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# Market Roundup

July 29, 2005

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### IBM Opens Up Virtualization

By *Jim Balderston*

IBM announced this week that it is forwarding a new effort to create common standards and protocols concerning virtualization technology as it introduces IBM Virtualization Engine 2.0. IBM has pledged to work with various standards bodies as it moves forward, and indicated that it hopes to attract support from various IT vendors offering virtualization products. Presently, IBM's proposed plan for open virtualization development has been endorsed by Cisco; VMware, a division of EMC; and Network Appliance; all IBM partners. Virtualization Engine 2.0 offers a number of new features, including the ability to take inventory of existing IT assets and resources, the ability to deploy virtualized servers, and improved integration with IBM systems management tools.

Virtualization Engine 2.0 is designed to promote the idea of virtualization virtually everywhere — as it were — from servers to storage and throughout the enterprise. By easing the deployment of virtualized environments, IBM is attempting to remove impediments to the adoption of virtualization technology, which in itself can provide huge savings not only by consolidating server environments but also by improving utilization rates of existing assets. Such capabilities are of value up and down the food chain, from the largest enterprises to SMBs.

By promoting an open and standards-based virtualization strategy, IBM is hoping to accelerate the adoption of a technology that we believe is an inevitable and key element of IT environments of all sizes and shapes. Maybe not today, but certainly someday, and someday soon. By pushing an open, standards-based approach to the development of virtualization technologies, IBM believes it will speed not only development of these offerings but their deployments as well. IBM is pursuing a well tested strategy that has borne substantial fruit in the past. Essentially it is betting that by helping every vendor's virtualization technology play nice with every other vendor's, the pie of virtualization revenues and opportunities will be orders of magnitude larger than if every vendor attempts to go its own way. IBM must feel fairly strongly on this point, with its ability to offer several layers of virtualization presently, and in a commanding market position as a result. We agree with IBM's strategic vision in this regard, the company betting that a smaller percentage of a larger market opportunity will be substantially more valuable than a larger percentage in a much smaller market.

### Proof of Purchase Required: Windows Genuine Advantage

By *Clay Ryder*

It was reported earlier this week that Microsoft has fully launched its Windows Genuine Advantage Program (WGA), part of the company's ongoing anti-piracy initiative. Users will no longer be able to download and install updates to copies of Windows XP that do not pass an authenticity test, i.e., systems that have not downloaded the WGA authentication software or that fail the WGA authentication. Although users will no longer be able to download updates from the Microsoft Download Centre or Windows Update, nevertheless Microsoft has indicated that security patches will still be available for non-authenticated users through Windows Automatic Updates. The company indicated that it would replace pirated software with genuine versions for free to those who submit piracy reports along with proof of purchase, and for a fee to those who submit piracy reports but do not have any proof of purchase.

The temptation for some will undoubtedly involve instigating another round of Redmond-bashing on some flaky ground that the company is being arrogant to its users, its software is buggy and problem ridden, or that the future is open source anyway and software should be universally distributed, and free. Although we expect to see mutterings of this sort, we think they are as substantive as a cream puff. To us, Microsoft is well within its rights to introduce WGA, and in fact we would argue that this is long overdue. Many may fixate on the hassle factor; however, it is minimal for anyone who is playing fair: a couple of minutes once, to ensure that their copy is legit, and to gain access to valuable updates and fixes. It is true that Windows is the victim of more hacks, has more bugs, and is generally the platform of choice for nefarious activity. However, we do not hold the Redmond Giants completely to blame for this. Yes, buggy code is bad news, but this is the reality of any software developed by human beings. Given the worldwide scale of Windows use and myriad hardware and software combinations that Windows supports, we would hasten to add that the fact it does as well as it does is testimony to the overall quality of the product. Quit whining, Mr. Penguin; when you have the user base and breadth of support of Gates and Company, then we will compare how well you are really doing.

OK, enough of that. To us it is simple. WGA is good for the company, good for its customers, and frankly good for the market overall. MS gets to protect its intellectual property and copyright, customers get genuine copies of software which are far less likely to be filled with backdoor spyware and viruses, and the marketplace has the stability of a known code base. It remains amazing to us that people are willing to pay hundreds if not thousands of dollars for computing hardware without blinking an eye, but complain about paying \$100 for the operating system. While few would argue it is OK to steal the hardware, to many the thought of copying or pirating the software is acceptable. To us it simply does not follow and we offer the simple, if not blunt advice: If you use Windows, regardless of your perception of its shortcomings, pay for it and be glad that WGA will force others to do so. If Windows is the anti-Christ of computing, then don't use it and don't pay for it, and frankly we think this would be just fine with the folks up North.

## IBM Sharpens Its Blade Initiative

*By Joyce Tompsett Becknell*

IBM added to its list of community initiatives this week with the announced intention to build a community around the BladeCenter product, called blade.org. According to IBM, the organization is aimed at spurring development and innovation around blade technology, and will enable BladeCenter ecosystem partners to test and interoperate their products on BladeCenter. IBM hopes to drive the development of the community and innovations in Voice-over-IP, industry-specific solutions, security, and other technologies. IBM has reserved blade.org as the future Web site for a solution community that will facilitate the expansion of solutions based upon the BladeCenter specifications. Among the initiatives IBM is pursuing in conjunction with this announcement is the establishment of an IBM BladeCenter Partner Solutions Interoperability Lab and new BladeCenter test tools for partners in addition to the existing support center they already have.

The announcement is somewhat confusing because in fact the community initiative is being launched almost a year after the specification for the BladeCenter was first released by IBM and Intel. At this point, IBM says there are more than 260 companies with the BladeCenter specification, and more than 350 technology and solution partners in the BladeCenter Alliance Program. The current announcement seems to be hiding the significance of IBM's intent beneath a wash of PR hyperbole which runs the risk of diminishing the importance of the intent by losing it in the accompanying froth. The fact is that a de facto community has already sprung up around the BladeCenter product. As IBM was able to capture significant market share with the product in conjunction with an open specification, many storage and network companies created a blade version of their product for the BladeCenter. The fact that not all current partners are members of the new community seems to be a question of timing rather than an implication of who will or will not join the newly formed organization. What we believe to be more significant is the fact that IBM has formally recognized the existence of this growing community and declared its intent to nurture it and do all it can to accelerate its growth. Marketing excitement aside, this is good news.

IBM is one of the vendors at the leading edge of figuring out how to work with the open community, and how to make “industry standard” mean something that can drive innovation rather than referring to the results of standards bodies or de facto leaders through dominant market share. IBM is acknowledging the importance of the blade as an important architecture, and it is trying to build a community that lets partners take advantage of communal standards so that they can drive their focus on innovation where it matters. IBM has participated in the Linux community for years, and its Power.org initiative, launched at the end of 2004, is another example of the company’s attempt to use its market leadership to help build foundations for future innovation, cleverly giving IBM a starring role in future events but also making sure that innovation can be best leveraged from smaller players who are often caught between conflicting candidates for standard as they develop their products. We’re not sure how many of these communities are needed, or who the other vendors are that have enough credibility to lead the charge, but we believe that fundamentally the industry is turning toward collaboration as a more efficient way to grow. The real test of blade.org of course is to see if a Dell, or Fujitsu Siemens would be tempted to design a blade to fit this standard. Certainly regional players such as those in China or other developing markets might find it valuable to ride IBM’s coattails and make their systems even more attractive to users. The ultimate discussion is not whether it makes sense for the community to exist, but where the community will chose to go and how much guidance IBM will inject into that process versus letting the partners have the steering wheel.