

The Fresno Bee

SUNDAY, MAY 20, 2007

fresnobee.com

LATE FINAL EDITION 50 CENTS

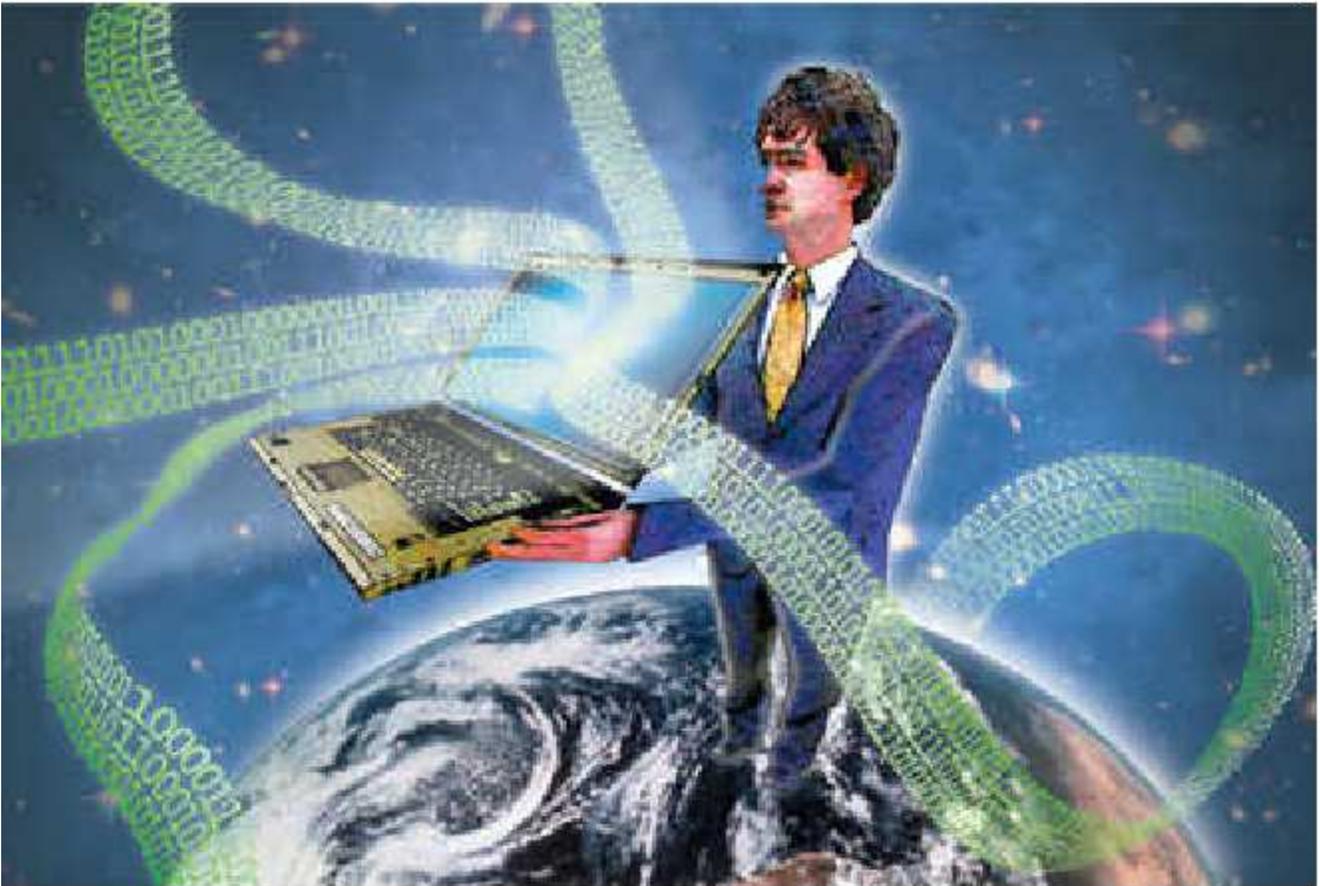


PHOTO ILLUSTRATION/THE FRESNO BEE

Sometimes it's better to give ...

Dan Zahlis talked to companies around the world to try his software. Potential deals fell through. "You give up on the idea that hoarding your source code is a benefit to you."

By Jeff St. John
The Fresno Bee

After spending a decade trying to find a way to sell his innovative risk-management software to companies around the world, Dan Zahlis of Clovis decided last year to take a new approach.

He gave it away for free.

Now Active Agenda, the software developed by Zahlis and his partner Mattias Thorslund, has been downloaded by a thousand interested parties, from wineries in Australia and banks in Hungary to corporations and government agencies in the United States.

It's also been improved by programmers around the world, adding bits and

pieces that have expanded what the software can do, Zahlis said.

For smaller companies, "the best way to get your product out there is to release the code" for free, he said.

That's the way business is done in the growing world of open-source software -- code designed not by corporations that sell it as a proprietary product, but developed for free by a loose worldwide community of programmers. In turn, they hope to make their living providing technical support and education, and maybe score big with a sponsorship from companies using the software.

By opening it up to anyone with an idea for improving it, open-source software can be improved and adapted more

See **SOFTWARE**, Page F5

Software: Usual business model flips

quickly than software from giants like Microsoft, open-source advocates say.

From the wildly successful Linux operating system and Mozilla Web browser to startups like Active Agenda, open-source products have been gaining market share against proprietary competitors during the past decade, according to technology research firm Forrester Research.

And the central San Joaquin Valley is no exception, with developers working on open-source software and companies incorporating it into their business operations.

"I personally believe that open source is greatly gaining steam and taking over more and more niches in the home and business environments," said Andrew Baker, lead support technician for Fresno-based Eagle Networks Inc.

Baker is also secretary of the Fresno Open Source User Group, about 50 Valley open-source fans, from home-computing hobbyists to information technology professionals, who meet to discuss open-source issues and news.

The vast majority of servers that make up the backbone of the Internet run on open-source software, he pointed out. Popular programs such as Open Office, an open-source word processor, and The Gimp, an open-source photo editing package, "have been growing in leaps and bounds due to the huge backing and support from the community."

About half of Eagle Networks' clients now use open-source solutions to manage e-mail spam and for virus protection, he said. Others are adopting even more open-source systems, he said.

One Fresno company that's been moving to an entirely open-source model is Balloon Wholesalers International, with 40 employees and about 6,000 customers across the United States.

Vice President Terri Adishian said the company has turned to a Linux-based, open-source platform to update its 20-year-old, DOS-based computer system.

"I really didn't know what to expect when we got into it," Adishian said.

"But it's been very stable, which is an important feature for us -- we just can't afford for our computers to be down."

FresnoFamous.com, a community Web site and event guide founded by Jarah Euston and sold to The Bee last year, is also based on open-source software -- in this case, Web development tool Drupal.

"Open source is a philosophical choice," Suzi Arnold, who developed the Web site, said of the belief among open-source advocates that the model allows more people to share in the bounty that a successful piece of software can bring than the traditional proprietary model. "But it also leads to a better product."

But there remain important concerns among businesses about adopting open-source software, particularly for "mission-critical" applications, said Ian Duffield, chief operating officer of Fresno-based software company Decipher Inc. and chairman of the Regional Jobs Initiative's software cluster.

"If you're a commercial business, there's still a high degree of skepticism about the open-source model," he said.

Of course, once a piece of open-source software gains widespread adoption, that can change, he said, offering the example of Joomla, an open-source content management system recently approved by the U.S. Army for use on its public Web sites in Europe.

On the other hand, "Microsoft might be the evil software company, but they've got tens of thousands of developers working hard to deliver very good product -- and that comes in some sense with a guarantee," he said.

And then there's the perennial question with open-source software, he said -- "The problem with free is, how do you make any money?"

That's a question that open-source developers have a quick answer for. Instead of selling the software up front and then supporting it for free, the common method for proprietary

software, open source flips the equation on its head -- give the software away for free and then charge for maintaining and supporting it.

"There is a valuable service that can be sold -- your knowledge of the product," said Richard Moore, a Fresno-based software developer who's working on two open-source projects for city and highway traffic-control systems, OpenTraffic and OpenNTCIP.

Moore hopes that his open-source version of the code that now runs many traffic light and highway sign systems throughout California will be popular when it's made available later this year, allowing him to charge the agencies that use it for support and technical services.

"To make money in the meantime, I sell my services as a consultant on an hourly basis for people who need traffic-control programs written," he explained.

"I'm not much of a businessman -- I wouldn't become a Bill Gates with this model," Moore said. "The real money is in selling products. But I like developing software and doing the engineering. As long as I can make a living doing that, I'm perfectly happy."

Zahlis agreed that Active Agenda wasn't likely to make him a billionaire any time soon. Still, he believes that, through sponsorships and commercial licenses that let users keep the changes they've made, as well as charging for technical support services, the business can succeed.

"I never intended to be an entrepreneur," Zahlis said. "My goal was to solve a problem I experienced in industry."

Zahlis first came up with the idea for Active Agenda while working as a risk manager for the Haagen-Dazs Co., and expanded it while running an independent risk management-consulting firm working for companies including Pirelli Tire, Ruiz Food Products and Dreyer's Grand Ice Cream.

See **SOFTWARE**, Page F6

Software: Usual business model flips

His clients had a problem with workplace safety, he said. While many companies were seeing injury statistics going down, injury costs -- primarily legal costs -- were skyrocketing.

Zahlis knew from experience that the likely cause was a push by management to under-report injuries to avoid government penalties and added insurance costs. But in his work as a risk manager, he'd been successful in reducing these costs by insisting on full reporting of injuries -- so successful that his work has been cited by the U.S. Occupational Safety and Health Administration, or OSHA.

The answer to this dilemma lay in the proper use of information, he found. When employees feel encouraged to report unsafe conditions and injuries, they're more likely to remain safer and healthier. The same lesson could be applied to other management tasks, like product quality control, labor relations and financial risk management, he decided. Simply put, when information is shared, it can help, but when it's suppressed, it can't.

"It's seeking out problems, rather than hiding them," he said.

That's how Active Agenda works, he said, by providing information-tracking "modules" that managers can link together to find previously undiscovered patterns and set up methods to track improvements.

Starting in 1995, Zahlis attempted three times to commercialize Active Agenda. But the deals fell through, he said.

So in 2004, he joined forces with programmer Mattias Thorslund and market developer Larry Hansen to take Active Agenda open source.

"You give up on the idea that hoarding your source code is a benefit to you," Zahlis said. "It's actually the opposite."

In a way, he said, the same principle that guides Active Agenda -- information is more useful when it's freely spread -- also guides the open-source movement.

"It's a very different business model," he said. "It's about surviving, proving

the concept and scaling," or letting the growth in the number of users of the software drive up the demand for support and technical services.

Bill Robertson, IT manager for Australian winery De Bortoli Wines Ltd., said his company started using Active Agenda earlier this year.

"We're in the early stages of implementation, and we're extraordinarily impressed," he said. "By quantifying and managing a lot of our risk, we expect this to have a significant impact on our insurance premiums and other costs -- you can't manage what you can't measure."

Or, as Zahlis put it, "the solution to control is freedom."

The reporter can be reached at jeffstjohn@fresnobee.com or (559) 441-6637.