

Palm Shores Up Programming Talent With Be Acquisition

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Purchasing the assets of operating system (OS) vendor Be will give Palm additional talent and technologies for building a more competitive Palm OS 5.0.

NEWS ANALYSIS

Event

On 16 August 2001, Palm announced it would acquire the intellectual property and technology assets of Be for \$11 million in Palm stock. Palm expects to close the deal in 4Q01.

Analysis

The real value of this deal lies in the programming talent. Palm will get a team of talented software developers with expertise in working on a microkernel-based, object-oriented, multithreaded, multitasking OS employing a compressed file system. This expertise will benefit Palm's efforts to develop Palm OS 5.0 on ARM platforms to compete with Microsoft Windows CE — an effort crucial to Palm OS's future. Thus, the deal's expense and risk seem minimal.

In developing for the ARM architecture, the Be team will face a considerable learning curve because it has previously written software for Intel x86 and PowerPC processors. It has no experience developing for mobile devices. Although Be designed its own OS for scalability and portability, Gartner believes that its many multimedia features will not port easily to the Palm environment because they were built for a platform of richer resources. Be has key technologies in sophisticated, multimedia, large-screen user interfaces that cannot transfer quickly to a handheld platform. Still, if the team's expertise can shave a few months off of the development time for Palm OS 5.0, this acquisition will succeed.

Palm's assimilation of Be into its software group will be a bellwether for how much the acquisition will help Palm. When Palm acquired Smartcode Technologie for \$18 million in February 1999, Palm claimed it would secure for itself a leadership position in wireless communications — including smart phones. The Smartcode software technology would supposedly integrate easily into Palm OS, yet the benefits never materialized. However, Gartner believes the Be acquisition will succeed because it involves mostly mainline talent and targets Palm's OS upgrade, its most important project. Be should help Palm meet its delivery goals for version 5.0 in 2H02 (0.7 probability). Gartner continues to recommend Palm OS for deployment in corporate environments for all but rugged applications.

Analytical Sources: Todd Kort and Ken Dulaney, Mobile Business Strategies

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