Market Roundup

April 29, 2005

IBM Links Itself to Healthcare Transformation

By Joyce Tompsett Becknell

IBM has purchased Healthlink, a U.S.-based information technology consulting services company and provider of healthcare process improvement. Financial terms were not disclosed. The move is designed to establish IBM as a leader in the healthcare provider industry, with a focus on optimizing patient care and driving operational efficiency to new levels. New employees will bring specialization in clinical and financial system implementation, patient data management, clinical process optimization, financial and operation management, and compliance. Healthlink focuses on key issues in governance, alignment, operations, and technology through an array of advisory and implementation consulting services. The announcement follows on other recent announcements of the Healthcare Information Infrastructure (HII), an IBM joint research program with Business Consulting Services (BCS) in the professional services group and software group. The goal of the project is to demonstrate how IBM technology can create new models of handling medical information to improve both the provision of healthcare as well as the advancement of medicine as a science. The project is U.S.-focused, as the U.S. spends more absolute dollars on healthcare than any other country and is one of the most fragmented and complex in the world.

The news demonstrates two things primarily. It demonstrates IBM's ongoing commitment to its On Demand message and its understanding that business process and industry knowledge are necessary to expand vertical industry solution success. And it is a realization that while they gained life sciences capabilities through the purchase of PWC, they needed to get more specialized expertise. The other and rather more important bit this demonstrates is how far the high-tech industry has to go in order to achieve their vision of credibly tying technology and business knowledge together. Most vendors have jumped on the vertical specialization bandwagon over the last five years, as they've realized correctly that industry-based solutions can only be built with industry-specific knowledge and experience. It is also a much greater opportunity for vendors, as even traditional horizontal applications such as email or human resources are increasingly dependent on vertical industry specialization. At the same time, vendor and channel specialization have focused on the technology and largely divorced from an understanding of business processes. This shift is necessary but will take time. Regional and mid-market services firms focused on specific industries will find themselves receiving increasing attention from industry hardware and software vendors as they increasingly seek to buy or partner with the expertise they traditionally lack.

The issues of scale are not insignificant for this end of the business. Scaling manufacturing capability and leveraging those capabilities globally is well-understood ground for technology vendors. Scaling professional services, industry knowledge, and consulting capability is an area where they are less experienced. IBM's healthcare initiatives are specifically targeted for the U.S. market. While Healthlink has offices in Europe, it is still predominantly focused on the U.S. Some healthcare issues will travel across geographies, but other business problems will be stubbornly country-specific. In order to grow capabilities across geographies, vendors will need to make sure they leverage everything that can be grown, but also find the regional partners necessary to add the additional country-specific knowledge. The other issue with scaling involves driving industry solutions from initial one-off implementations to large organizations with the budget and need to purchase this to productized versions where industry best practices can be driven to the market in ways that protect vendor intellectual property but give the channel partners the pieces they need to enhance their piece of the solution.

AMD: 64-bit Here, There, and Everywhere

By Rob Kidd

AMD recently introduced its first dual-core enterprise server, workstation, and desktop solutions. The AMD Dual-Core Opteron 800 Series processors, which deliver slightly less than twice the performance of a single-core CPU, are designed for four- to eight-way servers and are available immediately. The 200 Series processors for two-way servers and workstations will be available in May. The company also announced the new Athlon 64 X2 Dual-Core processor, which is scheduled to launch in June 2005. Key AMD OEMs including HP, IBM, and Sun demonstrated dual-core platforms based on the technology, which utilizes the same power envelope and infrastructure as a single-core AMD64 processor, for compatibility. The AMD launch was joined by strategic operating partners featuring operating systems including Solaris 10, Linux, and Windows 64-bit. The AMD Opteron 200 Series starts at $851 in 1,000-unit quantities, the Opteron 800 Series starts at $1,514 in 1,000-unit quantities, and the high-end Model 875 starts at $2,649 in 1,000-unit quantities. AMD expects systems from OEM partners based on the Dual-Core AMD Opteron 800 Series to be available in May and the Dual-Core AMD Opteron 200 Series to be available in June.

On the second anniversary of Opteron, AMD is hoping to build on the growing Opteron momentum and acceptance. AMD wants to lead the industry in 64-bit computing in innovation if not in market share, by a powerful robust dual-core client and server processor line. AMD has a strong value proposition: performance, upgradeability, 32/64 coexistence, easy 64-bit dual-core migration, and application options. Support by key operating systems further adds value and helps create pull for 64-bit dual core. At the lower end, the AMD Athlon 64 X2 Dual-Core processor will likely benefit digital media enthusiasts and power desktop users that are pushing their current systems to design limits. OEM customers such as HP, IBM, and Sun are in a good position to gain competitive advantages in time-to-market, lower design and support costs, and possibly lower operations costs. Further, OEMs supporting dual-core upgrades can perform a BIOS upgrade and enable their existing AMD64 installed platforms to take advantage of dual-core processing, for incremental revenues and continuing customer penetration.

Intel has been busy with its multi-core effort. Prior to and potentially in an attempt to preempt the AMD introduction, Intel has begun shipping the dual-core, 3.2GHz Pentium Extreme Edition 840 processor and 955X Express chip sets. Also, Dell will start shipping its Precision 380 workstation and Dimension XPS desktop with the new Intel chip set, and Intel expects other PC vendors to shortly follow suit. As the Intel and AMD race continues, both Intel and AMD are banking on the rapid adoption of dual core. This is important for both companies as they seek to build mindshare and marketshare in the emerging 64-bit dual core market. For their part, AMD and partners are attempting to make 64-bit dual-core migration as painless as possible, particular in the mixed mode 32-64 bit space. Further, virtualization functionality, such as that of VMware and the recently introduced technology from Microsoft, could help accelerate adoption. However, one factor that may have great impact on dual-core adoption is the software industry's posture on software licensing for dual core which at present is all over the map. IBM, for example, recently announced that it would license software running on dual core the same way as that on single-core solutions. Multi-core licensing is an issue that the software industry will have to address in order for dual-core adoption to reach its full potential.

Microsoft Rolls Out 64-bit a Bit Late

By Jim Balderston

Microsoft has announced the launch of XP Pro x64, the long-awaited 64-bit version of the company's desktop operating system, along with 64-bit versions of Windows Server 2003 Standard x64, Windows Server 2003 Enterprise Edition x64, and Windows Server 2003 Datacenter x64 Edition. The company said that a number of hardware vendors are already lined up to build systems for the new 64-bit products including HP, Hitachi, Fujitsu, IBM, NEC, and Unisys. The company said that those customers running 32-bit versions on 64-bit computers will have until July 30 to replace the older software with the 64-bit version as part of the company's technical upgrade program. The company also previewed parts of the Longhorn operating system, which company officials called the first mainstream 64-bit computing OS. Microsoft said some 400 applications for the new platform will arrive in the coming year.

Microsoft has initially positioned the x64 version of XP Pro as a product for heavy use environments like workstations used by engineers, technical workers, and the like as opposed to positioning its as a mainstream OS. That probably makes a fair bit of sense, since the uptake of 64-bit computing is more likely to be driven by the features found on Longhorn than by the noticeable differences between 32- and 64-bit processing power. Will Longhorn have enough appeal and differentiation from 32-bit XP Pro to make a difference? Perhaps, if the refresh timetable fits and the features are compelling enough.

Regardless of the acceptance rate, we believe Microsoft has given a key rival the opportunity to establish a wide array of 64-bit computing opportunities while delaying its own offerings as a means to continue the Wintel alliance. By ignoring the AMD Athlon offering, Microsoft has given rise to thousands of Linux 64-bit installations that could have been running Windows software. One can only speculate as to the number of Linux developers that were lured into the Open Source camp by the much earlier opportunity to develop 64-bit applications on Linux and Athlon and Power chipsets due to frustration from waiting for Microsoft to move up the computing food chain. We can't help but wonder if this delay — in order to maintain the Wintel franchise — may prove more damaging than the benefits accrued by doing so. In essence, Microsoft appears to have put that franchise ahead of the demands of the market, a type of decision that has hurt countless companies in the past. Perhaps the Redmond behemoth will feel few effects from this decision, but we suspect that the growing embrace of Linux will prove that argument to be false.

The Grid Reality

By Jim Balderston

The Globus Alliance is planning to release the latest version of its Globus Toolkit, used to write applications that can be used on different machines, as part of a grid computing architecture. Globus was formed in January of this year, with founding members HP, IBM, Intel, and Sun taking the lead. The Enterprise Grid Alliance, another industry consortium, will release a set of recommendations for improving grid adoption rates in the coming weeks. These recommendations are designed to address a number of grid computing issues including pricing mechanisms.

To many, grid computing still remains the stuff of laboratory white coats and scientific or research programs that need huge amounts of processing power to crunch numbers for things like weather simulations or complex design calculations. In most cases this perception would be accurate. Grid computing is still cutting-edge and in demand in mostly highly computation-intensive environments. Globus and EGA are attempting to change not only this perception of grid computing but its reality as well. Given the IT heavyweights involved in advancing that notion, it is reasonable to assume that grid computing has a more viable future than many doubters believe.

Perhaps so. But before grid becomes a reality, another technology must be well-entrenched in the marketplace to make grid computing viable. Virtualization is the foundation on which grid computing must be built. Without virtualized IT assets the flexibility and virtual mobility of these assets cannot be applied to a grid framework. Virtualization has suffered from a perception of being the stuff of laboratories and research outfits. That, however, is not the reality at this point. IBM reports that it has over 1,000 customers using virtualization and that more are taking a hard look at the technology every day. More surprising — and more notable — is the fact that the majority of IBM virtualization customers are mid-tier companies. These companies, IBM reports, are seeking benefits from virtualization for faster deployments, consolidation, and IT simplification as well as improved asset utilization. The fact that the uptake of virtualization is faster in the mid-tier market makes sense when one considers that a virtualization effort is more easily done with a smaller number of assets. But it is notable at the same time to see that unlike most technology adoption trends, this one is not radiating outward from the larger enterprises to be then pursued by enterprises down the food chain but is in fact poised to bubble upward into larger enterprises. This alone makes us believe that virtualization — and subsequent commercial grid computing deployments — are not a possibility or probability but (ahem) a virtual reality coming to a business near you on a much shorter time frame than even grid's most ardent supporters could have imagined.

Novell and CS2C to Expand Linux in China

By Clay Ryder

Novell has signed a strategic cooperation agreement with China Standard Software Co., Ltd. (CS2C), the leading Linux firm in China, to promote the development and adoption of Linux in the region. Under the agreement, Novell and CS2C will cooperate to provide technology, services, and marketing to optimize and promote Linux to the Chinese market. The companies will jointly promote value-added Linux products and solutions designed specifically for the China market and will collaborate to localize Linux products and solutions; deliver product and technology training; provide technical support and services for customers; and develop joint marketing and brand promotion activities for Linux products, services, and solutions. In 2004, Novell joined the China Linux Standard Base and Open Source Initiative in order to bring its advanced technologies and services to bear in helping China promote the growth and development of its Linux market.

During the past couple of years, there have been few topics in IT that have raised more issues and opportunities than China, outsourcing, and Linux. While Bangalore Ltd. comes to most people's minds when the outsourcing is discussed in the software context, China Inc. is a major player as well. China's appetite for technological prowess is well documented, most recently by its high-profile acquisition of IBM's PC business by Lenovo and the many other technology investments and initiatives by Chinese companies and the PRC government. Although some would fixate about the potential loss of technological advantage or local employment, others see a new and potentially very lucrative market opportunity; and apparently so does Novell.

Although until recently considered by many a relic from a past time, Novell continues to show determination in rebuilding its fortune and diversifying beyond its historic NetWare-focused customer base. With this announcement, it is taking its collection of Linux assets on a journey with a new partner in one of the hottest growing IT markets in the world. In this move, Novell is becoming a company with an even more pronounced international flair, with its German-tinged Linux, American-accented networking and desktop tools, and now Chinese-focused partner. Of course simply signing a partnership deal in and of itself will not be enough to guarantee success, but it does address one of the most important issues that is often overlooked by North American Anglophonic vendors; that is, localization: not just translating the product interface and user manuals, but gaining a thorough understanding of the machinations of the marketplace. Local market expertise is a key differentiator, and with this partnership Novell appears to have done well for itself in finding a partner with the requisite technological and local market expertise. For developers and end users, the specter of an increasingly international Novell Linux could cause the stalwart Red Hat supporters in North America to consider whether their Linux of choice will in fact be the best choice if their firm has international ambitions. Nevertheless, the growing stature for Novell's Linux is good news for Linux users of all stripes, as it will help drive the ecosystem built around the operating system, which ultimately is the most important facet of the Linux revolution.

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