

Let the Chips Fall Where They May When iPods are Outlawed... IM Vendors Find a Clue



Let the Chips Fall Where They May

By Jim Balderston

Intel and AMD announced quarterly earnings this week. Intel announced it had rising revenue (\$8.05 billion) and nearly doubled profit (\$1.8 billion) for its second quarter but warned Wall Street that it did not expect profit margins to be as high in the coming quarters. The company reported rising inventories of chips and slowed production as a result. AMD announced it posted a profit (\$32 million) for the third straight quarter with revenue (\$1.3 billion) nearly double what it was a year ago. AMD officials said that Spansion flash memory sales drove much of the improved numbers, as did sales of Opteron and Althon 64-bit processor chips, which achieved double-digit operating margins. AMD chip sales jumped 36% on a year-to-year comparison but dropped some 3% when compared with last quarter sales figures.

Looking at the difference between the two companies' revenues makes it clear that for the time being at least, Intel is still king of the chip hill. And it is clear that both companies are feeling the pinch, chips are not moving as quickly as expected, and any talk of a tech turnaround still appears premature. But we do see some striking differences between AMD and Intel's quarterlies, and suspect there is more at work here than meets the eye.

While AMD is feeling the effects of a slowing market as represented by slowing quarter-to-quarter sales, it is also very clear that AMD's 64-bit strategy has been successful. AMD may still play in the shadow of Intel, but it is apparently no longer at death's door under the heel of a dominant competitor. In fact, it appears that Intel Itanium gamble has been a significant loser, as enterprises find themselves quite unwilling to port applications to Itanium just to have 64-bit computing. Opteron, by requiring no recompiling, is giving the transition to 64-bit computing a much sweeter taste. IBM, like AMD, took the more customer-friendly path to 64-bit computing, allowing enterprises to leverage their existing investments. Is Intel in trouble? No, probably not; but it now faces more robust competition for market share from both IBM and AMD, and for the first time in ages cannot claim to own the de facto market standard chip architecture, at least out at the leading edge of the technology spectrum.

When iPods are Outlawed...

By Charles King

News reports stated this week that the UK Ministry of Defence (MoD) banned Apple iPods and other portable, high-capacity storage devices from military installations, suggesting that they could be used to steal sensitive data. However, the UK MoD later refuted the report, saying that while there were some areas where portable storage devices would not be allowed, they have a flexible management approach in regards to devices that can move data from official systems. In each area, the risks are assessed and, when appropriate, measures are taken to mitigate that risk. In an unrelated announcement, UK security vendor Reflex Magnetics announced the results of a poll the company conducted among 100 IT managers which suggested that while enterprises have serious security concerns about portable storage devices, few are doing anything to police their use. According to the poll, 94% of respondents confirmed that data security is critical to doing business effectively and 49% believe employees take unnecessary risks with critical company data. In addition, 54% of respondents saw internal data theft as a threat to their business while only 35% were concerned about data security being compromised by external sources. However, 84% said their companies do not have security policies to prevent employees using removable media on the network, and 42% have no idea whether such devices have been used to steal sensitive corporate information.

Readers will be forgiven if these stories trigger a sense of what Yogi Berra once referred to as “d  ja vu all over again.” While the iPod offers several new pastel tints for the palette, this picture has been painted many times before. The fact of the matter is that removable data storage media of every kind, from spooled tape to floppy disks to tape cartridges to ZIP disks to PCI-based micro drives to USB-enabled media devices, pose security risks at some level. The fact that latest technologies allow increasing amounts of data to be stored on incrementally smaller devices may offer reporters and analysts sizeable opportunities for melodramatic headlines, but it is all a matter of degree. The true value of information is determined by quality, not quantity. The Confederate Army lost the Battle of Antietam because of a misplaced set of orders. Agents during World War II shared critical information via simple radio transmissions. The origin of the Cold War hinged on the USSR’s acquisition of a few pages of classified information on the atomic bomb. Overall, businesses are likely to have more to fear from malicious code brought behind their firewalls by errant employees than they are from those intending to steal precious data.

Security may be what people are using these events to talk about, but the real issue at its heart is convenience. For the past two decades, portability has driven the revolution in business, personal, and mobile computing, and has helped transform corporate culture in elemental ways. At the end of the day, enterprises have to decide whether they gain more than they risk by embracing increasingly powerful portable technologies. In addition, while sensitivity about the theft of data is a reasonable concern for any business, technology is and always has been nothing more than a tool. A screwdriver can be used to build a house or break into it. A company that focuses its attention and efforts on regulating screwdrivers rather than the activities of those who use them is doomed, inevitably, to screw itself.

IM Vendors Find a Clue

By Jim Balderston

AOL, Yahoo! and Microsoft announced that Microsoft’s Live Communication Server for enterprises will communicate with AOL and Yahoo! instant messaging applications. This new capability is expected to be available to LCS users later this year open a trial basis, with a full launch to come sometime next year. Microsoft will pay AOL and Yahoo! royalty fees for the ability to connect to AOL and Yahoo! IM servers. Under the arrangement, LCS users will see and be able to communicate with their AOL or Yahoo! contacts lists, but they will not have access to all of the client features available to AOL or Yahoo! users. The agreement has no effect on public IM users, who still have no way to communicate with users of different instant messaging services.

Well, it appears that these three IM giants have finally managed to a change of heart when it comes to interoperability. No doubt there was some leverage on all sides acting to force this agreement; Microsoft with enterprise IM efforts that the other two couldn’t match and Yahoo! and AOL simply possessing too many IM customers to be ignored. So perhaps it wasn’t a change of heart, per se, but actually signs that these different companies are growing a collective brain. Apparently these companies are in possession of a clue or two.

It also seems clear that the realities of the enterprise workspace drove these three otherwise stubborn IM contenders into each other’s arms. If they had not found a way to make peace, enterprise IM users would be stuck in a communications network that had significant areas blacked out. It would be as if an enterprise had been sold a phone system that could only connect to other enterprises using the same phone system. In such a world, either everyone is on board with the same communications system or everyone is out of luck. In this day and age, creating or having to manage around islands of information (or contacts) is simply intolerable. What these three IM providers have failed to respect is a simple axiom on the value of networks and interconnectivity. If one tries to drive a proprietary solution through the market, it will enjoy some short-term benefits of owning a significant portion of a market with the size of X. If, however, one seeks to play nice with other vendors and create standards-based applications that can communicate throughout the network, one grows the value of that market to multiples of X just as it drives the value of the application substantially higher. One would think vendors offering person-to-person communications would understand this rather fundamental point, but clearly clues are in short supply.