URL: https://stvp.stanford.edu/clips/intellectual-property-for-long-term-growth

In response to a question from Ping Li of Accel Partners, Cloudera Co-Founder Mike Olson explains why having a defensible intellectual property strategy is a key for long-term growth and sustainability. Without this, says Olson, smaller companies eventually stall out, create their own competition through pricing pressures, or eventually set themselves up for acquisition.

Transcript

I think one of the questions is, is that how you think it needs to happen for open source derivative software companies to be standalone independent, because historically they've all done the support services model, lot of distros they're acquired by you name it, big company and then the project kind of languishes? Yes.. Look what happened to MySQL, look what happened to Sleepycat? The fact that we didn't have a defensible IP strategy meant that at some point we couldn't continue to grow.. We would attract low-cost services competition, from outside the US, from cheaper geographies, just from people who recognize there was an opportunity to come; we would in some sense create our own competition.. I think that the only way to build a long-term independent company is to own proprietary IP.. I do think open source is the way that platform software is going to happen.. So if you're doing enterprise infrastructure these days and you think you're going to create a proprietary software company pure play, I think you're wrong.. CIOs want open source infrastructure, they insist on it and the ecosystem is capable of producing it.. If you want to build a company that doesn't get acquired by Oracle, but that grows up to be a company of that scale, really your only choice is to adopt a hybrid strategy like that and Red Hat is my favorite example, $1 billion in revenues plus now, continued growth driven off of a hybrid strategy that gave them unique value in operating systems and delivering open source to their customers.. That is our ambition for sure.. I think pure play services-only open source companies can and do, get to somewhere between 20 million and 50 million in revenues and there are many examples including our last company, my last company..

But for companies to grow past 100 and towards a billion, you must have a more nuanced IP strategy than just we're going to give all our bytes away...