Market Roundup

September 29, 2006

IBM Shifts Services to the Next Level

By Joyce Tompsett Becknell

This week IBM made some announcements about its services business and announced a new business unit related to the new approach. IBM has decided that professional services, in keeping with the trend toward business and IT integrating more fully, needs to integrate with products more closely. To that end, IBM has reorganized its services business to integrate more closely with the rest of IBM, and begin to standardize services offerings for clients. IBM is seeking to move services away from a labor-based approach to a more replicable solutions-focused business, much as it has done with the delivery of technology products. Additionally, the company has announced a new Integrated Communications Services unit that will focus on the delivery of network and communication service products that are, according to IBM, asset-based, replicable, and standardized for all businesses from its typical Fortune 500 clients to SMBs. In this new business unit, IBM will offer a range of solutions for converged communications services; networking strategy and optimization services; mobility, wireless, and RFID services; and network integration and management services. IBM believes that its strategic relationships with major supplies and network service providers will provide it with the capabilities for integration and management of complex, multi-vendor projects. IBM has also announced two new standardized service products: network convergence services that clients can purchase to analyze readiness for converged communications networks, and IP telephony services, which will help clients design, deploy, and manage IP telephony infrastructure solutions.

IBM will continue to provide Global Business Services that focus on business strategy, business process optimization, application portfolio design, and enterprise application building and integration. At the same time, it will also offer Global Technology Services, which focus on ten service product lines from site and facilities to servers, storage, and middleware. We applaud IBM's efforts to bring services closer to the product businesses. Much of IBM's thought leadership has derived from its services business, as they are in essence the playground where Big Blue and its customers can custom-grow innovation. At the same time, the company has suffered from an inability to translate that capability to the larger customer base that does not or cannot engage the consultants. IBM has understood that it needs ways to translate that intellectual property and process know-how to the greater market, but in the past it has not had internal processes to make that happen. This new approach is meant to bridge the two worlds of IBM products and services and make IBM more responsive to a greater user base without forcing the business into awkward business models. It also seeks to help increase the value-add of IBM products in a time when individual IT products provide less intrinsic value than do whole solutions. This also bodes well for business partners who want to develop their business and move to further specialization and increased capabilities. Business partners who move up the IT food chain generally develop better profitability as they rely less on sheer margins and increase value-add while reducing sales costs by using replicable solutions. These new services products should provide opportunity for them to grow organically.

Integrated communications, or unified or converged communications, is one of the hottest technology areas, and it is time IBM had services in this area. Integrated communications is not just about being able to call anyone anywhere. It is about the evolution of IP everywhere, and the ability to use the almost ubiquitous business network on demand. It extends the corporate data center virtually in the sense that more communications media

The Sageza Group, Inc.
32108 Alvarado Blvd #354
Union City, CA 94587
510·675·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Milan +39 02·9544·1646

interact with the network, and also in the sense that unstructured data becomes easier to manage when there is one network and set of technologies regardless of the data type. It's not meant to simplify anyone's infrastructure as other trends like consolidation and virtualization have claimed, but it can lead to new business capabilities that give clients new value-add to their end customers and partners. At the same time, many of the technology partners and suppliers with whom IBM has strategic relations have far fewer services capabilities and certainly less global reach than IBM. Certainly most of them have little or limited vertical industry specialization. By using IBM's products and services with their products, it should open the doors to integrated communications solutions to far more people in a greater range of industries.

Finally, the traditional channel is in upheaval. When channel partners were simply box pushers, the work was straightforward. The next step was to move into integrated services, software, and hardware for horizontal applications, such as email, backup, or back office applications. The addition of business processes and vertical industry focus is stretching the limits of the traditional channels, as few partners are able to build the capabilities required to handle those areas. IBM is one of a handful of vendors who is starting to address this challenge by looking at ways to product-ize services (IBM likes to talk about turning things into assets.) As always, the next steps are crucial: getting the partner community to buy in, delineating IBM hardware and software used in services products versus when Services might use other vendors' gear, and the ever important task of figuring out just how to compensate sales appropriately. IBM's competition should be watching very closely now and taking lots of notes. IBM's business and technology partners should make sure they talk to IBM about this sooner rather than later.

Major Backup Vendors Support VMware Consolidated Backup

By Tony Lock

Earlier this year VMware announced the release of VMware Infrastructure 3 Enterprise Edition, the company's flagship virtualization software for x86 architecture platforms. Among the new features in the release, perhaps the most interesting is VMware Consolidated Backup. This week VMware announced that many of the leading suppliers of backup and recovery software solutions, including CA, CommVault, EMC, IBM Tivoli, Symantec, and Vizioncore, have committed to support VMware Consolidated Backup.

This is an important announcement. While VMware Consolidated Backup is designed to make it simple and fast to back up and recover VMware virtual systems, there are few organizations that would not wish to make use of these capabilities in conjunction with their existing storage management tools. The fact that so many of the most widely deployed backup and recovery tools have pledged to support the product should ensure that customers can make use of this new data protection functionality with few difficulties. With VMware Virtual machines now being deployed in mainstream business use there is a clear need to ensure that such systems can be protected easily. VMware Consolidated Backup simplifies data protection of VMware ESX Servers by offloading backup to a centralized server. This allows each physical server to run more virtual machines by reducing its load and enables backup to occur safely, even during production hours. More importantly still it also becomes possible to perform full system recovery more quickly.

This announcement demonstrates that the major management software vendors now consider the VMware platform to be a tier one product. Virtual machines can help in many scenarios, but without suitable protection and management solutions in place the benefits achievable can be diluted. VMware has always taken great pains to ensure that its management and administration facilities addressed these matters and it is abundantly clear that the major systems and storage management vendors now consider VMware to be a platform that is utilized enough to demand their full support. It is now down to VMware and potential customers to understand exactly how virtual machines will fit into core business use. There is no one answer and organizations will need to make available the time and skilled manpower to evaluate whether such systems are for them. They must also ensure that these platforms become part of their central management infrastructure and processes, and not only with respect to backup and recovery.

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32108 Alvarado Blvd #354
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alphaWorks Celebrates Ten Years and Launches Services

By Clay Ryder

IBM has announced alphaWorks Services, a new way for businesses to access the emerging technologies being developed in IBM's Research organization. Through the software-as-a-service delivery model, alphaWorks Services will allow developers, businesses, and universities to access emerging technologies over the Internet directly from IBM R&D labs, and provide realtime feedback to the technology owners. With the technologies residing at a centralized website, users are provided a collaborative working environment as well as the opportunity to forge closer relationships with IBM. In 1996, IBM launched alphaWorks to host emerging technologies and to date, alphaWorks has delivered nearly 700 technologies to the marketplace, graduated 47 technologies into standalone products, and incorporated 129 technologies into existing IBM products. Since its inception, more than thirty alphaWorks technologies have been donated to open source. With this announcement the following technologies will be available as service: 1) Ad hoc Development and Integration tool for End Users (ADIEU), a simplified online tool for rapid collaborative development of web applications and web services designed for non-programmers with an easy-to-understand interface; 2) Web Relational Blocks (WebRB), a visual web-based tool that allows consumers and developers to easily build enterprise web applications by dragging and dropping components onto the canvas and then wiring together to visually assemble the GUI; and 3) Deep Thunder, which provides local, high-resolution weather predictions. Each of these three services is available immediately at the alphaWorks website.

Ten-year birthday parties are fun, and this one even included champagne and a cake. What is remarkable about this milestone is not so much that alphaWorks has hit the double digits, but rather that the fundamental changes in the marketplace alphaWorks envisioned came to pass; namely, the rise of open source and other collaborative software initiatives throughout the industry. To those who were not watching this industry ten years ago, this may seem all so trite in today's context, but the mindset behind sharing corporate software secrets was alien at best to the perpetual license proprietary software industry of the time. Sharing of the sort that alphaWorks would come to typify was hardly a foregone conclusion.

Fast-forward to 2006 and we see a radically different set of customer expectations, especially with respect to software. Vendors are jockeying with one another to see who can contribute the most to open source initiatives and customers are not the least bit shy to demand that vendors reveal more of their assets to their customers, and even—gulp—let the customer try before buying. What we find particularly interesting in this announcement is that the software-as-a-service model, which is not new, but then again not an overwhelming force in the marketplace, has been selected as another vehicle by which to disseminate innovation from IBM's research labs. While Linux, open source, and collaboration all were at one time considered on the margin of the industry, the legitimizing efforts of the Big Blue bear hug around each of these helped propel them from the lunatic fringe to the mainstream. Through alphaWorks' embrace of software as a service, we may also soon find this somewhat niche approach to software delivery becoming increasingly mainstream as well. When an entity the size of IBM embraces a concept, it is difficult for the competition and the industry as a whole to ignore the concept, and thus the seeds for change are often sowed.

While alphaWorks remains more of an incubation or "what if" endeavor, its impact on the market cannot be overlooked. Given its place in seeding technologies such as Autonomic Computing, Eclipse, grid, Robocode, and many others, alphaWorks has had a significant role in leading/changing the IT marketplace of today. Hopefully the next ten years will be as fruitful. Happy Birthday.

ATI Ready for Vista

By Susan Dietz

ATI has announced a revamp of its Mobility Radeon graphics chip lineup. The new line will incorporate strained-silicon technology offering better performance per watt. The family of notebook graphics is targeted to meet the needs of mobile professionals, with the graphics cards helping laptop functions ranging from creating vivid presentations, to watching high-definition videos, to playing video games. ATI's Mobility Radeon X1700, Mobility

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32108 Alvarado Blvd #354
Union City, CA 94587
510·675·0700 fax 650·649·2302
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Radeon X1450 and Mobility Radeon X1350 are designed to balance performance with longer battery life. Microsoft has granted ATI the graphics industry's first Windows Hardware Quality Lab (WHQL) certification for Windows Vista.

Vista is coming and PCs everywhere will need to get ready or be left standing at the station. One of the things needed by many is an upgrade to their graphic cards. The 3D acceleration required by Vista has forced the two leading graphics chip manufacturers, ATI and NVIDIA, to overhaul their technology to enable PCs to keep up with Vista. Earlier this month, NVIDIA announced the world's first 80nm mobile GPU, and now ATI is counterattacking with their announcement of the incorporation of strained-silicon technology in their chips. ATI is revamping its Mobility Radeon laptop-friendly graphics chip lineup with a pair of mid-range parts claimed to offer better performance per watt. Additionally the GPU is using the strained-silicon technology in the gamer-oriented Mobility Radeon X1700. This should work to make notebooks into Windows Vista-ready workstations and entertainment systems. Although this is not new technology, it is technology that is finding a home in a new arena.

Desktops will be easier to deal with when it comes to upgrading the graphics for Vista, but notebooks will be another matter. Notebook vendors should start getting on board by first upgrading and then touting their abilities to deal with Vista's reportedly "wowzer" graphics capabilities. Dell has the option of adding either NVIDIA or ATI graphics cards to their new notebooks, while Lenovo does not mention either company when talking about its Vista-ready systems, and Gateway touts an ATI chipset for its graphics capabilities. We believe the life expectancy of notebook batteries will be one of the biggest concerns for manufacturers and users everywhere, especially in light of recent highly-published battery hazards. Nevertheless, for Vista to be successful on laptops, the necessary graphics capabilities must be present. For this, ATI gets the gold star for being first. However, the bigger challenge will be convincing the marketplace that the bigger, better, and more hungry Vista is the operating system that customers will ultimately want executing on the laptop or desktop sitting in front of them.

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