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Market Roundup
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Playing by Others' Rules

By Jim Balderston

Microsoft has announced the Dynamic Systems Initiative (DSI) which will offer business software that is designed to allow for realtime computing resource demand response and self management of industry standard hardware. The unifying software architecture centers on a System Definition Model (SDM) that provides a common contract between development, deployment, and operations across the IT life cycle. Microsoft will begin delivering on this initiative with Windows Server 2003. Support for the DSI architecture and SDM also can be expected in future releases of Visual Studio developer tools, Microsoft server applications and management solutions. Support for the initiative was announced by Microsoft partners including Computer Associates, Consera, Dell, EDS, HP, Opsware and Think Dynamics. Microsoft plans to begin working with hardware vendors prior to its May Hardware Engineering Conference and hopes to have development tools for DSI out in Visual Basic by October.

Well, first of all, Microsoft's entry in to the self-managing "autonomic" software arena comes after notable IT giants including IBM, HP, and Sun already tossed their hats in the ring. Microsoft can lay no claims to innovative leading-edge technology in this particular area but their arrival will likely provide reflected benefits to some other players as the idea of self-managing software and automated enterprise IT environments evolves from a leading-edge technology toward a run-of-the-mill business solution. Given the industry standard-specific focus, HP, and Dell stand to gain the most from the success of DSI.

While Microsoft's entry into any market tends to automatically raise concerns in many IT segments, the company's self-managing software are likely to do nothing but good things for its competitors, at least for the time being. Microsoft itself acknowledges it will be years before its DSI is fully realized, by which time vendors such as IBM, who have already made formidable strides in this area, could be so far ahead as to be over the horizon. In other words, this may be a market that Microsoft has finally acknowledged but may be too late to control or even fully enjoy. This is a market where the company may propose the terms of the technology framework, but success will ultimately be measured by the degree of cooperation and confidence Microsoft inspires in its partners. Furthermore, as Microsoft promotes a vision of "autonomic" or automated computing, it will perforce aide and abet its competitors' strategic efforts, extending the amount of ground the company has to make up on its rivals. All this leads us to believe that while Microsoft realizes the need for self-

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managing capabilities in its enterprise products, the company will be playing the game by other people's rules for the foreseeable future. This is not a position Microsoft has been especially comfortable with or good at in the past.

Citrix Announces MetaFrame Access Suite and Updated Product Strategy

By Clay Ryder

Citrix has announced an updated product strategy that seeks to drive the company's growth by broadening its position in server-based computing into the burgeoning infrastructure access market. To this end, Citrix is extending MetaFrame XP Presentation Server into a suite of products that addresses end-to-end enterprise access requirements. The company states that Citrix MetaFrame Access Suite offers workers secure, easy and instant access to enterprise applications and information resources, from anywhere, anytime, using nearly any device over any connection. The new suite includes Citrix MetaFrame XP Presentation Server, FR 3, for Windows 2000 and 2003 Servers, which supports server-based delivery of most any custom or commercially packaged Windows application. Citrix MetaFrame Presentation Server 1.2 for UNIX (Solaris 9, HP-UX 11i, AIX 5.1 and 5.2) provides users with secure access to UNIX and Java applications. Citrix MetaFrame Secure Access Manager provides secure, single-point Web-based access to internal and external applications, data sources, documents, Web content, and services. Citrix MetaFrame Conferencing Manager allows teams to work concurrently and collaboratively on the same applications and documents. Citrix MetaFrame Password Manager seeks to simplify application password management; a user enters a username and password once and from that point on, the product recognizes an application's request for credentials and automatically enters them. Each of these Suite components will be available in Q2 — pricing information was not released

To the enterprise IT staff, the name Citrix is a familiar one that boasts substantial penetration among medium and large enterprises with its server-based application solutions. Many may remember the day when Citrix = ICA, but for those who had any doubt that this was still the company's scope this announcement should clear the air once and for all. Extending the notion of application delivery to access management is a logical one, and Citrix is well positioned technologically and strategically to make this transition come true. Despite ongoing economic doldrums, Citrix has been successful in maintaining a profitable and growing business, which is a laudable achievement to say the least. We agree with Citrix that the access infrastructure opportunity is new, and largely unexploited, and this is why we find the latest product offering and roadmap rather short term in focus. With this new suite Citrix seems to be taking a tactically focused, low-hanging fruit approach to the access infrastructure opportunity — one whose success would largely be determined by further cultivating Citrix's existing customer base.

There is no question that current Citrix users would gain substantial benefit from the latest suite offering, as it will simplify the eventual overload of password, security, and other specific management issues inherent in successful and growing deployments of server based application technologies. However, this approach is also application-centric and thus misses the greater notion of the universal directory of network resources (applications, data, security, printers, people, etc.) that creates a known universe of resources of against which LOB rules can be built. Granted, this is a strategic and longer-term vision that clashes with today's challenging economic climate, but this is where we believe Citrix may find itself vulnerable to competitors including Microsoft and Novell, among others. When the economy moves back to a solid growth footing and business capital spending returns from its long winter break, we believe that enterprise wide strategic universal information access and leverage will become paramount for future growth and positive operating margins. Solutions that focus on identifying and managing the vast array of corporate IT resources, not just providing access to select resources, will be well positioned to be the long-term winners. Will Citrix be able to hold on to its loyal base and grow its opportunities outside this base, or will more strategic and global solutions impede Citrix's long-term growth strategy? Whatever the outcome, we believe that secured and managed accesses to all corporate resources will be one of the benchmarks of 21st century computing, and Citrix has announced how it intends to pursue this opportunity. The rest, as it is said, is up to the market.

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Send In the Clowns, er… Lawyers: SCO Sues IBM over UNIX License

By Charles King

The SCO Group announced on March 6 that it had filed legal action against IBM in the State Court of Utah for misappropriation of trade secrets, tortuous interference, unfair competition, and breach of contract. The complaint alleges that IBM made concentrated efforts to improperly destroy the economic value of UNIX, particularly UNIX on Intel, to benefit IBM's new Linux services business. SCO requested damages of no less than $1 billion, together with additional damages through and after the time of trial. SCO is also demanding that IBM cease the alleged anti-competitive practices based on specific requirements sent in a notification letter to IBM. If these requirements are not met, SCO claimed the authority to revoke IBM's AIX license 100 days following the receipt of SCO's letter. In response, an IBM spokesperson said IBM said there was no factual basis for the lawsuit, and that the complaint is full of bare allegations with no supporting facts.

Further, IBM noted that it has openly supported Linux and open standards for several years, and neither SCO nor any of its predecessors ever expressed the complaints alleged in the suit.

Analyzing law suits is a bit like shoveling manure, a job that is difficult to do well without dirtying yourself in the process. Some historical perspective is necessary to help understand SCO's complaint. UNIX was originally developed by AT&T's Bell Labs, which licensed the OS to distributors including HP, Sun Microsystems, Silicon Graphics, and others. IBM signed its own UNIX license agreement with AT&T in February 1985, in order to produce the company's AIX operating system. In 1995, SCO (before it was purchased by Caldera, who recently changed its company's name to SCO) purchased the rights and ownership of UNIX and UnixWare (from Novell), including source code, source documentation, software development contracts, licenses, and other intellectual property pertaining to UNIX-related business, thus becoming the successor in interest to UNIX software licenses originally licensed by AT&T Bell Laboratories. That much is a matter of public fact. Where the matter gets sketchy is in how IBM's original agreement with AT&T was worded, and how SCO is now interpreting or misinterpreting that language. From our own experience, enterprise licensing contracts tend to be slipperier that even the principals imagine, with amendments flying back and forth in the heat of the moment like so much triplicate confetti, much of it largely forgotten or forgettable over time. The most problematic issue we see in SCO's claims is whether they reflect any actual injury to the company or merely represent an imaginative reinterpretation of a complex business agreement nearly two decades old.

Beyond the issue of the suit has been the firestorm ignited shortly after its announcement. Media speculation abounded over whether SCO was simply trying to shakedown a deep-pocketed partner, or attempting to enhance its attractiveness for potential acquisition. Given SCO's tenuous financial state (the company's suffered a net loss of $25 million on sales of $64 million in FY 2002), those assumptions were reasonable enough. But a funny thing happened along the way. SCO, through its Caldera roots, has deep ties in the Linux community, and is a partner in UnitedLinux with SuSE, Connectiva, and TurboLinux. Inquiring minds in the Open Source community began considering and enquiring how a revocation or inhibition of IBM's UNIX license could affect the evolution of Linux solutions, and did not like what they concluded. As a result, SuSE said it would reconsider its relationship with SCO, believing that the suit was not in the best interests of the Linux community. Since an injunction preventing IBM from shipping UNIX-based products would also affect Linux solutions, we would concur. Overall, SCO's suit appears to us to be little more than an ill-conceived exercise in venality by a group unwilling or unable to consider the ultimate repercussions of their actions.

HP and Red Hat Expand Linux Relationship

By Charles King

HP and Red Hat have signed an agreement making HP a preferred vendor for the complete Red Hat Enterprise Linux product line on HP industry-standard hardware.

Under the terms of the agreement, HP will become a global services provider for the entire Red Hat Enterprise Linux product line, which includes Red Hat's Enterprise AS, ES, and WS solutions. The new

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agreement also details further collaboration between the two companies across their respective global services organizations. HP will support the Red Hat Enterprise Linux family of solutions on both 32-bit Intel architecture and Itanium platforms, and is working to integrate Linux solutions with services by offering customers greater flexibility and single-point-of-contact service-level agreements.

Since HP's press release included claims by a company spokesman that HP "is the single source for all Linux hardware and software support for customers," we believe that a reality check may be in order. First of all, this announcement does not signal the first time that a major hardware vendor has agreed to support Red Hat's enterprise product line. In fact, IBM inked a similar agreement last September that supports Red Hat Enterprise solutions across all four of the company's server platforms, and upgraded it without much fanfare to include Red Hat's new Enterprise Linux ES, which is designed for edge-of-network and departmental server applications. Dell is also an active Red Hat partner. While HP can rightly be proud of its history of support for Open Source initiatives, it should also be pointed out that the company's position in the Linux market benefited enormously from the acquisition of Compaq, whose Proliant servers have been popular for early and developmental Linux deployments. The fact is that far from being "the single source" for Linux, HP is merely one of many vendors focused on developing and marketing products for the burgeoning Linux marketplace.

That said, perhaps the most interesting element of this announcement is HP's linking of support for Red Hat Enterprise products to its 32- and 64-bit Intel-based product lines. In one sense, there is no surprise here, since HP has been forthright enough about its plans to migrate completely to Intel over time. But it delineates a singular difference between HP's Linux strategy and some other players. IBM in particular has focused on utilizing Linux as a unifying factor across its hardware and middleware solutions, and as a driver for more encompassing grid infrastructures and the company's new On Demand initiative. By comparison, HP appears to regard Linux as a catalyst for its larger (Itanium) platform migration, and is using Open Source to drive marketing and sales initiatives. This is significant in itself, since if HP is correct in its assumptions it will provide further proof (if any is needed) that Linux has successfully made the transition from IT hobbyware to enterprise-worthy solution.

Cisco Comes Home... to the Jetsons

By Jim Balderston

Cisco announced this week that it was buying home networking vendor The Linksys Group for $500 million in stock. Linksys provide a wide range of home networking gear, both wireline and wireless gateways that allow home users to connect multiple PCs to a single Internet connection. Linksys had sales last year of $429 million, which was up 24% from the prior year. Cisco officials noted that broadband connectivity in homes is increasing by 35% a year, and that networked homes are increasing at a 51%-a-year clip. These officials also noted that Cisco had been considering building its own home networking gear but instead opted to buy a company that had an established brand in the market.

The stock market scratched its collective head at this move, letting Cisco's stock fall 18 cents to $14.04 a share after the bell. For Cisco, this is certainly a departure from the usual buying activity that has been much more focused on extremely geeky business networking technology buys that enhance the efficiency, capacity, and intelligence of Cisco's core product lines; i.e., big ass routers (BAR). So what is Cisco up to?

A number of years ago – back in the dark ages of the Internet when things were flying so high that all rational people lost their sense of perspective – Cisco CEO John Chambers had a stock speech about how the home of the future would be so wired that the average homeowner would be able to turn on music, fire up the oven, set the level of the mood lighting and so forth while driving home from work or play. And no one laughed at this essentially Jetsons vision of the Internet-enhanced future. To date, Chambers' vision has largely proved unfulfilled. Yet with this acquisition, perhaps the increasingly wired home – a la the Jetsons and via Cisco – is a step closer to reality. But we suspect that fulfilling the dream of Chambers' long-ago speech is not the real driver behind this deal. Instead, Cisco sees the expanding home networking market as an increasingly commercially viable pull-through for the kind of high-speed bandwidth that its core product line is built for.

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In other words, the more home networks that Cisco can foster, the more routers they can sell to bandwidth providers trying to meet this growing demand, allowing Cisco to profit from both the consumer and provider ends of the same market. From this perspective, this deal makes a great deal of sense, and one that could, potentially, begin lighting the glut of dark fiber that still lies dormant buried in ditches and hanging limply from telephone poles around the country. George Jetson would be proud.

Peoplesoft Updates Enterprise Portal

By Myles Suer

Peoplesoft announced this week the release of Enterprise Portal version 8.8. This version adds expertise finding (called resource finder), user-driven site management, and instant messaging capabilities compliant with IBM, Microsoft, and Yahoo IM formats. Peoplesoft claims these features create a measurable ROI enabling users to quickly locate and collaborate with the appropriate person for a given task or business process. Peoplesoft also claims its new offering allows users via wizards to create tailored community specific sub sites with little or no assistance from IT. Peoplesoft says its portal brings together business process, departmental sites, knowledge management resources, enterprise management systems, CRM systems, analytics, email, calendars, external content, and the proverbial kitchen sink. To stick these capabilities to an individual Web page, Peoplesoft employs a concept of pagelets, which the company describes as blocks of content on a home page that display summarized information within a small rectangular area. Peoplesoft has pre-built pagelets for each of its enterprise applications as well as those made by SAP. General availability of Portal 8.8 is slated for March 19th. Pricing was not announced.

In a separate announcement, Rick Bergquist, Peoplesoft's CTO, asserted that the first wave of EIPs failed because they could not deliver the content and did not have the resources to "support something as business critical." We have a different view. Portals are a concept introduced during the Internet era by search engine companies and others attempting to add enough functionality to acquire higher advertising revenue by getting consumers to park their surf boards at their sites — the so called sticky eyeball syndrome. Soon after these B-C portals, an analog was born for the enterprise, dubbed the EIP (Enterprise Information Portal). Just like Yahoo, the question quickly became which content creates real user value? Another question less frequently discussed was who should provide businesses portal functionality? There remain today many flavors of EIP somewhat like the early versions of CD players — each showing the origin of the EIP vendor. Sybase's version is about infrastructure and security around user created Portlets. IBM embeds their portal into Websphere. Documentum makes a gateway to enterprise content management, and business analytics companies see portals as the place to park analytical dashboards.

Although we see Peoplesoft providing a number of cool features, we question their ability to demonstrate ROI. We believe portal types need to be defined — initially differentiating between thin and thick portals. Thin portals integrate single systems sign-on, an internal corporate Web page, corporate information, and a series of hyperlinks. These links we think should enable the user to sign-on to discrete enterprise systems and should provide users with their particular views of these solutions. Beyond this, we can see potential for further value in allowing users to personalize their page views and to add content of their choosing, and particular additional value in adding dashboard functionality for analytical and business intelligence software. On the thick side, we see the Peoplesoft system. The problems inherent with a thick portal are in deciding between buying a new ERP system and buying an EIP, which naturally leads to wondering whether Peoplesoft the best place to acquire collaborative functionality. While collaboration has generally been hard to justify, the provable value of elements beyond simple collaboration are even more illusive. For example, a resource finder that is a simple profiling system tends to become quickly outdated and therefore has limited use over time. We believe that infrastructure players are probably best suited to play the portal game, as they can sell by the yard, configuring offerings to best fit customers' needs. They also have no ax to grind in contrast to Peoplesoft. Overall, we believe the overarching problem with the thick model stems from the fact that bolting more and more functionality onto portals only increases costs and limits market size, not exactly a prescription for vendor or customer health in these "more for less" times.

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