



Market Roundup

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The Beep Goes On: SCO Makes Additional Claims

By Charles King

On June 16, SCO made good on previous threats to revoke IBM's UNIX license, demanding that IBM desist all use and distribution of AIX and destroy or return all copies of UNIX System V source code. SCO also amended its lawsuit to seek \$2 billion in damages in addition to the \$1 billion originally claimed. As part of this amendment, SCO applied for a permanent injunction against IBM's sales and support of AIX, and included language in its suit claiming that Linux founder Linus Torvalds is responsible in part for the alleged transposition of protected UNIX code into Linux. IBM responded by stating that the company's UNIX license is irrevocable, perpetual, and fully paid up, and that it cannot be terminated. In addition, IBM pledged to continue to ship, develop, and support AIX.

Since SCO is unlikely to step quietly to the side while a court determines the merits of its claims, it is up to us to attempt to cast some light on the work in progress that is the SCO suit. We admit up front that we are not legal scholars, financial experts, System V code gurus, or Linux geeks. But we have been around the IT industry long enough to know that what appears on the surface of things as often as not conceals what is beneath. Our experience has led us to have much in common with many Iowa farmers, who are well versed in the collection and spreading of manure, and who understand that an excess of the same is more likely to burn the ground than promote healthy growth. From the standpoint of coprology, SCO's suit stinks to high heaven, and an unmistakable whiff of sulfurous self-service hangs over the company and its litigation-happy executives. This is hardly surprising. It is important to remember here that SCO's accusations against IBM are merely that. SCO's "evidence" has not been examined by a judge, challenged in court, presented to a jury, or even revealed to the company SCO accuses. The analysts with whom SCO has shared said evidence have been divided in their opinions about its merit. So SCO has simply ratcheted its claims, freshened up its rhetoric, and cast its legal nets further and further in a desperate effort to maintain a place in the headlines. A cynic might say that SCO's ongoing attempts to argue its case in public ahead of an actual trial indicate the shallowness of its accusations. A cynic should be listened to.

That said, have the heady events of the past week revealed where the plot of SCO's self-manufactured melodrama is heading? Perhaps. A number of legal analysts have pointed out that SCO's application for a permanent injunction rather than a temporary injunction (which requires a higher burden of proof) suggests that the company's evidence of injury is weaker than advertised. Others say it is simply an indication that SCO plans to fight the case to the bitter end. Additionally, SCO's claims that Linus Torvalds is somehow responsible for transposition of UNIX code into Linux could signal that the company is considering bringing Linux vendors into its sights and suit. Only time will tell, but if the past presages the future, we expect SCO will likely continue amending its suit, with as much public fanfare as possible, up until the time a judge finally puts a lid on it. In a curious and disturbing twist, the actions of a company once considered an integral member of the Open Source community are proving most beneficial to proprietary IT vendors who have worked long and hard to discredit and dismember Linux. Whatever the outcome of its suit against IBM, SCO has made itself a pariah in the Linux world and the company is unlikely to regain the respect and care of its Open Source friends. That acrid stink is not just

the smell of something that would be better off plowed under. It is that of burning bridges that will never be rebuilt.

HP Outlines the Adaptive Enterprise

By Jim Balderston

This week HP outlined its roadmap for developing a suite of products and technologies related to its “Adaptive Enterprise” initiative. As part of the announcement, the company unveiled thirty new and enhanced HP OpenView software offerings. Among these are Network Node Manager Advanced 7.0, which offers network fault, performance and problem diagnosis, fault management, and decreased diagnosis and repair times; and the OpenView Service Navigator Value Pack, which combines an integrated common data repository with HP OpenView Service Desk to provide a single source for critical enterprise management data and proactively manage existing IT resources. The company also announced a series of Adaptive Enterprise Partners and customers, and the promise to more tightly integrate the ongoing adaptive enterprise technology development with partner products.

While one has to remember that much of the Adaptive Enterprise, Utility Computing, OnDemand environments, and Autonomic Computing vision remains to be realized, and as such, this announcement and the “Adaptive Enterprise” is a work in process. HP’s step forward in this area has interesting repercussions. As we have noted in the past, the steady commoditization of hardware and software¹ will require vendors to come to potential customers with much more than a box and a sleeve of software CDs. HP apparently understands this, and is laying the foundation of a broader set of offerings that will allow it to differentiate itself from the competition

Such competition includes Dell Computer, which to date has eschewed any sort of commitment to utility computing, going so far as to say that most of the value of such offerings lies well into the future. While Dell’s appraisal is technically correct today, such an evaluation of the market will lose its veracity as time goes on. Not only is IBM pursuing the idea aggressively, HP’s offerings based on its existing OpenView products are well positioned to gain ground over time as well. For any systems vendor, the ability to offer more than simple commodity products at low prices increases the credibility and value of their position with customers over time. In short, systems vendors can make much more credible and long-term commitments to customers than those that can ship commodity products quickly. As we see a continued effort in the market to consolidate and integrate existing IT deployments, the vendors that offer the means to such ends are going to gain – in many cases – the upper hand in the market while those just offering low prices on yet another box will lose traction. While Dell will likely attempt to stem the tide of the systems vendors’ offerings with partnerships and co-marketing deals, we believe that the vendor offering a suite of homegrown products will enjoy a more positive reception from potential customers wary of the sometimes loosely defined nature of multi-vendor packages. While Dell remains outside the utility computing fraternity, we see that fact that big players like HP and IBM are going whole hog into this arena for both large enterprises and SMBs to be further confirmation that utility computing is not a matter of if, but rather when.

Oracle and PeopleSoft, Act II

By Jim Balderston

Oracle announced this week that it has upped its offer for PeopleSoft to \$6.3 billion, or \$19.50 per share, from the earlier gambit of \$5.1 billion or \$16 a share. Oracle adjusted its bid upwards after apparently meeting with institutional investors who were not swayed by the initial offer. PeopleSoft investors are scheduled to vote on the matter July 7. Meanwhile, PeopleSoft has reconfigured its bid for J.D. Edwards, adding cash to the deal in an attempt to make the deal not subject to stockholder approval, which could finalize it before the original date set in September for stockholder approval by PeopleSoft and J.D. Edwards stockholders. The new deal is expected to close by July 17. Oracle has indicated it does not want to acquire J.D. Edwards as part of the deal. Meanwhile PeopleSoft and Oracle are in court, suing each other over the deal. Also, the State of Connecticut has gone to court in an attempt to stop the Oracle bid, noting both anti-competitive concerns and the fact the state has invested heavily in PeopleSoft products in recent years. The state is just weeks away from implementing its first phase of a \$100 million deployment, according to press reports. Oracle also took out a full page ad in the New York Times on

Thursday, urging PeopleSoft stockholders to accept the offer while noting that the PeopleSoft's stock price and revenue from new license orders have dropped in the last two plus years.

As we noted last week,² consolidation in the market for enterprise applications is not a figment of Larry Ellison's imagination. Ellison's observations that such a constriction of the market is inevitable are, in fact, on the money. And clearly Oracle wants to come out of the consolidation frenzy in the best possible shape, with increased market share for its databases. Ergo the decision not to continue offering PeopleSoft applications, only a vague promise for support going forward for some undisclosed amount of time and with the promise of a migration path to Oracle products down the road. Clearly the State of Connecticut, and we suspect other large PeopleSoft installations, are not particularly thrilled with the opportunity to go through a major migration from one product to another, largely tossing out the investments of the past few years for a whole new training, implementation, and integration headache.

But while Ellison hopes to capture market share by eliminating a competitor, he also provides opportunities for others to grab market share in the ensuing confusion over what the future ERP landscape will look like. IBM and SAP announced what appears to be a reaffirmation of their ongoing relationship, saying largely to customers that both SAP and IBM are going to weather this storm just fine and that an alternative migration path – that is not Oracle – is available. While IBM certainly hopes that the PeopleSoft and J.D. Edwards deal is allowed to go through and that PeopleSoft remains an independent entity and channel for IBM middleware and back-end products, it is clearly hedging its bets. Who wouldn't, when the largest unknown in the present shake-up is the mercurial Ellison? IBM and others may also want the Oracle bid to go away for another very good reason: the growing focus on the SMB market. J.D. Edwards is particularly focused in this market; their combination with PeopleSoft would allow the new company to expand its ability to service this market segment with greater credibility and expertise. For IBM, which is making a company-wide effort to reach down market and get away from the perception that "Big Blue" is only about mainframes and large enterprises, the continued existence of a joined PeopleSoft/J.D. Edwards can only help change that perception.

EMC Centera Compliance Edition Reaches Industry/Government Milestones

By Charles King

EMC has announced that its Centera Compliance Edition (CE), a version of the company's content-addressed storage solution designed for use in highly regulated industries, has achieved compliance milestones in specific financial services, federal government, and life sciences applications. According to EMC, Centera CE meets the standards set forth by the recent SEC Interpretive Release on Rule 17a-4, regarding the requirements for disk-based storage systems that use integrated hardware and software codes to prevent the overwriting, erasure, or alteration of electronic records and email. Additionally, EMC stated that Centera CE has become the first disk-based storage solution certified by the U.S. Department of Defense because of its content shredding capability meeting federal standards for the destruction of records. EMC also announced that Deloitte Consulting has designated Centera CE as "Compliance Ready" for FDA, 21 CFR Part 11, a regulation that sets requirements to ensure the trustworthiness and reliability of electronic records and signatures, and their equivalence to paper records and handwritten signatures. Additionally, EMC stated that Centera CE is a certified solution under the trade and tax laws for Germany, Austria, and Switzerland.

EMC's launch of Centera in April 2002 focused first on the product's technological capabilities. By combining a unique document addressing system with industry standard components and low cost ATA drives, EMC positioned Centera as an affordable disk-based data archiving solution that offered dramatically better performance than traditional tape- and CD-ROM-based systems. According to EMC, that message resonated especially well among enterprise customers feeling pinched between constantly expanding data and regulations that require information to be safely stored and easily accessible for years at a time. Earlier this year, EMC introduced Centera CE, a new iteration of the original technology that added safety and security features to allow CE to deliver the "write once, read many" capabilities data archiving customers understand and expect. According to EMC, these capabilities made Centera CE the first compliance-ready disk-based system available in the market.

EMC's latest announcement demonstrates the company's larger strategy around Centera CE and offers a blueprint for how a given IT solution can be repositioned for new uses and markets. By moving patiently through the often-confusing regulatory compliance process, EMC has emerged on the other side with a product vetted for use in three complex and demanding markets that are likely to be enthusiastic about Centera CE's price/performance capabilities. That should provide a host of new sales targets for EMC, but it also bodes well for ISVs and business integrators focused on these sectors. In other words, by teaching a young dog some cool new tricks and standing by the beast until it graduates from three obedience schools, EMC has significantly expanded opportunities for its customers, its business partners, and itself. Not bad for a puppy that is just over a year old.

¹ [http://www.sageza.com/available/white paper/commoditization.pdf](http://www.sageza.com/available/white%20paper/commoditization.pdf)

² <http://www.sageza.com/insightindex.htm> : June 12, 2003 : "Larry's Big Parade"