Market Roundup
November 12, 2004

IBM is Connecting More than Computers with Workplace

By Jim Balderston

IBM has announced a number of new offerings within its Workplace portfolio which they hope will help capture a larger share of the desktop productivity market. Workplace delivers applications or documents to desktops running Windows or Linux, delivering the information within a Web browser or another desktop client. IBM announced that it will be delivering IBM Workplace Services Express 2.0, targeted at small and medium enterprises. The company also announced the near-term availability of WebSphere Portal 5.1 as well as IBM's Lotus Web Conferencing Service, an offering that can either be purchased as a subscription service from IBM or installed locally on a company's infrastructure. In addition, IBM announced seventeen new Workplace offerings for specific industries including retail, automotive, finance, telecommunications, government, life sciences, and Healthcare, among others.

It's good to see IBM continue to leverage the $4 billion Lotus acquisition that seemed, at the time, to be a significantly large square peg being forced in to a relatively small round hole. But despite our initial skepticism, it appears that IBM is making something worthwhile come from the acquisition. We are inclined to believe that Workplace has a number of possible sweet spots in the market, and one of those in our minds would be in the SMB space. For what it is worth, we were pleased to see IBM highlight the SMB-specific offerings within the Workplace portfolio announcement, as in our mind the SMB market is often under-represented in these announcements and only gets attention after the fact, losing the potential benefits of the bigger spotlight.

But what really seals the deal on the SMB value proposition is IBM's emphasis on human beings and their interaction with fellow employees, customers, and finally, data. IBM believes that Workplace creates an opportunity to speed up the human business processes by allowing people to take advantage of improved data business processes. We believe that the focus on the human interface with IT, and the behavioral changes and opportunities that it represents, could be the most important value proposition that products like Workplace offer. While managing the back end plumbing and data streams is still a core attribute of a well deployed IT environment, the fact remains that at some point or another, the data will have to come face to face, or maybe face to finger, with a human being. Making that encounter more intuitive, efficient, and responsive to customers, partners, and fellow employees is a powerful way for IBM to change the conversation from the packaged products that form the basis of virtually every desktop in the world, regardless of their intended use, to one of real user experience and value to enterprise.

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Blue Genes for the Masses

By Jim Balderston

IBM has announced the first product evolved from its Blue Gene supercomputing project with a base price of $1.5 million for the most stripped-down version of the machine based on a specialized version of the company's Power chip. The new machine runs on sub-GHz processors which reduces power needs and heat output and the size of the supercomputer. Despite the use of the slower chips, Blue Gene is capable of producing 70.7 teraflops per second, making it the fastest supercomputer in the world. The basic Blue Gene system will fit into a space three feet by three feet by six feet. The company said it will sell various configurations of the Blue Gene product, ranging from one to sixty-four racks of servers with each rack holding 1,024 CPUs capable of cranking out 5.7 teraflops.

IBM noted that versions of the Blue Gene supercomputer have already been snapped up by research institutions and national laboratories. As one would suspect, modeling complex weather systems, nuclear reactions, DNA, or molecular structures along with cryptographic applications are all likely applications of such high-speed computing environments. We suspect that offering a relatively low-cost and compact supercomputing product will have a salutatory effect on research and development in these and many other areas.

But what is more intriguing is the new availability of such computing power to a much broader market. Even though a typically configured machine will cost more than the base price of $1.5 million, offering supercomputing power at double or triple the price seems to quite a bargain indeed. While few private enterprise environments — beyond those mentioned above — may feel the need for such horsepower today, we suspect that such needs will slowly but surely increase over time as the demands of real-time computing shrink acceptable lag times to smaller and smaller increments. As such, it would appear that the rate of technology trickle-down continues to accelerate, with the time gaps between specialized computing project and market-ready products shrinking to years from decades. We believe such acceleration is not only healthy, but necessary to an IT market that is creating, amassing, and managing ever-larger amounts of information in an ever more demanding value chain environment. The day of supercomputing benchmarks as merely prizes for white-coated engineers is giving way to market applications and requirements. And in our mind, that's just super.

StorageTek Uses Back Doors to Build a Better Mousetrap

By Joyce Becknell

StorageTek has announced Open System Managed Storage (OpenSMS), an open source software framework for driving automated information management mechanisms into the open systems market. StorageTek believes that much of the automated capability of mainframes should be brought to the open systems environment and is taking its first steps to enable it. The OpenSMS software architecture exports interfaces upon which you can hang policy engines and execution engines. There are also hierarchical storage management (HSM) components for moving and retrieving data between on-line storage and secondary storage. Tape is handled through the OpenTMS (Open Tape Management System), which uses code from StorageTek's ReelLibrarian software to enable automation of access to removable-media data sets. The base comes with several standard policy engines, but customization is possible.

This announcement is the result of a skunk works project at StorageTek that just goes to show what happens when engineering types talk to customers and start to think about building better mousetraps. The guys at StorageTek started with the data management API (DMAPI), which gives one an interesting opportunity for storage management through a back door into the file system. At the same time two vendors, SGI and IBM, had recently announced that they were making their respective XFS file system and journaling file system available through open source. Some folks at StorageTek then took the code form the defunct ReelLibrarian and using the DMAPI standard created a framework for managing storage similar to system managed storage in a mainframe environment. Most importantly, the framework allows users to treat tape storage as equal to tier one storage, rather than having it hidden behind the file system as is usually the case. StorageTek believed that by putting the

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framework in open source, customers could adapt it to their environments, and expertise in storage management could grow and create effective products for the open systems space.

This project remains in development stage, as the next goal is to make it early-adopter friendly. It was brought out at the SuperComputer event, SC2004, so the right types of ubergeeks were able to check out this debutante as a possible dance card option. As a skunk works project, this won't be driving StorageTek's business in the near future, nor turning it into a leader in SRM in the next quarter. At the same time, the funny thing about these projects is that they are often the parts of the plumbing that are critical for a system to function, but like all plumbing, it's not attractive to look at from the outside. This isn't the sort of idea that's going to garner a lot of marketing attention up front, but it is the sort of thing that can leak into the open source movement, get people motivated to develop and experiment, and if successful, lead to the sorts of things that make companies look brilliant in retrospect. We'll stay tuned to see where this leads and who takes advantage of the opportunity.

Microsoft Further Clears the Legal Deck with Settlement of Novell Antitrust Case

By Rob Kidd

Microsoft announced this week it has reached a $536 million antitrust settlement with Novell and an agreement with the Computer and Communication Industry Trade Association (CCITA), an advocate of antitrust action against the company in the U.S. and Europe. As a condition of the settlement Microsoft will become a member of CCITA and CCITA will drop the request for United States Supreme Court review of the Bush administration's consent decree with Microsoft (in effect closing the U.S. antitrust case). The trade association will withdraw its European complaint charging that integrating media player features with the Windows operating system stifled competition. As a result, RealNetworks will be the only party to continue support for the European Commission's case concerning the media player issue. Last year the European Commission ruled that Microsoft had violated antitrust law and ordered the company to furnish competitors technical information and provide the Windows operating system without media player, and fined Microsoft 497 million euros. Microsoft appealed the Commission's order and filed for a stay of the order pending appeal. The European Appeals Court is expected to rule on the stay in the next few months, and the decision will provide an indication of the court's view on the validity of the commission's ruling.

CCITA, AOL-Time Warner, Sun, Novell, and RealNetworks: This all began with a who's-who list of technology companies lined up and promoting antitrust actions against Microsoft. Prior to these latest agreements, Microsoft settled antitrust disputes with AOL-Time Warner for $750 million, and Sun for $700 million. Microsoft's actions have sent a clear message to the industry, and the U.S. and European legal systems — it is now willing to work constructively with parties to resolve antitrust claims, even if that means writing a large check. This purchased support could help Microsoft's case in front of the EC as it ponders future antitrust enforcement actions. After all, if the companies that claimed Microsoft was harming them no longer believe that is true, the EC may back off as well. But it is important to remember that Microsoft has incurred a total of approximately $2 billion in direct settlement costs and clearing the remaining legal hurdles will add to this tab. Of course, this tab will have little impact on a company that has more than $60 billion in cash in its corporate accounts.

We believe Microsoft is smart to clear the "legal deck" so that it can focus on the future with less aerodynamic drag. The company's traditional business is clearly facing significant threats from various open source and Linux initiatives and is not making the headway it anticipated with its MSN and other new lines of business. While its operating system and productivity suite businesses continue to drive substantial revenue, the company has to find and exploit new opportunities in both the enterprise and consumer space. Clearly, the latter will be much easier than the former, as Microsoft has to do battle with the likes of IBM, Oracle, Sun, HP, EMC, and a host of other well entrenched and viable enterprise vendors who have the advantage of bringing enterprise class products down to the mid-tier market that Microsoft is trying to move upwards into. In essence, by cutting large checks, Microsoft is hoping to drop ballast and rise within the IT atmosphere.

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