from open source, but haven't been trained to give back, and are ignored by OSS advocates.
- Meanwhile, owning user data is the new source of lock-in.
- What's more, a platform strategy beats an application strategy every time:
  - “Windows is just a bag of drivers.” (Marc Andreesen)
  - “It's just like GUI. Nobody owns it.” (Jim Allchin)
Two Types of Platform

- One Ring to Rule Them All

- Small Pieces Loosely Joined
Small Pieces Loosely Joined

- An architecture of participation means that your users help to extend your platform
- Low barriers to experimentation mean that the system is "hacker friendly" for maximum innovation
- Interoperability means that one component or service can be swapped out if a better one comes along
- "Lock-in" comes because others depend on the benefit from your services, not because you're completely in control
So What Do We Need to Do?

• Correctly characterize the OSS heritage
  – The native development methodology of the Internet
  – The Internet is OSS's greatest success to date
  – Interoperability and open data formats may be more important than source code availability
Adhere to Open Standards

“We must all hang together or we will assuredly all hang separately.”

—Ben Franklin
Reinvent the Opportunity for Surprise

• New paradigms usually involve disruptive technologies
  – Poorly understood at first
  – Don’t work as well as existing technologies
  – Don’t have a clear business model

• Low barriers to entry spark innovation
  – Reusable components mean that you can build on the work of others
Watch the Alpha Geeks

• New technologies first exploited by hackers, then entrepreneurs, then platform players

• Two examples
  – Screen scraping predicts web services
  – Wireless community networks predict universal Wi-Fi

Rob Flickenger and his potato chip can antenna
Embrace the New Paradigm

• Use commodity software components to drive down prices for users
• Give customers increased opportunity for customization
  – Plug-replaceable standards-compliant components
  – Extensible architecture
  – Scripting support
• Look for hidden service business models
• Leverage collaborative development processes and participatory interfaces
Rethink Open Source in the Context of Web Services

• Google and Amazon APIs treat web applications and their data as programmable components
• Data re-usability may be more critical than source code availability
• Who owns the data?
• Open source represents a kind of "bill of rights" for software developers and users. What is the bill of rights for web services?
Final Takeaways

• As developers or investors, you have to think ‘platform’
• Build in extensibility and interoperability
• Think network, think open
• Embrace your users and the people who build on your platform as partners
• Create more value than you capture
Questions?

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  http://tim.oreilly.com
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Related Reading

- *The Structure of Scientific Revolutions*, by Thomas Kuhn
- *The Innovator's Dilemma*, by Clayton Christenson
- *The Cathedral and the Bazaar*, by Eric S. Raymond
- *Code and Other Laws of Cyberspace*, by Lawrence Lessig
- *The Cluetrain Manifesto*, by Chris Locke, Doc Searls, and David Weinberger
- *Small Pieces Loosely Joined*, by David Weinberger
- *Down and Out in the Magic Kingdom*, by Cory Doctorow