

## Companies spring for tech projects

### USA Today

Michelle Kessler  
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For the first time since the tech bust, businesses are starting to spend on technology projects that won't immediately save them money.

U.S. corporate tech spending jumped in September, researcher **Gartner** said Tuesday. That will help drive a 7% increase in worldwide spending this year to a projected \$1.33 trillion, Gartner says. "Businesses have been reluctant to spend against the (weak) recovery," says Gartner computer analyst Martin Reynolds. "Now they're starting to invest."

During the downturn, most companies sprang only for tech projects that could quickly cut costs, including automating tasks. Now, they are considering long-term benefits.

"We're doing all of the things that have no (return on investment) that have to be done," says L. Reab Berry Jr. at Morris Communications, which owns more than 45 newspapers and magazines.

Corporate tech buyers say budgets remain tight. But some projects are getting approved, especially those that:

- \* Had been delayed. Augusta, Ga.-based Morris is spending millions to put in a back-end system from SAP and the hardware to support it. The project will include much-needed upgrades.

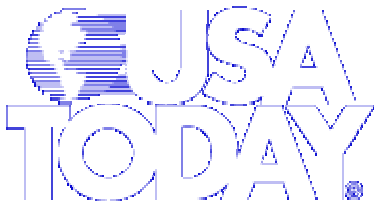
Many companies are launching similar projects to replace old, inefficient computer systems, SAP America CEO William McDermott says. That helped SAP report an 8% jump in revenue in its most recent quarter from a year ago.

- \* Make existing computers run better. Many companies installed ambitious computer systems during the boom, then ran out of money before figuring out how to best use them. Wayne Clark, a tech consultant with Montreal-based AGTI Consulting Services, says many clients are tweaking the hardware and software they have.

Moneris Solutions of Toronto, which processes transactions for banks, sent two tech staffers to a conference to learn how they might improve current hardware and software. Investments must have a strong business case, says S. Omar Sahib, an operations manager.

\* Combine several systems. Computer maker Hewlett-Packard, which helps other companies design their technology systems, is taking its own advice and investing in simpler systems. After acquiring Compaq Computer in 2002, H-P ran 7,000 software programs. H-P is reducing that to 1,500. Switching costs money, but H-P hopes to save long-term. Its goal is to spend 3% of revenue on technology, down from 4.6% when it acquired Compaq.

The gradual increase in spending is a relief to tech firms that have struggled in the last few years, Gartner's Reynolds says.



## **USA Today**

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### **Tech CEOs chat about new products, globalization**

ORLANDO — The economic rebound might be sluggish, but technology investments matter more than ever. That's what three of the industry's biggest CEOs told 6,500 attendees last week at the Gartner Symposium and Information Technology Expo, one of the biggest annual gatherings of tech professionals. Cisco Systems CEO John Chambers, Intel CEO Craig Barrett and Sun Microsystems CEO Scott McNealy also met with USA TODAY reporter **Michelle Kessler** to sound off on new technologies, stock options and globalization. Here's what they had to say, edited for clarity and space.

**Q: Cisco has opened a research and development center in China and launched a venture fund in India. Do you expect most of your growth to be outside the USA?**

A: The majority of our job growth will be in America. In China, we're adding 95 jobs in one to two years. That's normal growth. We're a little different (than many other tech companies) in that we want to keep the majority of our jobs here.

**Q: Why? Wouldn't sending jobs outside the USA save costs?**

A: It's good business to try to do right by your employees. We try to treat our people like we would like to be treated. We want balanced growth globally. We're very open with our employees about that.

That's one reason why we're so opposed to the expensing of stock options. The techniques proposed by the (Financial Accounting Standards Board) overestimate (options costs) by 40%. It's a terrible mistake by this country. We want to encourage ownership.

**Q: In your most recent earnings report, you cited a 26% jump in revenue from the year before. But your comments were cautious. You can't comment on the current quarter, but can you explain the discrepancy last quarter?**

A: It's what I was hearing from our customers. They had a little bit less confidence. The thing to remember about Cisco is ... in the short term, (our results are) tied to GDP, to business confidence. Our (long-term) strategy is implemented three to five years out.

**Q: Cisco has made a number of announcements related to security, including partnerships with Microsoft and IBM. So far, security has largely been relegated to software companies, and some analysts say hardware makers need to do more. What role should hardware makers play?**

A: There should be relatively open standards so that a consortium of companies (can work together). We work with our software application partners and even our

competitors. We can get along with IBM and Microsoft and Sun (Microsystems). The industry as a whole has to work on it. It's our biggest opportunity and our biggest challenge.

**Q: Cisco recently settled a lawsuit with Huawei Technologies, a Chinese network-gear maker accused of pirating Cisco products and manuals. As tech becomes increasingly global, are companies at risk of losing their intellectual property?**

A: Yes. But intellectual property protection occurs everywhere in the world. We've had (problems with) that in Silicon Valley. (The Huawei case) wasn't about China — it was about an individual company. We have a good relationship with the Chinese government.

**Q: Cisco has been pushing Voice over Internet Protocol (VoIP), or telephone systems that send calls over computer networks. But a few VoIP users, including Merrill Lynch and the state of Alaska, have reported problems. Have you moved into VoIP too fast?**

A: Are there things we would look back and have done differently? Of course. But we get pretty good grades in IP telephony. We're clearly the leader.

**Q: After the tech bust of 2000, you dropped your cash salary to \$1 a year, plus stock options. Cisco's board recently reinstated your salary to \$350,000 a year. Why do you deserve a raise?**

A: Reducing my salary allowed me to keep two extra employees when times were tough. Now the market has recognized our success. It was the right time to return to a normal salary.

**Q: In its third-quarter earnings report, Intel reported weakness in the U.S. retail PC market. Why has consumer spending on PCs pulled back here but not in the rest of the world?**

A: I'm not sure anybody has a full explanation. We had seen a weaker back-to-school response than we had anticipated. Whether it's because of the uncertainty over the election, increasing oil prices, the flip-flop in consumer confidence ... I don't know. But (consumer spending) is only a third of the U.S. market, and the U.S. market is only a third of the world market.

**Q: Where are tech markets booming?**

A: China, India, Russia, Eastern Europe, the Middle East and Latin America.

**Q: Intel recently announced that it would not make a long-awaited computer processor, the 4-gigahertz Pentium 4. Critics say your future product road map is murky — a big problem for the computer makers that rely on your chips. Is it?**

A: The road map is pretty clearly moving to dual-core (chips with two processors), then multicore solutions with a series of other technologies thrown in. We did miss the 4 gigahertz, no question about it. But I think we'll be able to deliver on the new road map.

**Q: Intel is now planning to stop focusing on increasing processor speed (the gigahertz speed of a chip) and instead putting effort into making chips faster in other ways. Why?**

A: We have run into this power barrier. Every time you add more transistors, and you toggle them faster, you use more electric current. (Using other ways of increasing chip speed) means I get to bring you more and more functionality each year without making your laptop any hotter or making you put a bigger fan in your desktop.

**Q: Advanced Micro Devices, Intel's much-smaller rival, has been beating Intel to market with some new chip designs. Are they gaining on you?**

A: In the last 25 years, (people said that) Texas Instruments, IBM, NEC, Transmeta were all going to bury us. AMD's (name) has popped up five times. Are we paranoid about them? Absolutely, because we're always paranoid. Would I change positions with them? Not a chance.

**Q: You've said that presidential candidates George Bush and John Kerry are ignoring some key issues in their debates. What should they be talking about?**

A: They should be recognizing that the competitive landscape of the world has changed, and that the U.S. needs to choose to compete. We (need to invest in) education, research and development and infrastructure. The government (shouldn't) do things which make it more difficult to do business, like expensing stock options.

The K-12 (school) system is broken. U.S. kids fare very, very poorly in math and science compared to their international counterparts. Overall, 25% to 30% of the math and science teachers are not qualified in their subject major. In the inner cities, it's 50%.

The No Child Left Behind Act is a start to fix it, but it's still a big, big problem. You need to put meritocracy, competition and qualified teachers in the system.

**Q: You plan to retire in May. Will you still be involved in tech?**

A: I'm an engineer at heart, and I love this industry. The stuff we build is fantastic — it's science fiction. It's too exciting to walk away from.

**Q: Sun recently reported its second quarter of revenue growth in a row. Is technology spending picking up, or is Sun just gaining market share?**

A: I think we had a pretty rough time in the post-bubble. Then all of a sudden we've had two (revenue jumps) in a row. We've not only survived, we're thriving. We're executing well, and some of our competitors aren't. I think Sun's doing better rather than a change in the industry.

**Q: Sun has long sold computers with its own proprietary processor chips. But last year, Sun started selling computers with a chip from Advanced Micro Devices. Is that cannibalizing sales of your proprietary computers?**

A: If (Ford CEO) Bill Ford were here, you would not be asking him about his new piston ring — "Is that cannibalizing your other crankshaft? Are the V-6s doing better than the V-8s?" We have \$7.4 billion of cash in the bank. That's better than IBM.

**Q: In September, Sun began selling computing power for \$1 an hour to anyone who wants to use it via an online service. Availability is limited as the service ramps up. Have companies signed up?**

A: Right now we're having a hard time (meeting demand). (The division) has an open checkbook to buy as much capital as they need.

A big Wall Street customer needed 1,000 computing cycles to do a trading simulation.

Ultimately, I'd rather go wholesale and have Bell South, MCI, AT&T sell (computing power). But until they get their act together, we're going retail. We can also give you your desktop as a service. We can beam your desktop down to wherever you are. We're still trying to figure out how much to charge for that.

**Q: Why hasn't computing as a service taken off before now?**

A: You had a 20-year IBM monopoly, a 20-year Microsoft monopoly. That changed what a properly enacting market economy would let it happen.

**Q: In April, Sun entered a partnership with Microsoft, a longtime rival, to share technical standards. How is that going?**

A: Beautiful. Look, here's a picture. (McNealy pulls out a photo of himself posing with Microsoft CEO Steve Ballmer.) We shake hands kind of like two boxers before we beat the stuffing out of each other. Instead of a street fight, it's a civilized fight.

**Q: Sun has been a vocal opponent of stock-option expensing. But now it looks like expensing might pass anyway. Does Sun have a contingency plan?**

A: It's really a question of whether our employee base in the U.S. has a backup plan. We encourage homeownership in the U.S. Why wouldn't we want to encourage employee ownership? It's not right to let accountants set policy.

**Q: Are you continuing to fight against it?**

A: On behalf of my employees, I absolutely am.

**Q: Sun has bet big on the Java Enterprise System, which is a system of tools for office workers. It won praise because of its unique price — \$100 per user per year. But some analysts say sales have been sluggish. Are you disappointed?**

A: As of last quarter, we've sold 345,000 seats. I don't care what anybody says, that's stunning.

**Q: Sun President Jonathan Schwartz is increasingly becoming the public face of the company. Are you stepping back?**

A: I've been asked that for 23 years. I've got the same job, the same big mouth.

<http://www.usatoday.com/printedition/money/20041025/techqa25.art.htm?POE=click-refer>



**Intel CEO: Candidates are avoiding technology**

MIKE SCHNEIDER;

OCT 20, 2004

*ASSOCIATED PRESS*

LAKE BUENA VISTA, Fla. -- Intel Corp.'s chief executive Tuesday decried the lack of attention by the presidential nominees to how the United States is losing its competitive edge over other nations on education, technological infrastructure and research and development.

"This is what you don't see being debated by our two presidential candidates today," Craig Barrett told several thousand workers from the high-tech industry at the Gartner Symposium ITXPO at Walt Disney World.

In the past decade, 3 billion people from India, China, Russia and Eastern Europe have joined the world economic system, Barrett said. Many of them have well-educated engineers, and they're going to compete with the United States for jobs, he added.

"What we're debating about instead is how we're going to protect a textile worker in South Carolina," Barrett said. "The future of the United States is not pillowcases."

Unlike the Soviet Union's launching of Sputnik in 1957, which was a sudden wake-up call in the United States that the nation was falling behind technologically, the current decline has been incremental, said Barrett, who described Americans as "blase" about information technology.

"The United States, unfortunately, is very good at ignoring incremental messages," he said.

Barrett said the nearly \$20 billion the United States annually spends on agricultural subsidies could be better spent on education and research and development.

"What do you think the industry of the 21st century is going to be? Agriculture?" he said. "We're sending our workers into the marketplace with a disadvantage: their education.

"We'll wake up to that eventually. I wish it was part of the debate. But you didn't see it in any of the three presidential debates."



## **Gartner Symposium takes on the big issues**

By Mark Brunelli, News Writer

October 18, 2004

[SearchCIO.com](http://SearchCIO.com)

One of the largest IT industry conferences of the year, the 2004 Gartner Symposium/ITxpo, began today at Walt Disney World's Dolphin Resort in Orlando, Fla. Consisting of more than 200 breakout sessions and more than 30 tracks, the event is designed to give technology professionals a better understanding of the hottest new IT technologies and trends. SearchCIO.com will be reporting from the event all week, but we sat down with Scott Winkler, a vice president and Gartner Fellow, to get a better idea of just what those issues are, and what attendees can expect from the show.

For starters, what exactly is the Gartner Symposium/ITxpo and who will be attending?  
Scott Winkler: The Symposium/ITxpo covers a very broad swath across all of IT and our attendees come to the Symposium/ITxpo for a very big view of the IT industry, and that encompasses a lot of disciplines. Each year we balance the agenda to try to bring out those hot topics that they've asked for and that our analysts know are really hot. We do a lot of surveys of the attendees to find out what is on their minds. We also create a lot of the agenda for them based on the inquiries that our analysts are getting from their clients, as well as our view of the industry and what is coming.

What are some of those hot issues?

Winkler: A number of areas that have come to the front this year come from a variety of sectors. First, I'd point out that software-based business agility is a very big topic. In fact, it's going to be the topic of our analyst keynote on Monday morning. It's focused on the equation of IT organizations' ability to serve businesses and organizations well in an environment that requires great agility, quick movement and the ability to support new directions, new strategies and new challenges. What they want to do is talk about how a new generation of software is going to create an environment where IT can be more responsive and more agile than any time in the past.

Will this change affect companies regardless of whether they handle their IT internally or externally?

Winkler: It would be regardless of that. It has nothing to do with where the IT is physically hosted. It has everything to do with software architecture -- your software architecture is something that you make a conscience decision about. So, what the analysts are talking about this year is their view of what is coming in the next couple of years, including maturing technologies that are going to really change the landscape of what an IT organization can deliver to its business.

What are some of these changes?

Winkler: They're talking about areas of standards, areas of interoperability. And they're talking about the ability for business analysts to get involved in mapping processes to software in such a way that they've not been able to before. They're talking about software becoming event-driven and about software being very much service oriented. The key message here is going to talk about service orientation. In that keynote, the

important thing that they want to do is talk about not just software technology, but more importantly, how it enables business agility.

Outsourcing continues to be on the minds of CIOs everywhere. How will Gartner approach this topic at the conference?

Winkler: You're going to see a lot of discussion about sourcing and sourcing strategies. It's a topic that is on the mind of a lot of our Symposium attendees. [Discussions will cover] when it makes sense to do things internally, when it makes sense to do things externally, what people have had success in, what the trends are. And trying to understand -- when things are service oriented -- service deliverables versus cost issues. This is a topic that has been very much on the minds of the IT industry. Delivering service is still the No. 1 objective of IT, and so it is a question of how do I deliver the service well and how do I deliver it at the right cost. Sourcing is a big factor there.

What about Linux?

Winkler: The open source and Linux track is really popular. There continues to be a lot of questions on people's minds. They want to know what is real, what is not, what they can achieve and where it's going.

Are there any other topics of interest that you'd like to mention?

Winkler: One other area that I'd like to point out that continues to be a big growth area in IT is public sector stuff. In an era of enhanced spending for homeland security and a variety of other initiatives, we continue to see the IT pressure on the public sector to be pretty impressive in the sense that they're being asked to deliver a lot. So, those of our attendees that come from government organizations, they come out in force. There are a lot of them. And we've got specific tracks oriented toward public sector IT issues. For instance, one of our keynote sessions, a mastermind interview with Sean O'Keefe, the administrator of NASA, is a nice look at how software intersects with something like space exploration. But it's also a discussion about how a very large governmental entity can meet and exceed its IT issues.

[http://searchcio.techtarget.com/qna/0,289202,sid19\\_gci1016387,00.html](http://searchcio.techtarget.com/qna/0,289202,sid19_gci1016387,00.html)



## **Commentary: I.T. On & Off The Couch**

By Tom Steinert-Threlkeld

October 18, 2004

Information technology looking for a new, overarching reason for being -- or at least being needed.

Maybe one of these days, information technology will know what it wants to be when it grows up.

It is an industry that seems adrift, in search of a mission. Ever since the mantra that the Internet-changes-everything died (even if the Internet indeed is now changing everything), those who build, sell or consult about technology have been searching their souls. It's almost as if they're looking for a new, overarching reason for being -- or at least being needed.

The latest "transformation" that is being presented, analyzed and promoted as the cure-all for inefficiency and ineffectiveness in the daily lives of corporations is something called agility. Or flexibility. Or utility. Or any number of things that seem to imply that corporations must all become elephants that dance on a dime and change direction at the same time.

In the opening keynote session of the 2004 Gartner Symposium in Orlando, five of Gartner's leading analysts -- Diane Tunick Morello, Yvonne Genovese, Jeff Comport, Gene Phifer and Howard Dresner -- took their missionary work on behalf of agility quite literally.

Instead of sitting around a discussion table or even in chairs with backs on them, they sat ever so carefully erect on blue bubble seats that looked like tooting rings for squatting, rising up from the stage. They would pop off the pods in what seemed like spontaneous bursts of insight about "I.T. change cycles," "agility quotients," and "fluid" software. But, like most events these days, the concertina of comment without a doubt was carefully choreographed.

Information technology even seemed to be undergoing psychoanalysis, not just technical analysis. There was Morello earnestly intoning about how "grace is also a part of agility." Her contention is that if corporate technology leaders can figure out how to increase the "speed" and "nimbleness" of their systems -- how well they adapt to new needs -- then grace will surface, almost as a natural characteristic.

Her indicators that a company was on the correct path to agility? Awareness, flexibility and productivity. Not described: How you measure those indicators, exactly. Bring back the Rorschach test.

Comport was more concrete about why "agility" is needed so badly. He put one transportation company -- which remained nameless -- on the couch and found it was in an impossible bind. Its vendor of enterprise planning software released a new version of its product every 12 months. But each version took 9 to 15 months to implement. This "Lucy in the chocolate factory" problem is enough to drive any project leader crazy. You need agility, because there are times where you simply can't shovel fast enough to keep up. At least the way software is sold and installed today.

That means building, mixing and matching pieces of software, anywhere at any time. Of course, somewhere in the information technology business, someone has been trying to sell software in chunks, for the past four decades. Maybe it's Fortran libraries, maybe it's Corba objects. But Dresner contended that -- this time is for real. As any proselyte of the next coming will tell you.

This time had better be real, because unless there is a wholesale changeover of information infrastructure to new, standardized, single set of software and hardware, from alleged hairballs of applications and duplicative systems (See, "Kiss Your Apps Goodbye"), there may not be much about enterprise technology to talk about for the next couple years. Technology doesn't change organizations. People change organizations. And only if they choose to use "location-independent" pieces of code will the "orchestration" of these new "agile systems" be able to take place. Even if they decide for the launching of each piece of the resulting service to be determined by preset signals, rules or "events."

Which sounds pretty much the way the multiple systems of multiple vendors get "orchestrated" today.

"We now do this through a special form of technology. It's called a person," Genovese said. This is, in her technical term, "swivel-chair integration."

So the trick is to make sure that people stay involved and that technology doesn't purely run itself, which is a pretty hard sell.

But don't worry too much. Technology or its implementers can't possibly stay on the couch too long. In the end, with any true transformation, the true believers know there is no turning back. As Phifer put it, when he popped up from his pod, there is no question agility aka flexibility aka utility computing is coming; even if no one is quite sure yet how to imbue it with "grace."

"This train is coming straight at us, guys, whether we like it or not," he said. Not to overanalyze this. It's always reassuring to have lots of change in store. And it's some kind of telltale sign to see the return of such single-minded fervor about this "next" transformation of corporate technology.

But let's not get too worked up about whether this train has left the station, just yet; or how fast it is going. Or we'll be back on the couch again, before too long. Besides, Gene, you don't have to worry, much. The "gals" said they get it, too.



## **All roads lead to SOA**

By: Dan Farber

October 18, 2004, 2:03 PM PT

[ZDNet.com](http://ZDNet.com)

Presenting before a crowd of 6,500 IT executives at the Gartner Symposium ITxpo in Orlando, Gartner analysts used most of the current buzzwords -- service-oriented architecture (SOA), orchestration, business processes, process modeling, Web services, composite applications, orchestration, event-driven, etc. -- to formulate a framework for corporate software development that they said will significantly increase business "agility" and reduce costs.

Basically, it was another paean to SOA. Gartner analyst Jeff Comport said that enterprises need to look beyond packaged applications. "A major transportation company received an update from their ERP vendor every 12 months, but it took them 9 to 12 months to deploy," Comport said. "Users have to retake control of [software] architecture that had been abdicated to vendors." That architecture is SOA and Web services, orchestrated by a framework that is based on business process models. Software becomes a portfolio of capabilities, or services, rather than a collection of inflexible applications.

Gartner is predicting that by 2007 most companies will adopt SOA frameworks for new applications and have the infrastructure required for wrapping legacy applications and integration across processes. "With a services approach, companies can shift from large multiyear marathons to incremental development," said Gartner analyst Gene Phifer. He also envisions that business analysts, rather than programmers, will be able to create and reengineer business processes using SOA and business process modeling tools.

SOA is definitely the next big thing in software development, but reaching critical mass in the next two to three years is optimistic. Enterprises will need to change the way they think about applications and to develop new skill sets and tools, as well as spend money to create infrastructure to support the thousands of loosely coupled components replacing hundreds of more monolithic applications.

SOA is one of the key elements -- along with virtualization, IP network convergence, outsourcing, wireless broadband, policy-based automation, RFID and mobile device advances -- in the battle to fix what's wrong with IT. According to Gartner, the major issues that these elements must address are:

IT costs too much in too many cases.

Infrastructure is too fragile, complex and expensive.

The cost and time needed to build applications are prohibitive.

The cost and time needed to reliably connect to third parties are prohibitive.

Financial returns are elusive.

Far too many vendors are selling the same thing.

Regarding the last item, Gartner analyst Al Lill said that massive vendor consolidation is inevitable. "In last six months, 420 software companies have disappeared. Currently, there are 1,800, but that's still 50- to 60 percent too many. By 2007, at least half of IT vendors will be acquired or will go out of business. Most of those companies will go away because they can't compete in the market, and a lot of good small companies will be snapped up by big monsters who dominate."

One of the fallouts of consolidation is that pricing power will revert to vendors in many sectors. "It's not likely to occur in the server market, where price competition is extraordinary, but the crazy discounts in higher-end networking are going to end," Lill said.

Gartner also predicts that companies failing to leverage virtualization technologies -- including desktop and server platforms -- for workload and resource management will pay up to 40 percent more in acquisition costs by 2008, and approximately 20 percent more in administrative costs, than those that take advantage of virtualization. However, issues around software licenses will need to be resolved. "Charging per machine or per processor won't work. An entirely new software charging model will emerge," said Peter Sondergaard, global head of research at Gartner.

By 2010, Gartner predicts, 40 percent of companies will have completely converged voice and data onto a single network, and more than 95 percent will have started the process. By 2010, 80 percent of companies will have integrated communications (voice, instant messaging, e-mail).

VoIP will cannibalize current local and long distance revenue, and the established players will have a hard time competing. Next year, for example, 30 new VoIP providers are expected to provide service in the U.S. alone, according to Sondergaard. However, relying on a single converged corporate network has a potential security drawback -- a single point of failure, Lill said. Unless that issue is clearly resolved, enterprises will continue to fund shadow legacy networks.

Somewhere around 2006 to 2007, wireless and broadband technologies will be established as standard components for most applications, Gartner predicts. WiMax (802.16), which has a wireless range of up to 30 miles, should gain traction around 2007, Lill said.

Issues such as end-to-end security, standardized devices, and coverage area will be "good enough," and advances in power management and display technologies, such as electronic ink, will lead to commercially viable next-generation mobile devices by 2007, Lill said. Electronic ink uses an electrically sensitive white chip that floats in a ball full of black dye to display black and white images. Electronic ink displays use less power than LCD displays and don't require backlighting for viewing.

Sondergaard estimated a modest 5 percent worldwide growth in IT spending for next year and noted two major economic challenges for the audience of mostly North American IT executives -- competition from emerging markets and the price of oil. Enterprises in developed economics will have to compete with world-class companies in countries such as India, China, Brazil and Thailand. Escalating oil prices, as well as the unpredictability of world events and rapid changes in markets, will create a level of

uncertainty and cost that enterprises have to factor into planning. In fact, uncertainty about the economy is still a major concern that is impacting IT spending, as well as the amount of IT dollars that must go into the security and compliance buckets.

Sondergaard also said that hardware development will be driven more by consumer rather than business needs. The vast majority of semiconductors are going into consumer devices, and screen technology development is targeting TVs rather than computers. The consumer sector is also dominating semiconductor usage, and Gartner predicted an installed base of 200 billion processors by 2013. Storage technology will continue to improve, with 1 terabyte-per-square-inch capacity by 2008.

But, the real productivity gains and potential cost savings will be realized by leveraging SOA, virtualization, and other technologies to automate repetitive tasks and business processes. At the same time, Gartner predicts that there will be no "safe havens" for many white-collar job functions, and recommends that IT workers upgrade their skills before their jobs are eliminated or outsourced to workers in lower-cost geographies. By 2007, Gartner predicts, spending on IT services delivered via globally sourced external resources (nearshore or offshore) will top \$50 billion, which is 7 to 10 percent of total IT services spending.

[http://news.zdnet.com/2100-3513\\_22-5415942.html](http://news.zdnet.com/2100-3513_22-5415942.html)



## **Microsoft CEO: Hackers getting smarter**

*Associated Press*

October 21, 2004

The Boston Herald

LAKE BUENA VISTA, Fla. -- Microsoft Corp.'s chief executive believes it's naive to suggest the software giant can eliminate all security vulnerabilities in its various products even though engineers are trying hard to do so.

Hackers get smarter, too, Steve Ballmer told several thousand information-technology workers at the Gartner Symposium ITXPO.

But Ballmer said engineers were making progress, such as adding security enhancements to Windows Server 2003 when its next big update, Service Pack 1, comes out.

"I think we've learned a lot more about security basically than anyone else in the world," he said. "That's kind of the good news and bad news, being the position we've been in with our kind of market share."

Microsoft's operating systems run on more than 90 percent of the world's personal computers. Even if Microsoft can make its products completely invulnerable, customers wouldn't upgrade all their systems, Ballmer said.

Ballmer also explained Microsoft's decision to drop an advanced file storage system from the 2006 release of its next generation of Windows, code-named Longhorn. The new file system, called WinFS, would allow a single search to find anything on a computer.

"It's making good progress but not good enough progress to make an '06 shipment," Ballmer said. "We thought we needed to get clarity, internally and externally, in terms of what we would be able to ship and when."

Last week, Google released its version of software that scours computers for information. WinFS will be included in later versions of Longhorn.

<http://business.bostonherald.com/technologyNews/view.bg?articleid=50185>



## **Vendors Go After SMBs at Gartner Show**

By Steven J. Vaughan-Nichols

October 18, 2004

[eWeek.com](http://www.eweek.com)

ORLANDO, Fla.—With the demise of Comdex, the most important fall trade show for the enterprise may be Gartner Inc.'s Symposium/ITxpo taking place here this week.

Gartner expects more than 6,500 attendees at the trade show for high-level IT managers, CIOs and CEOs. It will include almost 200 exhibitors and numerous panels on issues of concern for the upper management of enterprise IT.

The show's highlights will be its keynote speeches by some of IT's heavy hitters, including Cisco Systems Inc.'s John Chambers, Intel Corp.'s Craig Barrett, Microsoft Corp.'s Steve Ballmer and Sun Microsystems Inc.'s Scott McNealy.

Unlike most trade shows, the vendors on the show floor are not so much focusing on new products as they are on showing business's top brass that their products and services have what it takes to deliver the IT goods.

Despite Gartner's high-end market, the show also has several vendors and products, such as SAP AG with its Solutions for Small and Midsize Business, aimed at the increasingly important SMB (small and midsize business) market.

Are you looking at Linux? Then join our eSeminar, "Choosing and Implementing a Linux Operating System" on October 18 at 2 p.m.

The heart of this, like any Gartner show, is its conference sessions run by the firm's analysts. At these sessions, analysts will give attendees their thoughts on such subjects as outsourcing, the future of open source, the state of RFID and the best ways to deploy wireless technologies. The focus of these seminars is on the business side of such questions rather than the technology side.

<http://www.eweek.com/article2/0,1759,1678736.00.asp>



## Gartner: Electronic Purchases Below \$5 Will Drive Microcommerce Market to \$60 Billion By 2015

356 words

19 October 2004

[Wireless News](#)

English

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**Microcommerce** opportunities for new products and services will generate an estimated \$60 billion in revenue per year by 2015 according to Gartner.

A micro purchase is a purchase valued less than \$5 and conducted electronically, where the settlement can be either prepaid, by subscription, on-the-spot, or invoiced. These findings were presented during the Gartner Symposium/ITxpo 2004, which is taking place in Orlando, Fla., October 18 through 22.

"Apple's iTunes music store was originally conceived as a driver for iPod sales, but it has become a shining example of how small electronic purchases can actually become a major revenue-driver for an entire company," said Jackie Fenn, vice president and fellow at Gartner.

According to Gartner, three intersecting major trends are driving **microcommerce**. First, more buyers and sellers can now easily locate each other through PC-based e-commerce and increasingly through m-commerce on wireless networks. Second, completing small transactions electronically is low cost.

Finally, automatic location identification for targeted content and services is growing more prevalent and sophisticated.

"Online marketplaces that gain critical mass, such as eBay and Craigslist, already provide an infrastructure to link buyers and sellers cost effectively" said Fenn. "In the same way that eBay makes it economical for a person in Boston to locate and buy a \$10 teapot from another state or country, the emerging mobile delivery and payment infrastructure will provide a framework for buyers and sellers to connect for new types of microservices."

Gartner said companies should identify whether their organization can leverage mobile and micropayment processes to economically deliver or consume services delivered in much smaller units. The availability of better micropayment systems, mobile connectivity, authentication, and more-granular products and services will transform today's commercial landscape.

"Organizations should consider **microcommerce** opportunities as a new way of increasing revenue where there was no viable deliverable model without the existence of the mobile or Web infrastructure," said Fenn.



**'Gartner: Successful CIOs Build 'Credibility Cycle'; Today's CIOs must create a "virtuous credibility cycle" in which the IT departments they lead consistently deliver positive results that are closely tied to business strategy, Gartner fellow and vice president say.**

By: John Pallatto

18 October 2004

[eWeek](#)

ORLANDO, Fla.-For today's chief information officers, leadership credibility is the key factor that will determine their career longevity, according to two senior Gartner researchers speaking Monday at the Gartner Symposium/ITxpo here. CIOs must create a "virtuous credibility cycle" in which the IT departments they lead consistently deliver positive results that are closely tied to their organization's business strategy, according to Marianne Broadbent, associate dean of the Melbourne Business School in Australia and a Gartner fellow.

Broadbent and Ellen Kitzis, a vice president at Gartner Inc., said in a joint presentation that CIOs can't succeed just by being effective IT managers. They have to have leadership qualities and personal influence, as well as business and organizational intelligence resources to make sure they are in tune with their employer's business goals.

Broadbent and Kitzis have written a book on the subject, "The New CIO Leader: Setting the Agenda and Delivering the Results," due for release in December by the Harvard Business School Press.

Without these attributes, CIOs risk finding that they're rapidly losing the support of their CEOs or even of the corporate board of directors.

The problem is that many CIOs don't understand where their credibility and resulting organizational support come from, Broadbent and Kitzis say. Every successful IT project and initiative builds credibility, while every failure "chips away" at it. Rather than building a virtuous credibility cycle, many CIOs quickly descend into a vicious cycle of descending credibility that sooner or later will prompt their boss to show them the door, Kitzis said.

Kitzis and Broadbent say CIOs should set and carry out 10 priorities to build sound credibility both with management and with their own IT organizations. They break these down into six priorities on the "demand side" to keep management happy, and four priorities on the supply side related to IT department performance.

On the demand side, CIOs must make sure that they thoroughly understand their organizations' business environment. They need make sure they can effectively weave the IT strategy with the business strategy. Furthermore, they need to create their own vision for shaping the IT organization so it can deliver systems that conform to the IT strategy.

At the same time, they need to be capable of shaping and managing expectations so results are delivered on time as promised. Finally, they need to form a clear IT governance policy that senior management and the IT department understand and accept.

[Click here](#) to read about Ron Markezich, the CIO of Microsoft's IT organization since May.

CIOs won't meet these demand-side priorities unless they are equally successful in meeting the supply-side priorities, according to Broadbent and Kitzis. These involve building a new information systems organization that can respond rapidly to the organization's business environment and strategy.

This involves developing a high-performing IT team capable of carrying out the CIO's vision. The CIO has to be able to manage the risks involved in implementing any new IT application or strategy. Finally, the CIO has to be proactive in demonstrating what the IT department is delivering to the organization on an ongoing basis.

It's not sufficient for CIOs to be good managers or expert technologists, Broadbent and Kitzis said. They also have to be skilled at building relationships upward and downward in the organization.

They have to be sensitive to the political winds blowing within the organization and respond to them constructively. "If you don't enjoy politics, forget about being a CIO," Broadbent said.

This also requires that CIOs have "emotional intelligence" that allows them to empathize with people. "You need to learn what makes them tick-what motivates them" and how to reward them.

But one of the challenges to pursuing a credibility strategy is the rapid change of business conditions and requirements, along with the lack of flexibility in the current generation of enterprise application software. This problem was highlighted in a Gartner analyst keynote on "Preparing for Software-Driven Business Transformation."

Yvonne Genovese, a Gartner research vice president, described a client that spent \$20 million in 18 months to successfully build an important business application that fully met all design goals and business requirements. But within a short time, the business requirements changed, rendering the application obsolescent, Genovese said.

The enterprise faced the choice of spending another huge amount of money to update the application or going to an outsourcing service that would deliver an application that would address the new business requirements, she said.

"They concluded that outsourcing would probably make the problem worse" because the outsourcer would either refuse to make future business requirement changes or would add equally hefty charges to revise the application, Genovese said.

A potential solution to this problem, Gartner analysts suggested, is the use of SOA (service-oriented architecture) and Web services technology that might allow more rapid and cost-effective revisions to address changes in business conditions.

## **Gartner: Worldwide IT Spending to Rise 5 Percent in 2005**

October 18, 2004

[Wireless News](#)

Worldwide spending on information technology will increase by 5 percent in 2005, according to Gartner.

As companies respond to increasing competition from India, China, Brazil and other emerging economies and to rising energy costs, their pursuit of productivity gains through investments in new IT products and services will continue to be a strategic priority.

"Business leaders have to find new ways to maximize the effectiveness of their operations to deliver against profit expectations," said Peter Sondergaard, global head of research at Gartner, a technology research and advisory firm.

"They face greater uncertainty than ever" in anticipating world events as well as rapid changes in markets and competition."

Sondergaard spoke today during the opening session at **Gartner Symposium/ITxpo**, a six-day conference taking place here through October 22. The conference is one of the world's largest gatherings of senior IT and business professionals, with attendance this week estimated of 6,500, an increase of approximately 5 percent compared with last year's conference.

In his remarks, Sondergaard said consumer demand for products such as gaming machines, plasma screens and related video technology, and wireless connectivity continues to outpace demand from businesses as the primary influence on innovation and new investment by hardware manufacturers.

For example, he said, "Next year there will be 30 new companies offering Voice over IP (internet protocol) service in North America to consumers." These companies will be "competing with traditional suppliers that you rely on, and those suppliers are going to have change dramatically to stay in business," he said.

For leaders of IT operations, advances in four central technologies will create new opportunities for further reductions in labor costs. These advances include server consolidation, which reduces maintenance requirements; virtualization, which improves utilization of existing capacity especially during period of peak demand; real-time infrastructure, which improves data collection, analysis and response time; and, software, which is accelerating improvements in efficiency throughout IT operations.

## **McNealy Pitches Desktop Hosting Option - Microsoft-Sun interop work proceeding, but slower than planned**

By Barbara Darrow

October 18, 2004

[InformationWeek.com](http://InformationWeek.com)

In case you missed it, Scott McNealy's big on the subscription model. And, Sun Microsystems is weighing a new desktop hosting initiative to go along with already-announced hosting options.

Sun has rolled out an introductory "one-dollar-per-CPU-hour" plan and some other options. But on Monday, Sun Chairman and CEO McNealy talked about a desktop subscription program under which customers could deploy Sunrays at "X dollars per desktop per month."

"I'll host it and you use it wherever you wherever your Java card is inserted," he told a group of reporters at the Gartner Symposium ITXpo in Orlando, Fla.

Sun would run those dispersed desktops on its "N1 Grid," in what is essentially a reiteration of the company's traditional thin-client "network-is-the-computer" mantra. Sun is hardly alone. IBM, Hewlett-Packard, Oracle are all pushing their own versions of pay-as-you-go IT.

McNealy said his vision compares well with the old-school IBM mainframe hosting model, where most application intelligence is centralized. "This is back to the future, only better," he said later in his keynote to a few thousand IT professionals. "In the old days, IBM in Armonk, R&D was closed, proprietary. Now we're talking about completely open infrastructure instead of a mainframe running Cobol, you use AMD/Intel/TI/Sun microprocessors, running the community development model, Solaris will be open source very soon[Maybe you run] the Java open services stack at \$100 per year vs. Cobol. Instead of SNA you have fast TCP/IP. Instead of green- screen 3270 you have a thin-client, multimedia browser," he said.

That strategy contrasts with Microsoft's rich-client, integrated stack worldview where a good portion of application logic and intelligence, as well as data, resides on the local hard drive. Now, Microsoft is working on next-gen Office servers to wring more functionality, and more revenue, from the Office brand.

Sun had hoped its big RBOC and service provider customers and partners would jump on its new hosted offerings and take care of customer maintenance. But, Sun ended up marketing the service itself, McNealy said. "We went retail because our wholesale customers, the carriers, the RBOCs, were going too slow," he noted.

Gartner analysts grilled McNealy on the impact of his grand vision on Sun sales reps and VARs who are used to getting a good amount of short-term, upfront revenue on server and software sales, will deal with this change of plan.

"There's a tough transition for folks," McNealy conceded. "We will have commission plan for first design win and compensate channel customer for keeping them on subscriptionphone companies and others have figured out how to keep people on plan."

EDS, which announced a new partnership with Sun, Cisco, Dell, EMC, Microsoft and Xerox to build an enterprise infrastructure reference platform for customers, would like to play a role in such a desktop subscription initiative, said Robb Rasmussen, vice president of global alliances for EDS.

McNealy also told reporters that the Sun-Microsoft interoperability dtente is going well, but taking a bit longer than expected. Sun CTO Greg Papadopoulos and Microsoft Chairman Bill Gates were supposed to unveil the first fruits of their labor this month, but "it's not quite ready to show," McNealy said.

He hopes the companies will unveil their progress by year's end. Sun and Microsoft have already said they will work on single-sign on capabilities, make their respective directories interoperate and also hinted about file-system interoperability. They announced their new-found mutual admiration in April when they buried the hatchet on some intellectual property and other disputes and Microsoft paid Sun \$1.6 billion.

McNealy's tone was about a near-complete about-face from very public position he took a few years ago at this conference. At that time, he called for the demise of the "software-only world". That comment sparked a war of words with then-rival, now partner Steve Ballmer, CEO of Microsoft.

For a man who once called software a feature of hardware McNealy repeatedly extolled Sun's software expertise including Java, Jini, Solaris, tools, compilers, N1. "Not bad for a company that doesn't do software," McNealy said. He didn't mention the fact that he himself used to tout the image of Sun as a hardware company. In fact, he used to repeatedly joke that Sun itself was safe from possible dot.com threats because no one would ever "be able to download a SPARCstation."

<http://informationweek.serverpipeline.com/news/50500744>



## **Gartner ITxpo spotlights security, wireless; RIM, Interwoven, CA roll out products at enterprise IT show**

By Cathleen Moore

October 18, 2004

[\*InfoWorld Daily News\*](#)

Enterprise IT executives attending this week's **Gartner Symposium ITxpo** in Orlando, Fla., got a peek at several forthcoming products for security, CM (content management), wireless, and SOAs (service-oriented architectures).

Computer Associates at the show announced its eTrust Security Command Center r8, which provides a centralized control center for managing and responding to security events. New features include rules-based event correlation tools, offering more than 100 default policies for threat analysis; incident management functions, such as grouping multiple events to be processed based on common attributes and enhanced visualization; and customizable, task-specific workspaces for simplifying security management. CA also added bi-directional integration with its Unicenter Network and Systems Management offering.

Another security player, Internet Security Systems (ISS), unveiled its Proventia Enterprise Security Platform (ESP), offering enterprisewide pre-emptive security protection integrated with business processes. The Proventia ESP aims to help IT managers avoid security incidents by providing continuous vulnerability assessment, virtual patching, and reporting functions.

Also at the show, CM vendor Interwoven introduced a Web CM offering designed for intranets. The Interwoven Intranet Solution, based on the company's TeamSite software, aims to simplify intranet publishing and management by tailoring the system for a broader base of content contributors, less technical users, and a proliferation of intranet sites.

The offering helps enterprises support multiple intranets by decentralizing content contribution and control while centralizing the underlying Web CM infrastructure, according to Anne Curran, senior marketing manager for Web content management products at Interwoven.

The key challenges for managing intranets are how to enable fresh, relevant content and give more control to a wide base of contributors, Curran said.

Moreover, enterprises need help coping with the costly proliferation of intranets, she said.

"A lot of business units and departments acquire a content management system on their own to gain control of the explosion of information. A business can end up with hundreds of intranets and multiple content management systems to manage that. [They] end up with redundant hardware and software and tons of inefficiencies," Curran said.

Features of the Intranet Solution include desktop content publishing, forms-based content contribution, VisualPreview edit, multi-site CM, drag and drop content import, and the capability to create a snapshot of an entire site for version control and compliance archives.

BEA Systems at the Gartner ITxpo released its MobileAware Interaction Server, BEA WebLogic Edition, which is designed to mobilize online data and business processes. To that end, the platform can extend the SOA technology in BEA WebLogic Portal 8.1 to the world of mobile devices, providing multi-channel access to Web and online content, according to BEA officials. The MobileAware Interaction Server uses BEA's WebLogic Platform development, execution, personalization, and presentation capabilities while transparently adding a mobile presentation layer.

Targeting the wireless arena, Research In Motion (RIM) used the show to demonstrate a new BlackBerry Wireless Handheld device that offers both wireless LAN and VoIP support.

Expected to ship by early next year, the BlackBerry 7270 works with the BlackBerry Enterprise Server. The new device runs on 802.11b networks and incorporates voice and data capabilities. Designed to extend desktop phone functionality to a wireless device, the BlackBerry 7270 uses SIP-based call control to deliver standards-based interoperability with IP PBX and traditional corporate telephony equipment, according to RIM officials.

[http://www.infoworld.com/article/04/10/18/HNgartneritxpo\\_1.html](http://www.infoworld.com/article/04/10/18/HNgartneritxpo_1.html)



## Ballmer security pitch leaves skeptics unswayed

October 25, 2004

By Dan Farber

[Tech Update](#)

**COMMENTARY -- At Gartner Symposium/ITxpo, Microsoft CEO Steve Ballmer tried to disabuse the thousands of IT executives attending the conference of two notions: Windows software is hopelessly insecure and Linux offers a better TCO (total cost of ownership) than Windows (watch [the video](#) of his presentation).**

I don't think he disabused too many people of their skepticism about Windows security with his rhetoric, but he at least put the issue in perspective. "At this stage we have learned a lot more about security than anybody else in world, and we need to focus in on a few things," Ballmer said. At the top of his list: engineering fewer vulnerabilities into software and educating users on how to stay more secure. He also equivocated on Bill Gates' statement that security would not be a top three priority for Microsoft two years from now. "We expect to make a boatload of progress in the next two years. Whether the statement is true or not remains to be seen. It expresses Bill's fundamental optimism about the good work he thinks we are doing in this area--if we don't get there, we will keep it [security] as a top priority until it doesn't need to be there anymore," Ballmer said.

Gartner analyst John Pescatore predicted that by 2005 software will start to ship that is built from the ground up with security in mind. Removing 50 percent of vulnerabilities in software prior to deployment will result in a 75 percent cost reduction for configuration management and incident response, Pescatore said. Several companies are developing tools for tracking down and eliminating vulnerabilities, such as buffer overflows, during the development process.

Ballmer also claimed that Windows has fewer vulnerabilities than Linux and that Microsoft produces security fixes faster than the Linux community. Despite his claims about Microsoft's superior record of security remediation versus Linux, Ballmer admitted that customers need more reassurance. "What people really want to know is, do you meet the bar -- are you providing what we need on the security front. The answer for most customers is that they want us to do more," Ballmer said. Ballmer claimed that [the data showed](#) that Linux has [more vulnerabilities](#) and that the Linux community takes longer to remedy security problems than Microsoft. He did acknowledge that as Linux become more popular, hackers will find it a more attractive target.

Of course, there are counter arguments, such as that Microsoft's [software monoculture](#) poses a security risk. It's not a contest to see who has the most vulnerabilities or who fixes holes faster, however; it's which platform suffers the most attacks and costs enterprises more, and Microsoft clearly leads on that front.

According to Gartner, by 2008 Linux desktops -- which the research firm boldly says could attain as much as 30 percent market share -- will have about the same number of viruses as Windows desktops. However, Windows will be disadvantaged because many Windows applications will be tightly bound with operating system code, creating a kind of double whammy situation. Gartner recommends desktop Linux today for limited function applications, such as terminal-based data entry work.

Ballmer dismissed the notion that Linux on the desktop has any momentum. "There is no appreciable amount of Linux [desktop] anywhere in the world," he said, pointing to the study for the city of Paris that determined an open source desktop would have an unacceptable ROI impact. "People can sit here and read the drama stories from other parts of the world and assume they are true or not. People said the city of Paris said it was going to adopt Linux and the studies came back. It would be dramatically [more expensive than Windows](#), and there is no ROI case for the next seven or eight years to even consider a movement from Window to Linux in the city of Paris. In [Brazil](#), it's the same thing," Ballmer said.

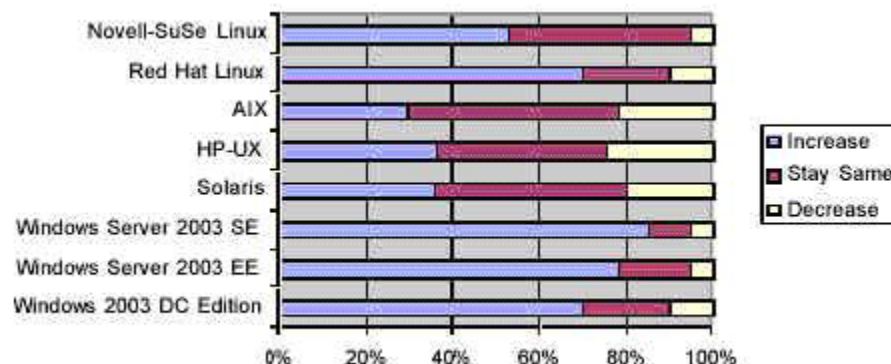
He has also dismissed open source Microsoft Office competitor Star Office, describing it as being as "good as what we were shipping seven years ago," citing lack of total compatibility with Microsoft Office and a robust e-mail client. He also brought up the lack of indemnification against patent and intellectual property infringement for many open source distributions as a deterrent to adoption of Linux.

The city of Munich, Germany has reached a different conclusion, despite [recent concerns](#) about infringement claims. Ballmer viewed the Munich deal as critical enough that he personally tried to persuade the mayor of Munich to stay with Windows. "Yes, we lost the city of Munich," Ballmer said. "But, the fact that the same story gets told 65,000 times, and there is still only one customer ... still diddling around to some degree to decide when they are going to do the migration...come on, where's the evidence? In China, our products have higher market share than in this country, but of course most of it is not paid for."

It was also unclear as to whether Ballmer was including Sun's Java Desktop System (JDS) in his scorekeeping. Although most people think of traditional Linux distributors like Red Hat and Novell when discussing desktop Linux, at least one version of JDS is a Linux desktop (it's bundled with Novell's SUSE Linux). Sun also just announced a Solaris x86-based version of JDS, but it only runs on Sun's AMD-based workstations. JDS is getting some traction. Although Sun CEO Scott McNealy admitted that it wasn't going to be much of a money maker for his company, JDS was viewed as having scored a victory when the Chinese-backed China Software Standard Company agreed to license 500,000 copies of the desktop suite.

Since then, JDS has scored several other victories and this week, Sun is expected to announce another major deal.

While Ballmer's assertion about StarOffice lacking a robust e-mail client is true, JDS makes up for that shortcoming by including a Microsoft Exchange-compatible e-mail client (Novell's Ximian Evolution) and is fully indemnified by Sun. Whereas StarOffice, which is also included, is, as Ballmer asserted, not fully interoperable with Microsoft Office, there has been some speculation that those incompatibilities may be resolved as a result of a recent watershed



technology cross-licensing agreement between the Sun and Microsoft.

Even so, Microsoft is relatively safe from desktop erosion in the business arena for now, and the

company is looking at different ways to package Windows and Office to compete with Linux and StarOffice and OpenOffice.org. The company isn't going to stand still while the open source community eats its lunch and continues to improve its products. But, it's inevitable that the open source community will create a more competitive environment in the next few years that will ultimately benefit users and create more healthy competition.

Linux on the server is a bit different mature than on the desktop, but according to Gartner's research Linux is having more impact on Unix than on Windows server [*see chart at left*] installations. Gartner estimates that Windows will close the vulnerability gap with Linux by 2008, in part due to broader proliferation of Linux that will make it more of a target for malicious hackers. With more parity on the security front, the battleground will shift more to price/performance and total cost of ownership (TCO). By 2006 Linux should meet the performance requirements of 80- to 90 percent of single on-line transaction processing applications. According to Gartner analyst George Weiss, Microsoft and the Linux camp will have to compete more on automating server management and lowering TCO.

Although we can continue to handicap the fight, that exercise misses the point. Microsoft has proven that it knows how to fight and has often been accused of having unfair advantages. Now the open source community needs to show its mettle and deliver the goods. Whatever the case, a more competitive environment is good for innovation and for lowering TCO.

[http://techrepublic.com.com/5100-22\\_11-5424794.html](http://techrepublic.com.com/5100-22_11-5424794.html)



## Simple Message Endures

October 25, 2004

By Eric Lundquist

[eWeek.com](http://eWeek.com)

If you could, you would have a computing infrastructure that is simple. You'd be able to check the system status whenever you wanted, you could upgrade seamlessly and add computing resources as required, and words such as "patches" and "vulnerabilities" would be relegated to the dictionary of historical terms. You'd no more worry about the state of your computing network than you would about whether your company has power available in the electrical outlets. It would just be there.

Each year, the Gartner faithful trek down to Orlando for the Symposium/ITxpo. The message at this year's event hasn't changed all that much since the one given 14 years ago, when the symposium made its debut. According to that message, the best corporate computing architectures are fully integrated, secure networks that are designed to support and accelerate business goals. The difference this year is the pressure on CIOs and other top-level technology executives to make their IT systems simple and integrated as well as secure. And that pressure is being transferred to the vendor community, an occurrence that is both fun and interesting to observe.

The impact of the regulatory environment, which requires broad reporting and data-tracking capabilities; the security imperative, which requires a comprehensive, corporatewide approach; the outsourcing alternative; and the need to accomplish all those goals within a restricted budget have all come home to roost on the IT department. Rather than hope you can retire or change jobs before you fully engage in those tasks, the remainder of this year and 2005 is the time to develop the computing infrastructure you know you should have.

The need to engage in your company's technology strategy was an underlying theme in several Gartner keynotes and conference sessions but was most forcefully presented by Intel CEO Craig Barrett in his discussion. "The country that is the most blasé about information technology is the one we are in right now," Barrett told the audience. In the emerging-market countries of Asia and Eastern Europe and in re-emerging countries such as Russia, interest in IT runs high, and developing modern infrastructures is a personal, company and national priority, Barrett said. Not so in the United States, he added.

Barrett and others were not quite sure what event would be required to renew a broader interest in IT, nor the education and investment necessary to bring the technology from the labs to implementation. From my perspective, the driver will be the realization that without a comprehensive technology plan, your company won't be able to meet regulatory requirements and win in the current competitive environment.

The need to get your company on the correct technology track is critical, and it's also your responsibility. Technology executives who have handed over control to other corporate executives are finding out that despite giving away authority, they are being held responsible for technology failings. Executives who have lost command of their budget dollars will find that regulatory agencies will not give them a free pass because their budgets were diverted elsewhere.

If there was one message heard among attendees, it was that vendor expressions of "the agile enterprise," utility computing and service-oriented architectures need to be given life in the form of product road maps upon which customers can act. Vendors that outline their capabilities in buzzwords only—without a real plan or product to back them up—will be left behind.

Five years ago, the buzz at the Gartner symposium surrounded the need to move quickly to take advantage of Internet opportunities. That need for rapid investment evaporated as quickly as the stock valuations of Internet startups. This year, the need to build out the type of computing infrastructure you always wanted to develop is foremost, with real penalties for nonperformance and real advantages for success. The simple computing message has been the same for 14 years, and this is the year to make that message a reality.

<http://www.eweek.com/article2/0,1759,1681411,00.asp>



## Software As a Service Is Poised for Rebound

By Stan Gibson  
October 25, 2004  
[eWeek](#)

The services we once expected from ASPs are back, but now we refer to them as business process outsourcing.

You don't hear many people talking about ASPs, or application service providers, except in the past tense. Plenty of those ASPs bloomed and wilted with the dot-com boom and bust, but what those vendors did—provide applications on demand—is alive and well and poised for a rebound.

This time, though, you might want to call it business process outsourcing, and you might want to call its vendors business service providers. Those were the terms being thrown around last week at the Gartner Symposium/ITxpo in Orlando, Fla., where Gartner outsourcing analysts Linda Cohen and Allie Young gave their "Outsourcing Outlook" presentation.

Cohen attributed much of the failure of ASPs to customers demanding extensive customization on the part of the service providers. That blew apart the ASPs' business model, resulting in the subsequent marketplace carnage.

She also suggests the time is right for business processes on demand. In her presentation, Cohen said companies need to find the applications they use that are not core to their business and that can be utilized as a commodity service. "Companies don't need to overspend on utility-type services," she said.

Vendors are creating utility offerings so you can buy business services and get software as a service. "They're creating capabilities and expecting that you will buy in new ways," she said. Indeed, it does sound a lot like IBM's On Demand strategy and HP's Adaptive Enterprise, which those vendors have been working on for a couple of years.

To read more about IBM's On Demand computing, [click here](#).

Will the new model work where the old ASP model didn't? "The same thing could happen. If you don't accept things their way, they'll go out of business. You won't be able to get extensive customization. It will become a different operating model for providers. Either they will go out of business or they will dump you," said Cohen.

A word to the wise: Maybe everyone can get it right this time.

Out and about

Prior to the talk by Cohen and Young, Gartner presented its analysts' keynote, in which experts highlighted what they view as the main theme in IT today: The use of service-oriented architectures will lead to the "agile enterprise" of tomorrow. Companies won't so

much deploy applications as they will deploy an architecture that can be adapted to run applications of the moment.

With that as a backdrop, EDS announced at Gartner its Agility Alliance, a set of partnerships with leading hardware and software vendors. The reason? Unlike rivals IBM and HP, EDS does not make hardware or software. While this has enabled EDS in the past to claim vendor agnosticism and make a best-of-breed pitch to prospective customers with regard to the vendors it works with, in practice, EDS consultants were acquiring a diverse portfolio of expertise that was, well, just a bit too diverse.

Instead of spreading expertise thinly across many vendors' technologies, EDS aims to concentrate that expertise on just a few industry leaders, thereby cutting training costs and maintaining a portfolio of skills that can be broadly applied. Initial members of the alliance are Cisco, Dell, EMC, Microsoft, Sun and Xerox.

EDS touts the \$13.6 billion combined R&D budgets of these partners, which is, at least to some degree, being spent on EDS' behalf. EDS officials claim that by getting close to these vendors and their future technologies, EDS can gain insight it can use to steer its customers' technology architectures. To be announced in the coming months are EDS' application and business process partners.

Meanwhile, IDC and Meta Group announced offshore outsourcing research numbers: Both predict 20 percent annual revenue growth. This growth exceeds that of outsourcing generally, a conclusion Gartner's Cohen and Young also expressed in their talk. Meta said most IT organizations will have an offshore strategy by 2006.

IDC said the worldwide market for offshore IT services will grow from nearly \$7 billion in 2003 to \$17 billion by 2008. Most offshore spending by U.S. companies will be on applications, particularly custom application development, application management and systems integration, IDC reports

<http://www.eweek.com/article2/0,1759,1682689,00.asp>

## **Bad Times Boost Efforts to Align IT, Business Goals -CIOs bridge gap by recruiting business managers to oversee efforts**

By: Heather Havenstein

OCTOBER 25, 2004

(COMPUTERWORLD) - ORLANDO -- While corporations have aspired for years to more closely align IT investments with core business goals, the current harsh economic climate has prompted many enterprises to formalize such ties, according to a panel of CIOs speaking here last week at the Gartner Symposium/ITxpo. And panelists said those efforts are beginning to reap concrete results.

For example, the Washington-based AARP (the American Association of Retired Persons) has a department within IT made up of business analysts and project managers recruited from outside IT that's dedicated to aligning technology efforts with the needs of the business, said CIO John Sullivan.

"Those are the most popular people in our organization," Sullivan said.

After working with that business-IT alignment group for a few years, the employees are warmly welcomed back by their previous departments, which are eager to mine their knowledge of IT, he added.

Closer ties between business and IT helped the AARP slash the timetable of a planning and approval cycle for upgrades to its call center systems from the normal six to 18 months to less than three days, Sullivan said.

TRW CIO Joe Drouin

At TRW Automotive Holdings Corp., a Livonia, Mich.-based automotive supplier, CIO Joe Drouin nurtures the ties between IT and the business by mapping IT efforts to correspond directly with significant business processes -- such as order fulfillment. Drouin has also recruited an IT business manager from TRW's finance department.

The efforts are yielding tangible results at TRW, Drouin said. In a recent presentation to the chief operating officer on the merits of antivirus technology, an IT manager focused on the risks the company's operations would be exposed to if its systems weren't protected. The COO agreed on the spot to dedicate additional resources to secure systems, he said.

Lines Are Blurring

"The lines are starting to blur a bit -- is this guy an IS guy or a business guy?" Drouin said of company perceptions of IT managers who work on projects that bolster business goals. "Other parts of the business are hungry for these people who are solving these problems," he added.

At the Government Accountability Office, an agency that works for Congress to scrutinize how the federal government spends money, CIO Tony Cicco uses business

managers -- rather than IT staffers -- to make presentations about the effectiveness of specific IT programs.

"When a business manager gets up and shows how he has been much more of a success ... we get a lot of recognition," Cicco said.

The GAO's IT department also regularly gauges the satisfaction of its users with customer satisfaction surveys, Cicco added.

Charles Iacovuo, a professor of IT at Wake Forest University's Babcock Graduate School of Management in Winston-Salem, N.C., said in an interview that most companies need to do more to institutionalize the effort to bridge the gap between business and IT.

Organizations can use scorecards and service-level agreements to monitor how IT is performing against established goals and designate account managers to interact with business units, he said.

And formalizing these ties can become easier as more CIOs begin to report not to departmental executives but to C-level executives, Iacovuo added. "That forces the other business executives to accept them as a partner," he said.

<http://www.computerworld.com/governmenttopics/government/itgovernment/story/0,10801,96892,00.html>



## **Craig Barrett Sees Bright Wireless Future — Powered By Intel**

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*INVESTOR'S BUSINESS DAILY*

As the realms of communications and computers converge, tech systems will have to channel a flood of rich content.

That means big challenges for Intel, ([INTC](#)) the world's largest chipmaker. But Chief Executive Craig Barrett appears up to the task. Speaking at a tech conference in Orlando, Fla., on Tuesday, Barrett offered his vision of a future wireless world.

An explosion of wireless devices — using both Wi-Fi and the speedier Wi-Max standards — will tap the Internet for all manner of tasks, Barrett said.

This melding of communications and computing should help firms tackle complex engineering projects and manage vast supply chains, he said. Consumers will also benefit from new set-top boxes, entertainment PCs and fully digital homes, Barrett predicted.

"Now we're expanding into the convergence of computers and communications, with a lot of work in Wi-Fi and Wi-Max," he said. "Both computing and communications are really coming together."

### **'Huge Opportunity'**

Wi-Max towers will transmit speedy broadband Internet access directly into people's homes, Barrett said. That will allow broadband to spread in countries without wired networks. "This is a huge opportunity," he said.

Barrett's speech was the first of several keynote events at the tech symposium, hosted by research firm Gartner.

Some 6,500 tech professionals and analysts are attending the annual expo, which runs through Friday.

Gartner officials expect attendance to be up 5% to 10% this year.

Like other attendees, Barrett looks to stay on the cutting edge. That means sticking to Moore's Law — a rule coined by Intel co-founder Gordon Moore.

It states that computing processing power doubles every 18 months.

"We're not going to slow down Moore's Law," Barrett said. "You don't double something every 18 months by relaxing, by staying stationary."

With more power, chips could boost security and data caching, which helps computers run faster. Speedier chips also could run new visualization tools, Barrett said. That would make it easier to design complex products, such as aircraft, cars and computer processors.

## **Five Pieces**

Barrett sees five strengths as key to Intel's long-standing dominance: manufacturing, computing architecture, brand recognition, worldwide sales reach, and its venture capital investment arm — the world's largest of its kind.

"When all five (parts) are working together, we have the ability to move the world," he said.

But this hasn't been a smooth year for Intel. It suffered a supply chain slowdown that hurt sales, and it delayed its 4-gigabyte chip. To rally the troops, Barrett sent out a letter to the staff over the summer.

"We didn't meet our own standards or the standards that the press and the IT (information technology) community expect of us," he said. "So I stressed we could do better."

In his talk, Barrett also urged greater investment in public education and tech research in the U.S. He called for doubling the \$5 billion federal budget for physical science research.

Government spending in that area has remained stagnant in real dollars for two decades, Barrett said. Yet during that same time, agricultural subsidies have ballooned to \$25 billion, he noted.

"What is the industry of the 21st century?" he asked. "Why are we investing five times as much in agriculture as in scientific research?"

Barrett is set to retire in the coming months as the head of Intel, which has a policy requiring CEOs to step down at age 65. However, he intends to stay active with the company in other capacities.

"I don't intend to abandon high tech," he said.

<http://www.investors.com/editorial/tech.asp?v=10/20>