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Market Roundup

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IBM Announces Pre-Packaged Blade Superclusters

By Charles King

IBM has introduced the eServer Cluster 1350, a new pre-packaged solution that combines the company's eServer BladeCenter technology with a Linux version of IBM's Cluster Management Software (CSM) to address the needs of customers with high-density cluster requirements. The eServer Cluster 1350 can be built with any combination of IBM's eServer x335 and x345 systems, and can combine eServer x345 or x360 storage nodes and an x345 management node, all running Intel Xeon processors executing at speeds up to 3.06 GHz. Like other IBM BladeCenter products, the eServer Cluster 1350 supports up to 84 two-way blades in a single rack. The new product supports IBM's TotalStorage FAStT200 and FAStT700 storage systems, and offers an optional fibre switch to simplify SAN deployment and management. General availability of the eServer Cluster 1350 with the IBM BladeCenter is June 6, 2003. Pricing details were not included in the announcement.

In the often esoteric worlds of supercomputing and high performance computing (HPC), the biggest news of the past couple of years has been the continuing evolution of highly clustered RISC and Intel-based systems, which are largely supplanting more traditional solutions in university and research laboratory settings. At the same time, the price/performance of clustered systems has declined to the point where they have become increasingly cost-effective for commercial applications in areas including pharmaceutical/drug discovery, oil and gas exploration, and aerospace and automotive design. However, even in these areas, supercomputing clusters tend to be highly customized by vendors who develop them or IT staff members who deploy, manage, and maintain them, significantly impacting the overall TCO of such solutions.

How does IBM's new eServer Cluster 1350 differ? In a couple of ways. First, by leveraging its BladeCenter technology, IBM has created an exceptionally dense and flexible solution for clustered supercomputing applications. Additionally, basing the new systems on Intel's Xeon processor family, which boasts considerable forward compatibility, should help ensure that systems can be easily upgraded, extending their shelf life and ROI. Finally, IBM's decision to deliver the product as a pre-configured cluster could substantially reduce deployment and maintenance costs. Does this mean that the eServer Cluster 1350 will be a guaranteed hit? Since the market for what are essentially commoditized supercomputing solutions remains somewhat rarified, how well these new systems will be received among HPC novices remains uncertain, but we expect they will strike a melodious chord among veteran users who appreciate highly dense and easily deployed solutions. Overall, we believe that while the market for solutions such as the eServer Cluster 1350 may be young, it is also promising. If the market rewards IBM's proactive optimism, we would not be surprised to see similar solutions from vendors including HP, Sun, and Dell.

A Rational Approach

By Jim Balderston

IBM has announced the latest version of its Rational software tools package, part of the IBM portfolio since the company acquired Rational in February. The new products are expected to be available in June. The products, IBM Rational Rapid Developer and IBM Rational Rapid Developer and Rational Team Unifying Platform, offer a visual development environment for J2EE development of enterprise applications. The products are designed to

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give developers with lesser amounts of J2EE experience the ability to program enterprise applications in a visual development environment. The tools support Java, J2EE, Linux, Microsoft .NET, C, and C++ development languages and offer a number of templates for design and code production, with more promised for the future. The IBM Rational Rapid Developer is priced at $5,995 or $4,995 to existing customers; the Rapid Developer and Team Unifying product is priced at $6,995.

This is Rational's first big news release since being acquired by IBM earlier this year, and underscores IBM's decision for the move. As we move forward into ever more complex distributed heterogeneous computing environments, the ability to find pre-trained, highly proficient programmers in the arcane field of enterprise application development remains a challenge. To further expand the pool of possible candidates, offering a relatively easy-to-use development tool makes perfect sense. Not only are more developers brought to the table, but the kind of increasingly complex applications being touted as the future of computing come within the grasp of a larger and larger number of companies as a result.

We were heartened to hear IBM officials from Rational talk positively about the now increasingly popular concept of autonomic computing, specifically noting that there is real technology in the autonomic computing stable, not just marketing material. While the specifics autonomic computing remains an ever-evolving stew that will take at least a few more years on the stove, Rational's ability to aide and abet the adoption of autonomic computing by providing componentry and architectures that allow autonomic computing-friendly applications to be built by non-alpha-geeks can only serve to speed the realization of IBM's vision. Furthermore, these new development tools that can build autonomic enabled applications establishes a second, crucial phase for autonomic computing. Up to now, all of the autonomic computing implementations have largely been a product of IBM's software and support organizations. With these new tools we expect to see more third-party applications and services adopt autonomic capabilities as IBM continues to expand the genre. More development, more rapid adoption, and a broader selection of solutions for the autonomic computing environment. Sounds Rational to us.

HP Financials: The Verdict is Still Out

By Jim Balderston

HP announced its second quarter earnings results this week, with $18 billion in revenue and $1.14 billion in non-GAAP profits, $659 million otherwise. Both numbers were up slightly from the prior quarter. The company noted that it had cut costs by $3.5 billion on an annualized basis since its merger with Compaq last year. According to HP, enterprise systems sales grew 3% over the quarter, with near break-even profits, and HP Services grew 2% with profits. Personal computing sales remained flat for the quarter, but profitable. Printing and imaging grew 13% over a year ago, but down 1% sequentially. HP said it was on track for Wall Street consensus estimate of $36 billion for the second half of the year, and announced it would cut an additional 3,500 jobs on top of its ongoing efforts to reduce its workforce by some 18,000 employees. The company noted that it has some $14 billion in cash or cash equivalents on hand.

HP touted its latest earnings results as yet more evidence that its hotly contested merger with Compaq was, in fact, justified. While these numbers show that the company is at least stable for the time being, we can not help but wonder if the drive to justify the merger – in the form of bottom line results – is proving to be a two-front war, with one being largely ignored for the time being. We also note that as times have become a little tougher, HP has begun breaking out its earnings numbers by division, something that the company has not done recently. We suspect the idea here is to highlight good news where it can be found in the hope of affixing a shinier patina to essentially neutral results.

And for the time being, the best we can call these results is exactly that – neutral. HP has made its numbers largely on the basis of cutting costs – or people – out of the equation. While a torpid IT spending environment is not helping, we have to wonder if the company is setting itself up to lose a war best fought with IT innovation while focusing on its latest battle with Wall Street doomsayers. In short, we do not believe that HP can cut its way to growth. Instead, it has to begin growing new revenue opportunities by keeping or exceeding the pace of ongoing technology trends. With so much energy being placed on winning the opinion battle over the wisdom of the Compaq merger, we wonder where HP thinks critical new revenues will come from. It is a good sign, we suppose,

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that HP services continues to do well, but the company is going to have to continue to provide technology that is compelling in the face of competitors – like IBM – that are moving much more quickly on initiatives like On Demand and Autonomic Computing. While HP is making noises in this arena they are less distinct than their rivals'. It also appears that for the near term, HP's utility-style offerings will be only viable within HP environments, which is hardly a way to grow market share and revenues over the long haul. HP needs to remember that computing environments evolve, and those not keeping pace face obsolescence. Can HP make the leap forward, catch, and even take a lead in development of the next generation of computing environments while at the same time reducing staff? In our mind, that remains the real question at hand, and one that these financial results at least, have failed to answer conclusively.

Spin Control: SCO UNIX Announcements/Fallout Continue

By Charles King

SCO has announced that Microsoft has licensed the company's UNIX technology including patent and source code. According to SCO, the deal will ensure intellectual property compliance across all Microsoft solutions and better enable Microsoft to ensure compatibility with UNIX and UNIX services. No financial details of the deal were made public. In unrelated events, according to media reports SCO canceled its marketing, business development, and financial resource support for UnitedLinux. SCO also reportedly resigned its membership from LIVE Linux-Verband eV, a German Linux association, after the group asked SCO to provide additional information about its claims that UNIX source code was illegally being used in Linux. These moves came less than a week after SCO wrote letters to 1,500 global enterprises warning them that they could be liable for using Linux containing SCO source code.

We live in curious times, when mendacious bureaucrats and untrustworthy corporate executives alike say whatever they want, then lie, deny, or change the subject when they are called to account. Conventional wisdom suggests that such dissembling succeeds due to the slow-wittedness and short attention spans of the public, but we believe another root cause exists. The sheer volume of information churned through the media on a given day often resembles the output from a broken sewer main, so is it any wonder that most people turn their attention to more pleasant pursuits? However, as analysts it is our not especially solemn duty to don gumboots, grab a shovel, and clear away a bit of effluvia to see what lies beneath. Regarding Microsoft's licensing of UNIX, we must tip our hats to the folks in Redmond for playing a brilliant game. At heart, Microsoft believes that business is a contact sport and that anything or anyone that fails to support the company adequately (according to the Microsoft lexicon, anyway) deserves to floss regularly with Bermuda grass. At this juncture, only two serious impediments stand between Microsoft's domination of business computing: IBM, which regards Microsoft as merely one weapon in its larger enterprise arsenal; and the growing popularity of Linux in corporate IT. Essentially, licensing UNIX from SCO has allowed Microsoft to prop up SCO's Quixote-like tilting at IBM, sow fear, uncertainty, and doubt amongst UNIX and Linux users, and at the same time wrap itself in the twin flags of customer concern and respect for intellectual property.

So what is SCO really up to amidst this hubbub? First, it must be remembered that the company has offered no proof to back up their source code misappropriation complaints against IBM or cautionary memos to Linux customers, claiming that doing so would undermine their case. As such, the company's actions have left IBM and other Linux vendors and users in the Kafkaesque position of defending themselves against the most ephemeral of accusations. It is easy enough to see why SCO is pursuing this course. So long as it maintains whatever "proof" it holds under lock and key, the company owns the spin cycle. As soon as the evidence becomes a matter of public record and debate, SCO will become a bit player in the drama it brought to the stage. This is may be smart strategically, but also perfectly in keeping with the company's recent dismal history. So far as product development and innovation goes, SCO has, for some time now, been the IT equivalent of a yokel who could not find a cold beer at a wet t-shirt contest. SCO's apparent unconcern for the bridges it is burning among UNIX and Linux partners suggests that the company is focused wholly on pursuing a strategy to maximize its net worth prior to acquisition or dissolution. This may be a good play for SCO shareholders (including stock option-owning executives), but it is dangerously myopic as regards the larger UNIX and Linux communities. At least the folks in Redmond will be enjoying a well-produced and subsidized show.

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