

Case study: Percona State of Open: The UK in 2023 Phase Two, Part 1

"Show us the Money - The **Economics of Open Source** Software"





Peter Zaitsev, Co-founder & CEO

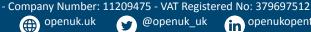
Peter Zaitsev, a Russian entrepreneur, moved to the UK in 2006, establishing Percona without external investment. Focused on Open Source Software, Percona's growth to a \$50 million turnover was attributed to market timing and strategic decisions. Peter, the CEO for 16.5 years, transitioned to pursue entrepreneurial interests, acknowledging his strength in early stage business. Percona prioritises skills over location, allowing remote work. Peter's resistance to venture capital reflects a desire for independence and aligning monetary goals with Open Source principles. He contrasts the US and European startup mentalities, noting the UK's increasing role in Al-driven Open Source opportunities.

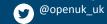
Russian by birth, Peter moved in 2006 to the UK, via the US, deciding to set his business up inthe UK as the environment was friendly to international immigrants, allowing them to set up a business and to do this quickly – more so than other countries that were immigrant-friendly. English language was an important factor in the decision. He had studied in Moscow to Masters level and then became involved in Linux and MYSQL.

The work he did in the community allowed him to work remotely in MYSQL AB, and eventually move to the US before the UK. Remote working in Open Source Software is something that has allowed not only Peter but many of his staff who he has hired in an unlikely location due to their skill set.

Percona hires on skills not location, based on unique skill sets. He set up a business perhaps because he had a lack of skills as an employee – "if you tell me to sit I have to stand up".

There was a co-founder at Percona, Vadim Tkachenko who is CTO while Peter is CEO, which is unusual as they both come from a technical background. Peter was CEO for 16.5 years until recently and stepped aside to pursue his interests as an entrepreneur. After some soul searching he realised that he is better in 0-1, maybe he is "an adrenaline junky" and as the company grows "it starts to run you rather than you running it". There is inertia in a maturing business which a founder is not always good at shifting. People





© OpenUK 2023 - OpenUK is a not-for-profit company limited by guarantee. Registered office address: 8 Coldbath Square, London EC1R 5HL





need a CEO of a larger company to be consistent for example, which is not him, but as a founder, this creativity is what he thinks made him good.

Company Growth without Investment

The company grew to turn over \$50m per annum. Peter the state of the market and luck as being crucial elements. At the time he founded Percona, Open Source began to grow and the "cool kids" post the dot com crash were using it. These he views as an easy time for Open Source, being in the right place and time. But he acknowledged that they made some good Decisions. MYSQL AB had some old-fashioned-Swedish-Management-Style-type-processes and ethos, about making a difference. That was a big shock to someone coming from Russia where there is a "Big Boss" and you do what he says. In a true Open Source company the model is different, and people tend to follow an ethos where things are discussed and decisions are made in a more collaborative or collegiate way. Even Linus who called himself a "Benevolent Dictator" runs software where anyone can propose a commit.

Although Peter moved to the US, Percona did not take investment. He had absorbed a lot from MYSQL AB's mindset. The founders had built it to change the world, and to spread Open Source. This 'romantic' notion of Open Source influenced him, but it also exposed him to the impact of VCs where as the company took investment it had to please its investors and things in the company changed. Sales numbers understandably had to meet investor expectations. For Peter, he did not want to be in that position – he wanted to be independent and to be able to follow his own path, even if it is unconventional and to avoid the power struggle he might have with an investor. He wanted to balance the "monetary and growth goals" with the "social or Open Source principle goals." The latter might not align with VC goals. It was also worth recognising that VCs are investing other people's money – such as a pension fund – and they need growth, so that mentality of growth first and foremost, is understandable. But not for Peter.

The US seems to be a better market for Open Source Software businesses to grow and it has a lot to do with marketing – the US really gets the idea of 'get rich quick.' In Europe, the mentality is to spend decades of hard work to build something. In the US the view is that in 3-5 years you can build something and create phenomenal personal wealth. A lot of people are addicted to this concept or idea. From this, you can see how the fastest growth would be in a culture that encourages that and the US is one of "the" places to be for that. You also hear that China is good for this too – although in a Western way we don't always think about that. The market is set up to support this mentality.

Relationship with Failure

Another key factor however is the relationship with "failure." If you raise the money and fail, that's something that just happens and it's not necessarily on you as a problem. The same investors might even invest in you again as you are seen to be on a learning process.

However, as we look at the economic shift in the last year, the start-up ecosystem in the UK is much better than it was when I lived there, when the fast-paced-start-up culture just wasn't there. Today it seems to be significantly more widespread.



© OpenUK 2023 - OpenUK is a not-for-profit company limited by guarantee. Registered office address: 8 Coldbath Square, London EC1R 5HL



We are seeing more companies across the US, not just the Bay Area companies receiving investment, partly because the overhead is so high there now.

Remote Working

Remote-based companies are more popular than ever and offer an opportunity for people to take remote working jobs. At Percona the UK is a prime source of remote working staff in Open Source due to the English language and the fact that it has a good education system. This is generally on the engineering side. The UK has the English language advantage. If selling in Europe you need a range of languages, whereas the UK-US connection is English-language, and the US is a more sales-focused culture. The UK is not so good at this, even as some of its neighbours in Europe with small Open Source companies. The UK companies tend to move or get sold and grow, whereas more of the European ones stay in that start-up mode and seem perhaps to be less ambitious, but a healthy small business ecosystem.

A new dimension, for the UK in particular, will be what happens with AI, where the UK has a strong positioning and we will see increasing Open Source opportunities.

> First published by OpenUK in 2024 as part of State of Open: The UK in 2024 Phase Two "The Open Manifesto"

© OpenUK 2023 - OpenUK is a not-for-profit company limited by guarantee. Registered office address: 8 Coldbath Square, London EC1R 5HL

© OpenUK 2024





