

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

## **Midrange matters with Jim Lee:**

### **IT commoditisation - don't believe the hype**

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Jim Lee says the pundits that are currently pushing the 'commodity market' have got it wrong and that the iSeries user should be defiant in the face of their misinformed message.

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The commodity components of an IT project scarcely, if ever, cause it to fail. It is the human issues that consistently prove the bane of a project's success. The gap between expectation and specification is very often a chasm. When a project fails to deliver to expectation, there is, invariably, some attempt at retribution over the specification. This often reveals that components work to specification. No surprise then that very few failures get as far as a court. In the event of failure, everything that is commodity and not to specification can be replaced. Notably, this does not correct failure.

Pundits, analysts, and academics are gaining press on the current 'commodity market' and its effect in driving down price. It is true that we are in such a market phase. In the last few years spending has been on the commodity aspects of infrastructure. However, the price-competitive aspect of such a market exists only at the component level. It is worrying that anybody should promote component buying as good business practice. No mention of business objectives. No consideration of competitive edge. And the critical component, human expertise, will never be commoditised.

In a recent summer school article in Britain's top financial broadsheet, the following bullets were delivered: 'With IT hardware and software becoming commodity inputs, market power is shifting rapidly from suppliers to users'; 'In IT, don't risk "cutting edge", get something that is "good enough"'; 'Drive hard bargains'; 'Don't be creative -- try "me too" with standardised off-the-shelf solutions'; and 'Challenge ROI'.

These are useful tips if you are replacing your laptop. Especially the last bullet -- do you need a laptop in the first place? The press article was, however, aimed at executives making decisions for their business as a whole. I wonder what competitive edge the readers' businesses will have as a result of the misunderstandings of the author and the potential misinterpretation of these messages.

The article surrounding these bullets reminded me of the tourist lost in deepest Ireland. He went into a hostelry and inquired of the landlord the quickest way to Dublin. 'Now, are you walking, do you have a horse, or a bicycle?' inquired the landlord. 'Oh, I have a car!' replied the tourist. 'That'd be quickest, definitely!' said the landlord.

No question, if you know what you want/need in IT, this is a good time to buy it. Compounding that simple fact with 'good enough' and 'standardised' is far from business advice. Like the joke, it transfers the request for a route to the proposal for a vehicle. Hardware and licences are cheap -- get some in now. Let the solution drive your business.

This is dangerously flawed on two counts. The first is whether hardware and licences actually required to deliver a solution are, in total, less than some years ago. The second is whether the hardware and licences can be implemented for less. I am not going to argue the latter. It is self evident based on 'standard solutions' -- see SAP.

The spend ratio for significant change in IT during the 1990's was one unit of hardware to two units of licenses implemented with four units of services. So, a company might spend £100K on a server running £200K worth of software licences implemented with £400K of services, the latter being the biggest variable depending on where you were coming from and how sound your business processes were.

It is my view that component price reduction is, for the pundits, an aberration that conceals the total cost and total value of a delivered solution. What is identified by the analysts is the ever reducing price of the hardware components. But ever more



components are required. Componentisation may suit commoditisation, but it does not deliver cheaper solutions.

During the period of the one/two/four (hardware/software/services) rule of thumb, typically we had a computer attached to a network termination unit (modem), connected to a point-to-point telephone circuit, connected to another termination unit attached to another computer. No more. Today we have networks at both ends. Between the routers and the servers we have firewalls, switches, and things like sweeping servers to improve the security of content.

Those of us who developed with the System 3X up to today's iSeries find it difficult to comprehend the componentisation that surrounds us. It is fairly typical to find Microsoft-based installations with separate servers for programs, data, web, and mail. The program and data servers are tightly dependent and are often duplicated with failover capability. Storage issues and back-up issues lead to shared SAN or NAS solutions with their own controller servers and attachment switches.

Get out your calculator and guess what? The sum of the parts is greater than the whole. Okay, remove resilience and use a flimsy backbone and the componentised solution may get cheaper in terms of hardware. But that economy is not worth the risk.

We also take for granted what is now called the virtualisation layer and the hardware monitoring and management that have been in OS/400 forever. These facilities become middleware to the componentised market and suck a little more power from its dedicated processors.

In summary, more hardware needs to be purchased albeit with each piece being cheaper than yesterday. More licenses are needed for more componentised software and middleware. More human expertise is required in the form of an accredited specialist per component.



There remains the crucial aspect that value is the overriding measure. Value is delivered by success. Success is dependent on user satisfaction. User satisfaction, beyond the first few minutes, is not measured by delight in technology but by making working life easier and delivering business achievement.

In this perspective, let us review the five bullets I mentioned before. 'Market power is dictated by users. Users demand that expectation is met by IT departments and suppliers. The next market transformation is based on guaranteed service on demand'; 'iSeries becomes market-dominant because it is better than "good enough" and remains "cutting edge"'; 'Buying components is too hard and introduces unnecessary risk. It is easier to drive a hard bargain on the sum of the parts'; 'iSeries becomes market-dominant because it has most off-the-shelf solutions and can host solutions not developed specifically for iSeries'; 'ROI covers risk, reliability, and TCO -- the only surviving business computer is iSeries'.

It is all a matter of interpretation.

As an IT professional, I expect that most business executives will translate the summer school guidance as advice to buy while the buyer has power. And buying is too much fun. The predictable result is that we will have even more IT infrastructure to little avail. Let's hope that I am wrong and that the latter perspective is true. It ought to be.

ENDS - 27/10/04