SDN Podcasts

I LOVE Open Source---Really!
Shai Agassi
Company: SAP
Nov. 11, 2005 03:12 PM
🔊 **Audio MP3 01:01:32|**

I am tired of reporters and others distorting my statements regarding to Open Source. As I look at the posts and blogs out there that have come since my statements at the Churchill Club event on Wednesday , I get the impression that there are zealots so committed to the Open Source movement, they will pick a fight with software companies, just for the sake of the fight.

So, I decided to set the record straight and blog my point of view with regards to Open Source, the foundation beliefs for the movement, and the cultural effects the movement will have on our industry at large.

First, let me start by telling you that Tom Sanders, who wrote about my remarks at the Churchill Club on VNUnet.com got the story wrong and took my quotes completely out of context. And his story, with its sensational headline, didn't properly characterize my point of view and has led to hundreds of angry and misplaced comments in the blogosphere about my views. Dan Farber of ZDNet recorded the event and you can listen to it directly at this link http://i.i.com.com/cnwk.1d/i/z/e/200511/110905_CHC_EVENT.mp3 and you can draw your own conclusions (the Open Source comments are at minute 35:30, but hopefully you will find the complete program of interest):

Later that same day, I had a chance to speak about the Open Source topic at an investors conference held at SAP's North American headquarters in Pennsylvania. I was asked about the impact of the Open Source movement on SAP, and my answer can be seen at the following link:

http://www.sap.com/company/media/agassi_blog_250.asx

Because it was an investor conference, my answer was fairly short. I'd like to use this blog to expand on the topic.

Everyone is entitled to their own point of view; here is mine:

You might ask me: Shai, what is Open Source? I strongly believe that Open Source is a combination of many beliefs, and everyone who says they are for, against or participate in Open Source, refer to a different mix of these beliefs. My goal in this blog is to differentiate these beliefs and my personal reaction to each of them.

Openness of Source Code

The need for a consumer of software to receive transparency into the source code versus the "black box" approach of delivering systems without transparency is a key issue in the Open Source debate, and an issue that SAP has followed closely for as many years as we are in business. During those 30+ years, SAP shipped its application code, probably one of the largest software products in the world, with the source code available to every customer. The result was that almost every customer modified our code to suit their needs, either on their own, or through one of our many implementation partners.

Some of our customers found that process essential to make the system fit their needs. Some customers found that the ability to modify the code made it possible for programmers to veer too far away from the original application they received, and, in future implementations, they reduced the amount of such modifications. When we get to foundation software, such as operating systems or databases, customers mostly want the code in order to debug systems they build on top of those OSS components. Usually they do not modify the code that much, yet the ability to simply walk through the execution of calls into engines is somewhat the best way to learn how the code should be fixed to perform to a customer's unique needs.

So, as you can see, I am not just a proponent of openness of source, at SAP we actually live by that rule on a daily basis. We are now taking this approach to our next generation of solutions, in which we not only expose the code of applications, we go the distance in exposing models of our composite applications in ways that allow non-programmers (business analysts) to modify the delivered apps to suit their business needs. This "Open Models" approach is not theory, it is executed and delivered with our latest generation of packaged composite apps, and we have more than 100 applications modeled and delivered to customers with in our recent delivery of SAP Analytics.

Creative Commons

I am a true believer that a swarm of innovators who are passionate about a topic will create a lot more inventions than a group of paid engineers who are managing solutions. True innovation does not happen when we control creativity but when we challenge, create shared vision, and passionately pursue excellence. As such, we at SAP open up our complete process backbone, through a set of web services-based APIs to all innovative companies to build new, innovative, cutting edge processes. When we do that, programmers can leverage SAP's process backbone (without having to reinvest in the "basics," and can leverage SAP's large customer base to build their businesses.

To a certain degree we are leveling the playing field between external innovators and our own application developers, letting all innovate on an equal footing without blocking innovation from coming into our customer base. No customs, no tariffs, no secret back doors. With that approach we are hoping to ignite a creative commons development

effort around a common enterprise process backbone, in a market that until now did not have any commonality base to trigger such a community of innovation.

In the process of doing so, we are not only providing APIs as many so-called technology Gorillas have done, we have created a community process to receive requirements, recommendations and examples of APIs that are needed for the creative masses as they are building these new innovative processes. So, not only SAP enabled the creation of a thriving eco-system around us , we actually are letting that eco-system guide us and prioritize the efforts we put around the creation of this common platform. I brought in a number of executives from great platform innovators who can drive such a community, to bring more "Silicon Valley savvy" into the effort, and elevated SAP one level higher in our partner centricity. Most people tend to ignore the fact that SAP created a market where our partners have earned more than 10 times SAP's revenue as a result of our innovation. This "sharing of wealth" has not happened by accident, rather by strategic planning by SAP's founders and current leaders. Very few other companies enable so much creativity around them with such a large share of the wealth going to other parties.

While projects driven by creative commons gain tremendously from the passion and power of the community, sometimes there are missed opportunities from other forms of innovation. In recent years, we have seen the likes of Apple, through the guidance of common vision, and addition by subtraction, elude a more democratized approached of community development. I believe that in cases where a strong individual like Linus is playing for Linux, the shared vision is created and galvanizes the masses of tiny investments along vectors of innovations; yet not every Open Source project enjoys such strong visionary leadership by default.

Ownership of IP by its creators

I work for an IP company, and we believe in the importance of inventors owning the IP they create. At SAP, we believe that without the ability to protect IP, most companies will no longer invest so much of their current revenues in future product innovation. Even with that point of view, SAP still assists the Open Source community, by providing and donating IP that is not core to our business, and where sharing IP will result in faster innovation in areas that will assist our customers better in the long run. One such example is our work with the good folks at mySQL, where we have shared significant code base, IP, and knowledge in helping them build a scalable transactional database over the last few years. Every company has taken a different approach with regards to this issue, and even pure play Open Source companies differ on their approach to this IP ownership issue.

The one thing we do not believe in is the attempt to kidnap the whole Open Source topic by the "socialize IP ownership" movement. We have seen in the past that extreme socialism does not lead to extreme goodness in any area of our lives, and IP ownership is no different. As a matter of fact, any form of extremism is not helpful, and, as such, I think there is room to respect the approach that the IP owner should decide the fate of the IP, not a social pressure group. SAP invests more than 1 billion euros a year in product innovation, and we look forward to many years of continuous investment into improvements of our software. These market leading investments result in continuous additions of functionality and features, including some breakthrough innovations, all of

which come from the smart re-investment of our profits into R&D on behalf of our customers.

Commoditized bits

As the emerging stack of IT starts to get commoditized from below (LAMP stack being the first set, but there many more to come), customers have asked us questions about "supporting Open Source stacks." We continue to monitor customer usage and demand of the emerging stack components, instead of wholesale adoption of every element as it shows up. In that sense, we are different than most companies who center around servicing individual customer by customer landscapes through expensive services.

SAP drives mass volume adoption of customer solutions. When we ship software, it usually runs the most mission critical parts of our customers' businesses and requires predictability of performance. In a sense, we do not have a 24 X 7 agreement, we have a 24 X 7 x 100,000 agreement with the market, with the 100K representing the number of SAP installations around the world. Each and every one of these installations can be remotely monitored, debugged and supported at any point in time. Such needs require that we have certain mission critical capabilities in our stack (hence the uniqueness of NetWeaver as a mission critical enterprise platform), and limit the number of permutations of components at any implementation site. We adopt platform elements as they become common and in high-enough demand, hence our early adoption of Linux (we were the first to ship our enterprise apps on Linux), our partnership with mySQL (to try to bring them up to enterprise readiness), and our investment in Zend (the P in LAMP).

The end result of this stack developing from the bottom of our solution map is no doubt a commoditized set of "compute and store" elements, which requires all players to elevate the value proposition one level up. This is a common phenomenon in our industry every 5-10 years, and no one should be surprised (maybe other than those who believe we are at the end of our maturing industry....)

In summary, I personally believe, support and exercise many of the traits and actions shared by the Open Source community, and the company I work for stands for the same beliefs. We are not fanatics about the movement (we're only fanatical about making our customers successful), but believe it generates value for customers at its core. SAP contributes and support many Open Source projects, and I personally help the community and its visionary leaders on many occasions. I don't think you have to be an Open Source fanatic to be accepted by the community at large, and I would hope our point of view would be recognized by the Open Source community, and that our actions speak loudly and positively for myself and for SAP.

Shai Agassi SAP Executive Board member in charge of the Product and Technology Group, among other things

Strategy and Vision: A New York Times Breakfast with Shai Agassi of SAP

Speakers:
Shai Agassi, President, Product and Technology Group, Executive Board Member, SAP
AG

Moderator:
John Markoff, Correspondent to The New York Times

At the age of seven, he coded his first software program. At 24, he launched a portal company - one of four technology companies he started in the 1990s - that was purchased by SAP in 2001 for $400 million. And, just three years ago, at the age of 34, he became the youngest member of SAP's Executive Board

Today, as President of the company's Product and Technology Group, he is responsible for SAP's overall technology strategy and execution, including SAP's vision of a shift to a services-based approach which was first introduced in 2003 with the unveiling of ESA, Enterprise Services Architecture. Many say its key component and Agassi's brainchild, the open standard-based platform NetWeaver, is now the technology future of the company and Agassi is the person to be out on that bleeding edge.

This is part of an ongoing series of New York Times-hosted breakfasts that are moderated by a New York Times journalist who will participate in a Q&A dialogue with influential leaders in business, technology and our society. Churchill Club breakfast programs are limited to a smaller number of attendees in order to spur interaction between you and your fellow members, as well as between the audience and speakers.

SAP's Shai Agassi on Oracle's 'folly' and the shift to services

Posted by **Dan Farber** @ 2:00 pm

🔊 **Audio MP3 00:36:00|**

November 10, 2005 Shai Agassi, president of the Product and Technology Group and a member of the Executive Board at SAP AG, fielded questions from New York Times tech reporter John Markoff and the audience during an early morning Churchill Club event on Wednesday. We have a **podcast of the interview**, as well as a separate **follow-up podcast** I did with Agassi, digging deeper into some of SAP's technology, hosted services and his disparagement of Oracle's strategy. I also checked in with an Oracle senior VP Jesper Andersen to get a response to Agassi's comments.**.**

During the Churchill Club interview, the 37-year-old Agassi offered his reflections on his journey from an Israeli startup to the Executive Board of the German software giant Silicon Valley, an Israeli working for a German company, the socially responsible enterprise, outsourcing, open source, SAP co-founder Hasso Plattner's influence on him and, of course, the competition.

He characterized Oracle as a "big pirate ship" with a deeply flawed strategy. Oracle has an "immature view that we are in a mature industry," Agassi said, making a case that Oracle's aggregation of customers in buying up enterprise software companies on its $20 billion spending binge and the promise of Project Fusion will be disruptive to customers, not to the industry competitors. "Oracle is like landlords in Cupertino [Silicon Valley] in the middle of the bubble," he quipped. Oracle shareholders are being ripped off if Oracle doesn't invest the maintenance revenue stream in innovation.

Fusion will simply be the next version of Oracle's enterprise applications, and Oracle's customer base will be forced to make the big switch, which conveniently leaves the door open for SAP to intercede. Nor does he believe that Oracle's plan to deliver Fusion–the next generation of enterprise applications that take the best features from all the code bases acquired to build a new standards-based ERP platform–in 2008 is realistic:

> "There is a fundamental problem in whole notion of Fusion. If you believe you can go out and rewrite from scratch every single process at the backbone of this collection of processes for every industry, and do it in a matter of less than five years and have less than three years of stabilization of code, you are obviously a banker. You really need to think about it in a sense of how much code goes in there–the core of processes for 28 industries…it's the analysis of the genome of every company in the world. To rewrite it from scratch is a suicidal attempt. Maybe they don't write it from scratch, maybe they pick it up from all the applications they bought. The problem is each of the applications uses a different coding mechanisms…if you pick all the legacy languages, you pick all the legacy with it. It's not an approach you can take. We will see an about face and Fusion will be Oracle 13. If all the noise is just to go back to Oracle 13…pirates in the water.

In my conversation, Agassi said that Oracle is basically telling customers they will have to wait until Oracle gets Fusion right, and in the meantime pay more maintenance that before. Nor are Oracle customers incented to buy more software upgrade, given they are looking at a completely new platform–whether from Oracle or SAP–in the next few years, and will simply make do with what they have until they are confident that they can transition without serious downsides.

Nor will Oracle's developer and consultant ecosystem profit much from thousands of customers in maintenance mode, according to Agassi. To top it off, Oracle's database business in less secure with memory-based transaction systems and higher level of abstractions, at the object level, that render Oracle's special database optimization sauce less critical, Agassi said.

But Oracle is not alone in transitioning customers to a new platform. The vast majority of SAP customers are still on the R/3 client/server platform and using its proprietary ABAP programming language, and will eventually have to move to the more open standards-based, services-oriented mySAP and NetWeaver. Agassi told me the 70 percent of the estimated 30,000 SAP customers have extended their contracts for mySAP, but that doesn't translate into deployments. Only 3,000 migrations are expected in 2005. Agassi expects about 5,000 deployments in the next 18 months and more complete customer migrations within five years.

A five-year transition from the old proprietary platform to a new open standards, SOA platform in the next five years doesn't sound much different from Oracle's overall plan. I asked **Jesper Andersen, Oracle's senior vice president of applications strategy** (who came along with the PeopleSoft acquistion), to respond to Agassi's assertions of doom for Oracle's software strategy.

I played Andersen the audio from Agassi's interview (at 16:30 in the podcast) with me characterizing Fusion as a rewrite of enterprise application core components from scratch.

"We are not rewriting Fusion from scratch," Andersen said. "A lot of what we already have is written in Java and uses dynamic HTML, AJAX and [Web] user interfaces. We are not building a brand new set of apps. Many of the areas where overlapping –there are only so many ways to post transactions to a general ledger, for example, and we have been careful how we scoped Fusion."

Andersen did say that Oracle's E-Business Suite (an upgrade–version 12–is in the works) would be the hub of the superset of features that go into Fusion product. Agassi predicted that would be the case, but asserted that Oracle would have problems in assembling a common, modern software framework and set of service-enabled business processes from the various application code bases recently acquired.

Andersen dismissed that idea that the development challenge was too daunting, and said Oracle planned to ship Fusion by the end of 2008. He also cited SAP's slow transition of customers off of its legacy R/3 system.

"Gartner stats show 94 percent of SAP customers are running R/3, over four years after my SAP was introduced. SAP's business process platform [BPP: a service infrastructure and enablement platform that includes NetWeaver] is separate from other [SAP] systems…it's great for ISVs and building composite applications, but the business processes and modules are different that what is in mySAP today. There is no mention that mySAP CRM will move to BPP, and in BPP SAP has one customer model, and mySAP is on separate database."

"Admittedly, Fusion is a big project. The components essential for Fusion–all the technology required for business process management and orchestration, embedded business intelligence–are all part of the Fusion Middleware suite, which exists today. It is the foundation of Fusion, and we are building it across all our product lines to day. We are taking all the great IP, data models, designs, the PeopleSoft user interface and building it into Fusion. We are leveraging the Oracle code, including Fusion Middlware, which uses Java and using open standards. PeopleSoft and J.D. Edwards are certified on Fusion Middleware."

Like NetWeaver, Fusion Middleware includes application server, developer tools, integration services, identity management, portal, collaboration, master data

management, Web services management and other core platform elements. Andersen claimed that Oracle has 5,000 Fusion Middleware customers, and thousands of ISVs supporting it. "SAP's only ISVs [for NetWeaver] are big companies, or tiny little companies outside of Waldorf [SAP's German headquarters]. Not a single software vendor that matters is writing applications for NetWeaver. If SAP is successful, that may change over the next few years," Andersen said.

According to a March 2005 Forrester report by John Rymer that I received via Oracle, SAP lags behind Oracle in the application server platform market (Fusion Middlware and NetWeaver). On the other hand, SAP appears to be ahead of Oracle in developing the thousands of services for building composite applications. In April, SAP rolled out 500 services, such as track shipment through a business process, and expects to end up with roughly 10,000 to 20,000 over the next several years. Agassi said that the industry will end up with three or four service collections–SAP, Oracle, Microsoft and…Google? Agassi noted that Google is moving up the stack, by going after data and document stores, collaboration and file systems.

The question is: Will these services, supposedly based on standards, be interoperable across different vendor application platforms?

On the issue of maintenance revenue, Andersen said, "Oracle is only company that for five years didn't adjust maintenance prices for inflation, and our maintenance contract includes rights to the new version of product [Fusion] without paying any more. Moving from R/3 to mySAP and NetWeaver is a cost." He also noted a few upgrades were in development, such as PeopleSoft Enterprise 9.0.

Bottom line, SAP and Oracle customers are in for major transitions in the next five years, and both companies are building their own standards-based, service-oriented stacks and more proprietary business process platforms. For customers, the situation is going to be a better negotiating position than in past years. I'll be following up to see if I can clear some of the discrepancies arising out of the dueling executives.

During our interview, I asked Agassi when SAP would get into hosted services. His answer was next year, but the specifics were somewhat cryptic. "We don't believe that CRM stands alone. We will provide a different way to consume our CRM offering. It has to integrated with backbone –just doing sales force automation is not helpful."

I also asked Agassi about his World Series of Poker experiences (at 30:36 in my podcast interview with him). It wasn't a topic he relished talking about. "Games are games and business is business….It's a recreational thing I do very, very rarely, when I want to be far away from business." In terms of lesson learned from playing chess and poker, Agassi said, "You've got to plan ahead and there a lot of things that are unexpected…and when it happens, replan." In that vein, he said that he, and SAP, are trying to be consistent, make good decisions and not make the same mistakes twice.

The big bet made a few years ago on completely revamping the platform around services and higher levels of abstraction is a good one, but I don't believe that Agassi and team are really betting that Oracle won't succeed, despite his painting a picture of doom for Ellison and his pirate ship crew….