

Open source ERP and SMB

by Savio Rodrigues

While Oracle and SAP deal with multi-million-dollar projects at large enterprises, an opportunity with SMBs opens up for open source

Earlier this year, [Matt wrote](#) that in 2009, companies will balk at long and costly implementation cycles for enterprise ERP products and turn to open source ERP, especially in the current economy. I'm not completely convinced that enterprises spending on "18-month, multimillion-dollar ERP rollouts" will turn to open source ERP. A company that was looking at a multi-million-dollar Oracle or SAP implementation is probably large (read: risk adverse) enough to stay the course. Projects may not progress as quickly as previously planned.

On the other hand, there is absolutely a large opportunity for open source ERP in the SMB market. Companies that have 50 to 2,000 employees often need more than QuickBooks, Microsoft Excel, and roll-your-own apps. This is where Openbravo and Compiere have roles to play. Along these lines, I spoke to Sujee Saparamandu, the CEO and founder of [OrangeHRM](#), an HR management software vendor.

Think of OrangeHRM as the PeopleSoft of open source ERP software. OrangeHRM has more than 200,000 downloads and, more important, more than 700 paying customers. These customers have, on average, 50 to 100 employees, and the largest customer has 2,000 employees. OrangeHRM appears to be business model agnostic. OrangeHRM offers its product under the GPL license, which leverages the open source distribution model. From here, customers can choose to pay for support as is common with a support-based OSS business model. Or customers can choose to pay to access a hosted version, thereby leveraging the SaaS business model that other OSS ERP vendors utilize. And lastly, OrangeHRM sells proprietary add-ons around the open source OrangeHRM package, which we know as the Open Core business model. I told Sujee that it's a good idea for a company like his to offer multiple ways for customers to gain value from OrangeHRM. Over time, one of these models may become the major revenue driver and require special focus. But for now, broader choice is a better choice.

p.s.: I [should](#) state: "The postings on this site are my own and don't necessarily represent IBM's positions, strategies or opinions."

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