

Extract from Jim Lee's 'midrange matters' column in iSeries365 and iSeries News UK

Midrange matters with Jim Lee:

A View from the Trenches - Application Hoards

Imagine an army of application authors marching round the world supported by a vast array of troops assembled in almost every country in the world. This army has a very advanced weapon, the AS/400. The weapon is a modern system comprising three integrated components. The launcher is pure hardware, the guidance system is an integrated Operating System and the missiles are a variety of Applications honed to each battlefield.

As battles are engaged, the forces who oppose the army are found to be weaker in every aspect of armament and in all theatres of operations. A great propaganda battle ensues. The Generals who are trying to oppose the success of the advancing hoards advise their troops that the Holy Grail will be "Openness" for, verily, they have "Openness" and will deem all else to be "Proprietary".

"Openness" is a conceptual guidance system available to all, but generally promoted as being best fulfilled by Unix. A majority of armaments' manufacturers support this propaganda because they can no longer fund development of their own guidance system. Huge sums are spent in the promotion of this guidance system and of the fact that there are so many launchers available, all of which use this guidance system. Whilst the launchers are delivered better, cheaper, and faster, the guidance system proves to be poor and everybody knows its weaknesses. The missiles available for "Openness" are overwhelmed by the missiles available for the more reliable and more accurate AS/400 system.

The final conflict is a great battle known as Y2K. This battle lasts three years and ends in 1999. In the aftermath political positions are subsumed. All involved have made their choices and global business continues. After the war, few can afford new armaments. Many people are disillusioned by propaganda and now focus on the deliverable: the missile.

Funds are diverted to tuning and improving the missile, rather than the other components, because launchers and guidance systems, purchased at the height of the conflict, are still too new and are expensive to replace. In the end, the branding of the missiles loses relevance. One missile becomes less distinguished from the other because there are fewer and fewer manufacturers. The few own the many.

After the war, the armaments' manufacturers get into disarray and many consolidate to await a new war. The guidance systems' developers are at a loss because propaganda was their tool and now nobody cares. The missile developers try to adapt their very advanced missiles to anybody's launcher and anybody's guidance systems. They too consolidate, believing that diversity will mean that they cannot lose when opportunity arises.

But there is little opportunity. There is no war, therefore there is no market for weapons of global war. There are skirmishes and local conflict. Around the world "Desktop" battles break out. One specific guidance system developer who specialises in tactical and local warfare takes huge market share and begins to aspire to the development of an AS/400-like guidance system.

The troops suffer badly. There is massive demobilisation. Coming home from the war means finding a new life amongst communities that have never been involved and that never had to understand the vexations of conflict. Veterans' meetings are the only consolation. Guidance systems experts, especially, wish for the old days. They understand how significant their component was. They remember how focal the propaganda had become and take pride in having been the differentiator in the great conflict.

This allegory has great depth. There are more tried and tested parameterised solutions (true packages) that run on today's iSeries than on any other platform. These solutions are more internationally adopted than their competitors. One important factor was National Language capability. This was facilitated by the operating system and the double byte character capability that proved important to such markets as the Pacific Rim.

The “Troops” are today labelled Channel. Channel comprises the companies who actually represent the applications and related infrastructure requirements to prospective customers. Channel players are being abandoned by application authors because of market change. This market change has more to do with the lack of uptake of new Business Process applications (ERP, CRM, SCM etc) than with any other variable that can be tested.

The consolidation of application authors is a direct result of poor new customer sales and therefore poor revenues. Consolidating annualised revenues from license fees and maintenance provides the licensor with apparent strength in the financial marketplace. But, with no new business arising, licensors are reluctant to share revenues with their Channel and are increasingly forming direct relationships with customers to the exclusion of their partners.

If one reviews how strong this trend of consolidation and direct marketing is, then a pattern is revealed. SSA GT has BPCS, Baan, Prism, PRMS and a host of lesser names. JDE and Peoplesoft are now Oracle. Mapics is part of Infor. JBA is part of GEAC. There are few independent survivors.

Another aspect of the allegory is that many players from the successful camp (AS/400-aligned) began to believe the opposing propaganda. This saw Authors spending massive amounts on trying to port off platform. To no avail, of course, because it was only propaganda and lacked substance. There was no truth in the failed salesman’s excuse that the prospect would only accept applications that ran under Unix.

Now that the war is over, so to speak, it is certainly not true that Operating System takes precedence over true business process issues. Marcam simply ran out of funds in trying to deliver even equivalent functionality to its AS/400 solutions. JBA seriously weakened itself by investing in “Open Toolset” and, today, proudly leads with the fact that the core server must be iSeries.

On the other hand, SAP (originally mainframe ported to Unix) can run on iSeries. It might be of more than passing interest to compare user access availability to SAP applications hosted on Microsoft/Intel and on Unix, and on iSeries. SAP probably does not care. But IBM should.

This leads to a very important aspect of the troubles with iSeries marketing and market acceptance as are now being analysed. The success of the army in my allegory should not be attributed directly to the weapon that was AS/400. This is because the weapon was behind and not in front of the army. Each Division of the army led with its own brand. The troops were the local players in the channel with country and local real business experience. The battles were won using functionality. The success of the invasions was politically achieved. The executives of businesses won over reported that they had Application Brand X rather than computer model Y. Very few converted customers have, however, deserted their commitment to the computer model Y.

The difference fundamentally between any other computer ever named and that which is currently iSeries is that nobody, originally, went out to buy an IBM System 3X (now iSeries) computer. What was bought, beginning with System 32 and MMAS in 1977, was a business-functional packaged solution. System 34 had the first Mapics versions – a parameterised packaged application when packages were rare. The S3X range formed the backbone of reliable commercial computers. But, in truth, first-time buyers bought the application and accepted the computer. Of course, after excellent experiences the community of System 3X customers did become committed to the platform.

I have no doubt that within IBM nobody who was riding on the success of System 3X sales wanted to explain to IBM's hierarchy that their activity was entirely different from the selling activity or process in any other part of IBM's expanding range. Such a suggestion would have been career limiting. Oh no, the IBM sales executives were presenting the tale of woe and difficulty that represented the effort of overcoming Unix and positioned them as insightful, resourceful and exceptionally gifted. The corporation therefore continues to believe that it sold these computers, in the sense of being involved in a sales cycle. Those of us who worked for Applications Authors, or in the Channel, know of many instances where no IBMer was involved, except in capturing the event for his quota.

This analysis is material and it is important today. There is no longer an army marching round the world preaching the mantra of business improvement and delivering it on a platform of value-based reliability. If you like, nobody is selling the iSeries. Of perhaps equal importance, there is no virgin territory for such an army to invade. Nobody will therefore sell iSeries in the way that it was sold.

Analysts predict a turnaround in fortunes for the iSeries only after a huge expenditure by IBM in marketing and selling, and only after time for that marketing to penetrate. It is my belief that the only future for the brand is to come clean.

Start selling the operating system. Sell it to all of the other hardware manufacturers, most of whom have no specific competitor. Forget the hardware branding. Why should computers matter to a 74% services company as IBM now is. The same bold strategy, as has been applied to the PC business, could be considered for licensed software. Better still, comparative margins would suggest that there is more to be made from Microsoft's model than Dell's.

It is a double blind. It was the application and not the computer that people bought. It was the operating system much more than the hardware that delivered for these buyers. The hardware has changed out of sight and out of all recognition but even grey hairs like me can walk up and converse with that operating system.

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