

CONTINUOUS EDUCATION PROGRAM

Open *versus* proprietary system

What factors must a company consider to choose an open source system or a proprietary one? What advantages does Linux offer to IT managers? These are some of the questions posed at a continuous education program organised by the e-Business Center. Miguel de Reyna, e-banking manager at Banco Zaragozano, and Jaume Sans, Chairman of the Spain & Portugal Technical Expert Council (TEC) at IBM, attended as speakers.



Speaker/s: Sandra Sieber, IESE profesor;
Miguel de Reyna, e-banking manager at Banco Zaragozano, and Jaume Sans, Chairman of the Spain & Portugal Technical Expert Council (TEC) at IBM
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In the tech sector, he who gets to impose a standard is the one who dominates the market. An example of this is the domestic video market, where VHS beat Beta, and recently, the browsers market, where Microsoft Explorer has a 98% share. However, the capacity to impose a standard (*market tipping*) and obtain the whole market doesn't happen in all sectors. Nintendo and Sony, for example, coexist in the game market, while Windows CE and Palm OS do it in the PDA market. Therefore, it remains to be seen if Linux will be able to dominate an area where Windows is the king and if it will manage to impose itself as an operating system in the Unix market. This question was posed by IESE professor Sandra Sieber during her speech in the continuous education program '*Free software from a perspective of value for an e-business organization*', which the e-Business Center PwC&IESE organised on 12th June.

Francesc Miralles, research fellow at e-Business Center, also participated in the program. He enumerated the criteria than a company must evaluate before thinking about migrating from a proprietary software platform to a free one. According to Miralles, it is not advisable to make a decision based exclusively on price, because it is difficult to determine whether an open solution is cheaper than a proprietary one or vice versa. In the opinion of this speaker, the company must consider the propriety cost, the lock in, switching costs and other qualitative factors as reliability, efficiency, scalability, security and brand image.

All these factors have, moreover, different levels of importance according to who the

client is. In this way, the *lock in* is a key factor for big companies, because changing systems or infrastructures implies a great investment in new assets and education. However, the most important factor for small companies is the cost, because they have more flexibility to make changes, are less dependent on technology and have tighter budgets.

Freedom of movement

One of the Spanish companies that has bet on free software is Banco Zaragozano. It is not a “general bank strategy, but a tactical movement”, limited to two projects: e-banking and web services to employees, said Miguel de Reyna, the e-banking manager. According to De Reyna, when a company bets on this kind of solution, it must consider aspects such as portability, continuity, quality, availability and learning costs. However, the decision of Banco Zaragozano was very conditioned by the the implications in the Profit and Loss account.

The bank manager explained that –after analysing and comparing the cost of buying Windows licenses and developing made to measure applications with free software tools— the differences were obvious. “We couldn’t afford to let Microsoft decide how much we were going to earn every year”, stated De Reyna. Still, this defender of open source software insists that “*free is for freedom not for gratuity*”, referring to the advantages of having access to the application source at all times. De Reyna reminded us that this is not exclusive to Linux, that there is a list of open developments, some of which are free and others are not.

Moreover, he assured us that this kind of tool has other strengths, such as its immediate availability, its flexibility to integrate components from different origins, its excellent support for the user community and the possibility of recycling hardware. De Reyna made a very positive balance of his bet on free software stating that it has allowed him to make a gradual investment, experiment at a low cost and evolve as his needs arise.

Jaume Sans, Chairman of the Spain & Portugal Technical Expert Council (TEC) at IBM, explained that the bet of his company on free source was limited to the operating system, without including applications.

Although the Blue Giant doesn’t distribute Linux, it has adopted it as an operating system in all its server line, and has adapted its software developments, such as Webshpere and DB2. Moreover, IBM offers its customers consulting and educational services, a business that generated more than \$1.5 billion for them.

In short, companies are beginning to think about whether it is necessary to pay for an operating system, a tool that per se doesn’t offer any value. A new controversy that opens new questions, such as what will the future of the software market be, what will happen to the companies in the sector or until when will the philanthropy in this area continue.