

## ***BriefingsDirect Analysts Discuss Software AG-IDS Scheer Acquisition and Prospects for Google Chrome OS***

*Edited transcript of BriefingsDirect Analyst Insights Edition podcast, Vol. 44 on Software AG's acquisition of IDS Scheer and the implications of the Google Chrome operating system.*

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**Dana Gardner:** Hello and welcome to the latest BriefingsDirect Analyst Insights Edition, Volume 44. I'm your host and moderator [Dana Gardner](#), principal analyst at [Interarbor Solutions](#).



This periodic discussion and dissection of IT infrastructure related news and events, with a panel of industry analysts, comes to you with the help of our charter sponsor, Active Endpoints, maker of the ActiveVOS visual orchestration system, and through the support of TIBCO Software.

Our topic this week on BriefingsDirect Analyst Insights Edition, and it is the week of July 13, 2009, centers on [Software AG's bid to acquire IDS Scheer](#) for about \$320 million. We'll look into [why this could be a big business process management \(BPM\) deal](#), not only for Software AG, but also for the [service-oriented architecture \(SOA\) competitive landscape](#) that is fast moving, as we saw from Oracle's [recent acquisition](#) of Sun Microsystems.

Another topic for our panel this week is the seemingly inevitable trend toward [Web oriented architecture \(WOA\)](#), most notably supported by Google's announcement of the [Google Chrome operating system \(OS\)](#).

Will the popularity of devices like netbooks and smartphones accelerate the obsolescence of full-fledged [fat clients](#), and what can Google hope to do further to move the market away from powerhouse Microsoft? Who is the David and who is the Goliath in this transition from software plus services to software for services?

Here to help us better understand Software AG's latest acquisition bid and the impact of the Google Chrome OS are our analysts this week. We are here with [Jim Kobiulus](#), senior analyst at [Forrester Research](#). Hi, Jim.

**Jim Kobielus:** Hey, Dana. Hello, everybody.

**Gardner:** [Tony Baer](#), senior analyst at [Ovum](#).

**Tony Baer:** Hey, Dana, good to join you again.

**Gardner:** [Brad Shimmin](#), principal analyst at [Current Analysis](#).

**Brad Shimmin:** Hi there, Dana, and hi, everyone out there.

**Gardner:** [Jason Bloomberg](#), managing partner at [ZapThink](#).

**Jason Bloomberg:** Good morning, everybody.

**Gardner:** [JP Morgenthal](#), independent analyst and IT consultant.

**JP Morgenthal:** Hey Dana, and for you fellow people, that's @JPMorgenthal for you.

**Gardner:** There you go. Also, [Joe McKendrick](#), independent analyst and ZDNet and SOA blogger. Welcome, Joe.

**Joe McKendrick:** Hi, Dana, glad to be here.

**Gardner:** Let's start on the whole Software AG bid. JP, I just learned this morning that you were an architect there at IDS Scheer. Tell us a little bit about why you think this is a big deal.

**Morgenthal:** No, I wasn't at IDS. I was at Software AG. I was there prior to the [webMethods](#) acquisition.

**Gardner:** Yes. My mistake. Sorry.

**Morgenthal:** No problem. It's really interesting. When we first started thinking about building out a SOA platform and making Tamino the heart of it, the [metadata](#) repository, it was one of the key applications we saw for [Tamino](#) in a SOA platform. I actually was looking for different metadata partners.



I looked at IDS Scheer back then and that's what they were sowing a while back, so I had lost track of them and come back to find that now they're driving the whole concept of business process design, which is really interesting.

It seems that the general consensus on the acquisition, though, seems to be focused heavily on their association with SAP, and that the move seems to be driven by more of a business

relationship than a technical relationship. If you look at the platforms, there is some overlap between the webMethods platform and the [ARIS platform](#).

So, it would make sense that, if they were going after something, it wouldn't be just more design functionality. There has to be something deeper there for them to grow that business even larger, and certainly SAP is a good target for going after more additional business.

**Gardner:** So, is this an acknowledgment that SAP needs a SOA partner and that this is Software AG's move on the dance floor to sort of step up the music a bit?

**Morgenthal:** SAP probably doesn't believe that they need an SOA partner, but I think that the fish are starting to nip around the outer boundaries. SAP customers are to the point now, where they are looking for something more immediate, and obviously the redevelopment of SAP as a complete SOA architecture is a long-term endeavor.

So, how do you start moving there in an incremental fashion? A lot of SOA platform vendors are starting to identify that there is a place for them on the outer edges, until SAP gets to make its full transformation.

**Gardner:** Hey, Jim Kobiellus, do you agree that this is more than just a technology acquisition? What do you think? Does SAP need a SOA dance partner?

**Kobiellus:** Does Software AG?

**Gardner:** No, SAP, and that Software AG is perhaps an intermediary step.

**Kobiellus:** Wow, that's an interesting question. Honestly, I don't think SAP needs another dance partner here. Let's say, hypothetically SAP acquired Software AG. What could Software AG with IDS Scheer on board offer SAP that they don't already have? There is the BPM. There is the [enterprise application integration \(EAI\)](#). I don't really see anything obvious.



**Gardner:** JP, help him out. Why did you make that statement?

### *Feeding at the outer edge*

**Morgenthal:** Well, I made the statement that the groups, like the combined effort of a Software AG with webMethods and IDS Scheer actually becomes one of the feeders on the outer edges of the SAP market. While SAP is in its cocoon, it needs to turn from caterpillar into SOA butterfly, and heaven knows whether that will actually survive that transformation.

There are a lot of SOA platforms starting to eat at the outer edges of the cocoon, feeding off of that, and hoping the transformation either fails or that there will be a place for them when the SOA butterfly emerges.

**Kobielus:** I don't think that necessarily Software AG would be a good fit for SAP. There are a lot of redundancies. I don't think that this notion of a Teutonic hegemony has legs here.

What's really interesting here is that, clearly Software AG is on a tear now to build up their whole SOA stack. I blogged on this under Forrester. People didn't realize that IDS Scheer is actually now a [business intelligence \(BI\)](#) vendor. They've got a self-service mashup BI product called [ARIS MashZone](#), in addition to the [complex event processing \(CEP\)](#) product and an in-memory analytics product.

IDS Scheer, prior to this acquisition, has been increasingly positioning themselves in the new generation of BI solutions. That's been the one area where Software AG/webMethods has been deficient, from my point of view. In these SOA wars, they're lacking any strong BI or CEP capabilities.

Now, IDS Scheer, their BI, their CEP, and their in-memory analytics is all tied to [business activity monitoring \(BAM\)](#), and all tied to BPM. So, it's not clear whether or when Software AG, with IDS Scheer on board, might start turning all of that technology or adapting it to be more of a general purpose BI CEP capability. But, you know what, if they choose to do that, I think they've got some very strong technologies to build upon.

**Gardner:** Tony Baer, how do you come down on this technology, filling in the cracks, as Jim Kobielus believes, or the larger strategic implication that JP was alluding to?

**Baer:** I think it goes both ways. You can't separate the technology from the strategic implications of this deal.



For one thing, I don't think SAP itself thinks it needs a partner, in that, through [NetWeaver](#), it has tried to control the middle tier in addition to the application tier, but they've not been that humongously successful in the market.

The other thing is that, yes, they have essentially defined an architecture for exposing their processes as services. They keep changing the names of it, so I forget what the latest acronym for it is. But, from the SAP standpoint what they lack is SOA governance. They lack a lifecycle there. SAP has always been very much around its own internal governance, and that's been a really interesting omission.

## *Other dimensions*

More broadly, there are other dimensions to this deal, which is that Software AG's webMethods business gets a much deeper process-modeling path. I don't know how redundant it is with the existing modeling. I don't think there are many BPM modeling languages that are deeper than ARIS, and that's selling pretty awesomely. As a matter of fact, you can look at Oracle, which uses it as one of the paths to modeling business process, along with the technology they picked up from [BEA](#).

**Gardner:** So what's the theory there, Tony, that the tool and its popularity will drag in some more on the infrastructure side?

**Baer:** For Software AG, what it's going to drag in is immediate access to the SAP base, and that's huge. It also basically lays down a gauntlet to IBM and Oracle, especially Oracle, which has an OEM agreement. All of a sudden they have an OEM agreement with a major rival, as they're trying to ramp up their fusion middleware business in their SOA governance story.

**Gardner:** There is a lot of that going on nowadays.

**Baer:** Oh heck, yes, and so I see this as being incredibly disruptive, and I think a very smart move for Software AG.

**Gardner:** Let's go to Brad Shimmin. It seems like we've got some jockeying going on, and there aren't really too many mid-tier SOA infrastructure players left that these other behemoths can play chess with, their little pawns that they can move in front of their other players and play one OEM's agreement deal off of another, as they all try to come up with the total stack. What's your perspective, Brad? Are we almost at the end of the SOA consolidation process?

**Shimmin:** I don't think so. When you look at the big players, just as you said there, Dana, with their little OEM games -- reindeer games -- that get played, those are becoming less and less of an issue.



Look to the governance. About two years ago, most of the vendors are OEM. That certainly has turned around, such that these vendors, the big players we're talking about here, are very much providing in-house stacks. That speaks to what Tony and JP have been saying about getting some [governance](#) and SAP and getting better [middleware](#) and SAP customers. That's why I think this is such a big deal, and, as Tony was saying, why it's so disruptive.

It's not just that they have a fuller stack now, but there is a more complete stack for SAP customers. NetWeaver has been hanging in there. SAP definitely thinks it is middleware, but then why else would there be so many players on the outside, providing integration services for SAP applications running on not NetWeaver

But, back to your question about the smaller players, Dana, it seems like it's now a class society, where you have the big players -- the IBMs, Oracle, SAPs, and now Software AGs of the world -- and then you have the rogue players in these open-source space that are coming up, that have room to play.

We're talking about the [Red Hats](#), the -- I'm blanking on the others here. There are probably three or four software vendors out there that are playing just in the open-source middleware space that has a great player like [WSO2](#). Another one that's really good is [MuleSource](#), although they're kind of limited.

### ***Bifurcated environment***

The point is that, when you have this really bifurcated environment, it gives you fewer acquisitions and more competition, and that's what's going to be great for the industry. I don't see this as leading to further consolidation at the top end. It's going to be more activity on the bottom end.

**Gardner:** Jason Bloomberg, isn't there no small dose of irony that the SOA landscape is being driven by folks trying to do it all? I thought the whole notion of SOA was being able to include more players and more components to interact and interoperate. What's going on?

**Bloomberg:** That's a important point to bring up. This IDS Scheer announcement really doesn't have anything to do with SOA. That is surprising, in a way, but also consistent with some of the fundamental disconnect we see within Software AG, between the integration folks on one hand and the BPM folks on the other.



There are some people within Software AG, typically the CentraSite team, [Miko Matsumura](#) and his strategy team, who really understand the connection between SOA and BPM. But, for the most part, basically the old guard, the German staff, just doesn't see the connection.

This fundamentally confuses the marketplace, because you have the integration-centric SOA message out of Software AG. You have the metadata-driven CentraSite message that tries to pull it together, but doesn't have a dominant position within the context of the Software AG marketing. Then, you have the BPM folks, who just don't understand that SOA has anything at all to do with BPM.

If you read the '[BPM For Dummies Book](#)' that Software AG put together, for example, they don't even understand that SOA has any connection to BPM. Software AG released a press release a few weeks ago that described SOA as a technology. Whoever wrote the press release doesn't even understand that SOA is architecture. It makes you wonder where the disconnect is.

With the IDS Scheer acquisition, if you read through what Software AG is saying about this, they're not connecting it with their SOA story. This is part of their BPM story. This is a way for them to build their vertical BPM expertise. That's the missing piece.

They have this BPM capability that they got from webMethods, and there is some Fujitsu technology in there as well. Poor Fujitsu, I guess, is the odd one out on this one. Software AG is looking to add some vertical capabilities, but because they're not tying it with the SOA story, they run the risk of continuing to be the outlier player, when it comes time to compete against Oracle and IBM.

### ***They don't understand***

**Kobielus:** Let me butt in a second, because in Forrester we've been discussing this. We don't think that Software AG understands fully who they are acquiring, because they don't really fully understand what IDS Scheer has on the SOA side. They don't understand the BI and CEP stuff.

So, I agree wholeheartedly with what Jason is saying. They're acquiring them just for the BPM, but that really in many ways really understates what IDS Scheer potentially can offer Software AG.

**Bloomberg:** Yeah, that's a good point. It's worth highlighting that IDS Scheer does have some pretty solid SOA capabilities within the context of their BPM focus.

Now the question is what Software AG will do with that part of the story. Will it get lost in the shuffle or will it really be integrated into the overall SOA stack in a way that enables them to have a better process-driven SOA story?

That's going to be a challenge for them, because that involves some shifting of thinking, not across the whole organization, but within this sort of old guard Software AG folks who have been resistant to this part of the story.

**Morgenthal:** Just to add a little more fodder, if I haven't lost track of who's who in Software AG, isn't the person who ran this acquisition [Dr. Kürpick](#), if I have that name right. Didn't he come out of SAP, and isn't he more focused on the business process end of things than the SOA end of things?

**Bloomberg:** Who wants to chime in on that one?

**Kobielus:** It is Kürpick, but I don't know what his background is.

**Morgenthal:** I believe he came out of SAP, and I believe his background is on integration and BPM.

**Gardner:** So, JP, to your point, we seem to have a mixed understanding of whether BPM is the source or a larger infrastructure benefit. I think you were making the point that the BPM could be perhaps a point on the arrow. If you've got your tool embedded, if you've got business process expertise, and you are moving down the stack from the process level, that that could be something that would drag in other aspects of a SOA environment.

**Morgenthal:** This is funny, because this keeps coming up over and over. Early on, I used to work with [BrainStorm Group](#) on their SOA BPM shows, and, at the height, the BPM show got up to like 600 people. I was doing the SOA side of the story in the track.

### ***Driving the business***

At the breaks, I would go talk to these people, and the BPM people would all look at me like I was talking another language, and say, "I don't deal with that." These are people who were doing BPM initiatives in their organization, they were like, "That's for the IT guys. I'm the business." So, time and time again, I found out that the BPM people were the ones driving the business.

Now, the number of people who have been attending BPM conferences has been dropping significantly, saying basically that if training went out to the business people, the business people are doing the business analysis. They are using the BPM tools like IDS Scheer more than webMethods, which would be the IT stuff.

At the BPM level, a lot of the initiatives are still, I believe, with the business and hasn't translated down into IT dollars and IT deliverables. That's a big issue now with regard to this acquisition for Software AG. Before, they could only play on the IT side of this shop. They had no story to play with the business. Now, they can go back to all those people who are still doing this at the business initiatives and have a story for them, with a roadmap, for how to bring this into IT. I think that sells well. I think IBM uses that, but I still find IBM's tools very IT-centric.

**Baer:** JP, you're right on the mark there. There has always been a huge cultural divide between the business folks, who felt that they own BPM, versus the IT folks, who own the architecture or the technology architecture, which would be SOA. What's really interesting and what's going to stir up the pot some more -- and this is still on the horizon -- is [BPMN 2.0](#), which is supposed to support direct execution.

When I was over at Oracle a few weeks back, they were talking about their strategy. They were saying, that unless a business process, as you model in BPMN, is transactionally complex, you could theoretically make that model executable and essentially ace out IT. I'm a little cynical about that, but it's going to be an interesting thing that stirs up the pot in coming months.

**Bloomberg:** It's interesting you mention SOA as technical architecture, because that's a fundamental misconception of what SOA is about. SOA is really more of a style of enterprise architecture that pulls together both business and IT.

But, you're right that a lot of organizations still see SOA as technical architecture, as something distinct from the BPM, and those are the organizations that are failing with SOA. That part of the "[SOA is dead](#)" straw man is that misconception of SOA as about technology. That's what's not working well in many organizations.

On the plus side, there are a number of enterprises that do understand this point, are connecting business process with SOA, and understand really that you need to have a process driven SOA approach to enterprise architecture.

The question, then, for the vendors is which vendors can really support that story in a way that doesn't defeat the purpose by a self-serving software sales pitch. That's always difficult, because the software sales people are there to sell the software. So you don't buy SOA. You do SOA, and doing SOA includes business process work, as well as technology work.

### ***Telling the story***

The prize goes to the vendor who really can tell that story properly. That's difficult for all of them and they're all are struggling with this. That's the story for 2010. Will it be IBM, Oracle, or Software AG who tells an architecture-driven BPM/SOA/[enterprise architecture \(EA\)](#) story in a way that really does help organizations solve their problems, as opposed to just pushing the software and letting customers figure out how to use it.

**Gardner:** Thanks, Jason. Let me go to Joe McKendrick. Joe, it sounds like something we don't talk about too often is the importance of the sales function, the sales department, and how these things enter the market. It sounds as if the sales department is selling to the business side of the house, and that's how their strategy perhaps lines up.

Or, if they've got another product set that they're going to sell to the technology side of the house, well, then that's how they're going to continue to enter the market, because that's the side where they get the PO.

But, isn't that self-defeating, when it comes to SOA as an architectural paradigm shift, as we've mentioned here? How do we do that? Is there another step that we need in bringing SOA into the market that educates or changes the sales culture so that they don't simply go after the short-term product sale, but look for more strategic sale?

**McKendrick:** Yeah, Dana, that's a big challenge. You're right. The sales people from the vendors have specific relationships with individuals within companies. They may tend to be IT people on one hand or you may have some folks on the business process side, depending on the types of products, and usually the paths don't cross.



I wonder, too, with SOA. That's been the challenge, as we've been discussing about

SOA. It's been confined somewhat to the technical side of the house, perceptually, and the proponents of SOA tend to come from the IT side.

**Gardner:** I guess what I was getting at, Joe, is that the separation between SOA and products seems to be taking place not just on the buy side. It's probably taking place on the sell side as well, as is demonstrated perhaps by what we're hearing today about the IDS Scheer buy being absorbed by one part of Software AG and not across the board.

**McKendrick:** Absolutely. You really can't sell SOA. Theoretically, you don't need to buy any products to start SOA in your organization. It's ludicrous to try to sell SOA, the package itself. That's something that's been discussed for years -- selling SOA in a box. You can sell individual products.

Let's face it. It's a tough environment, and vendors are on these quarterly cycles. They need to push the product out there, and they'll call it whatever they need to call it to get the product out. Maybe SOA is even diminishing as a sales term. It's cloud nowadays.

**Gardner:** Jim Kobielus, do you agree that this might be what we're up against? In a down economy, sales people need to sell, and, product-by-product, that's what they're going to go after. At the same time, they do an injustice to this larger architectural shift.

### *Shifting the focus*

**Kobielus:** Yeah, for sure. What gives me hope on the Software AG-IDS Scheer merger is the fact that what I heard on the briefing is that Software AG realizes they need to shift from a technology and sales driven model towards more of a solution and consulting driven business model. First of all, that's the way that you lock in the customer in terms of a partnership or an ongoing relationship to help the customer optimize their business and chief differentiation in their business.

What I found really the most valuable thing about the briefing on the acquisition that we got from them the other day was IDS Scheer adding significant value to Software AG. Software AG pointed to the business process tools under ARIS. That's a given. They focused even more on the EA modeling capabilities that IDS Scheer has, and even more on the professional services on the vertical solution side and the BPA consulting side -- consulting, consulting, consulting, relationship building, solution marketing.

I think Software AG knows that they need to put the IDS Scheer solution focus first and foremost. In a down economy, that's the way to lock in these premium engagements and these ongoing relationships that will be essential for Software AG to differentiate themselves from vendors like IBM, Oracle, and SAP, who have been solution focused for quite some time in the SOA sphere.

**Gardner:** Tony Baer, we need to wrap up on the Software AG acquisition. Are there any other takeaways that we've missed on this one?

**Baer:** It's interesting hearing about the BPM and SOA disconnect, and it certainly doesn't surprise me. I totally agree with Jason. The problem is that it's a perception that those business stakeholders view SOA as the technology architecture and, more specifically, [business process execution language \(BPEL\)](#) as that bastardized execution language, which I think is probably a little bit of envy on their part.

I can sort of understand that there is a degree of creative tension within Software AG in terms of understanding the connection between BPM and the SOA.

I very much agree with Jim -- I'm Mr. Agreeable today -- that it really is all about solution sell. I was just up doing consulting yesterday with a vendor in the tools industry and telling them that they have to do more of a solution sell.

That's a really tough nut for vendors to crack, because, as the CEO was telling me, "I agree with you, but our sales guys still have quarterly numbers that they have to meet, and if customers want product, we're not going to say no." That's a tough one.

**Gardner:** Brad Shimmin, do you agree that the solution sell is a multi-year process, but right now these companies need to get some POs signed? Perhaps that's what at work here in terms of filling in of the cracks with this acquisition?

### ***Pre-sales and post-sales***

**Shimmin:** There is pre-sales and then post-sales, and the post-sales is very separate. You have your services organization, and as everyone has been saying here, that's the key to this IDS Scheer acquisition by Software AG.

Software vendors like IBM, Oracle and SAP, which are solution based, have these well established organizations, but do nothing except go out and say, "You know what? You really need to lead with BPM, and by the way, in order to make BPM work, you need to have this great infrastructure and architecture underneath and that happens to be using our SOA components." Those guys know how to do that.

Software AG, as we said, is going to take some time to get that up to speed. In the meantime, it's all going to be driven by the numbers. You're selling infrastructure, you're selling webMethods' software endpoints to the IT folks, and you're selling ARIS to the business folks. To bring those two together is going to take quite a bit of time.

**Baer:** I think it's kind of important to look at IDS Scheer's numbers. They've actually flattened out. The SAP market is pretty mature. Within the webMethods space, it's younger, dynamic and growing. That could be a way to give IDS Scheer and ARIS a bit of a jolt, if Software AG can deal with those structural issues.

**Gardner:** Okay. In the second half of our show, let's take a look at this WOA drive. I was impressed with the Google Chrome OS, not necessarily on its technical merits -- we don't know too much about it yet -- but the idea that Google is willing to go toe-to-toe with Microsoft and sees the marketplace is ready to absorb an OS designed of, for, and by the web.

Does anyone else share my impression that this is a harbinger of a larger shift towards the web?

**Shimmin:** I just think it's reflective of the shift that's already underway. When you look at Google Chrome OS, it's [Linux](#), which is a well-established OS, but certainly not something you would call a web-oriented OS. Chrome OS is really something akin to [GNOME](#) or [KDE](#) running on top of it. So, technologically, this is nothing spectacularly new.

I think that what Google is doing, and what is brilliant about what they're doing, is that they're saying, "We are the architectural providers of the web, people who make the pipes go, and make all of you able to get to the places you want to go in the web through our index. We're going to build an OS that's geared toward you folks. We're going OEM and through vendors that are building [netbooks](#), that are definitely making a point of contention with Microsoft. Because Microsoft, as we know, is really not pleased with the netbook vendors, because they can't run Vista or eventually Windows 7."

**Gardner:** Not only that, but they can't charge the full price that they would have liked to charge for an OS, because these things only sell for \$400.

**Shimmin:** Exactly.

**Morgenthal:** I have differing opinion, and of course an opportunity to tick off the entire [Slashdot](#) audience. Everyone thinks this is an attack at Microsoft. I'm looking at it as a Mac user and see a huge hole in the market. I've got to pay almost \$2,000 for a really good high-powered Macintosh today. All they did was take [BSD Unix](#) and really soup it up so that your basic user can use it.

### ***Out of the slime***

People on the Linux side are like, "Oh, Linux is great now. It's really usable." I've got news for you. It's no way nearly as usable as Windows or the Mac. As far as usability, Linux is still growing out of the proverbial slime.

But, if you take that concept of what Apple did with BSD and you say, "Hmm, I'm going to do that. I'm going to take Linux as my base and I'm going to really soup up the UI. I'm going to make it really oriented around the network, which I already did, and I have a lot of my apps in the Cloud, I don't necessarily need to build everything large scale. I still need to have the ability to do video, tie things in, and make that usable, but I'm also going to be able to sell it on a \$400 netbook computer."

Now, you're right down the middle of the entire open market, because people can't stand Windows XP running on these netbooks. As was previously said, you can't yet run Windows 7 yet or Vista. We don't know what Windows 7 is going to look like, as far as usability, and the Mac is costing way too much.

There is a huge home run right through the middle. You just run right up the center and you've got yourself a massive home run. It doesn't have to be about going after the enemy. It's not about hurting the enemy. It's about going after your competitors.

**Gardner:** If Mac OS stays in the top tier and something like Google Chrome OS comes in, the only other player to suffer is Microsoft. Isn't that who gets squeezed out?

**Morgenthal:** No, I actually think you're starting a grass-roots effort that could knock Apple out, because Apple's maintained its proprietary nature. If you can deliver the equivalent of an Apple-based set of functionality and the usability of the Mac on a \$400 netbook, or a bigger if you want, you hurt Apple. You don't hurt Windows.

**Gardner:** I appreciate your point, but I think that Apple is okay at the top tier. I think this is more aimed at the bottom of the Windows tier, and the price-sensitive audience, both in the consumer and business spaces. What do you think Jim Kobielus?

**Kobielus:** I think it is, exactly what you said, Dana. First of all, it's [vapor](#), because this is not going to be released, I think, until the second half of 2010.

**Gardner:** Yes, second half next year.

**Kobielus:** And, they haven't announced any real features. They haven't announced any final pricing. It will probably be nil or nothing. There's so much that has yet to be defined here. How long ago was it they introduced [Android](#), and how much adoption does Android have in the mobile space?

**Gardner:** Well, it's got developer hearts and minds, which is probably important.

## ***"Google hegemony"***

**Kobielus:** Yeah, yeah. People keep expecting the big "Google hegemony" to evolve or to burst out, so everybody keeps latching onto these kinds of announcements as the harbinger of the coming Google hegemony and all components of the distributed internet-work Web 2.0 world. I just don't see that happening.

I think this is exciting. They've got all these kinds of projects going, but none of them has even begun to deliver for Google anything even approximating the revenue share that they get from search-driven advertising.

So, this is interesting, but a lot of Google projects are interesting. [Google Fusion Tables](#) are interesting for analytics, but I just can't really generate a big interest in this project, until I see something concrete.

**Gardner:** Okay. Tony Baer, are you ho-hum on this as well, or do you think that this signals that the OS gets buried underneath that layer that is your Web interface and your ability to coordinate with cloud services level?

**Baer:** I vote for the ho-hum. I agree with Jim. Their business model has been, so far, throwing as much mud at the wall as possible and seeing what sticks. To date -- and this is one place where I would actually agree with Steve Ballmer -- they've really been a one-trick pony.

You've got to put this in perspective, The Microsoft Office base is not a growing base. It does indicate, though, that there are many types of alternative clients that are emerging, and I don't think anybody has claimed those emerging clients. So, JP has an interesting point in terms of that. It basically fills the hole that Apple is not trying to fill.

**Gardner:** What about the iPhone. Doesn't the iPhone fill that hole? It's a low entry at \$200 and does a lot of what a PC does.

**Baer:** Well, iPhone, compared to a computer, is low entry, but its expensive compared to a smartphone.

**Shimmin:** I am sorry to interrupt you, but Apple has netbook coming out in October too, so they're trying for that market as well.

**Baer:** I'll grant you that point. The important thing mostly is that it does point to a new diversity of clients. Some may need netbooks. Some may want smartphones. Some, like myself, still deal with regular brick computers. It's just a diversity.

So, I think that's really what Google's move heralds. As to whether Google really actually shoots in the long run, I'm waiting for the evidence.

**Gardner:** Okay. Jason Bloomberg, how about you, a ho-hum or a shift?

### ***Mostly irrelevant***

**Bloomberg:** At ZapThink, we're focused on the enterprise. We talk primarily to enterprise architects who are really trying to figure out the big picture of how enterprise IT resources can meet the ongoing changing business needs. From that perspective, Google is mostly irrelevant. So, I'm definitely in the ho-hum category.

Sure, maybe they will carve out a niche in the netbook OS market, but from the perspective of the enterprise, that's a very small piece of what they're worried about.

**Gardner:** Let me go to Joe McKendrick. Joe, does what Google has brought to the table have an impact on the enterprise?

**McKendrick:** Eventually it does. The Google Chrome OS is kind of a marker on the road. I think back to why I started using Google several years ago, and I think why a lot of people started using it. It was so fast. I used AltaVista, Yahoo, Lycos, and all these other search engines, and I just liked Google, because it was real fast. It got me to where I was going in a very fast and efficient manner.

I don't know about Chrome delivering this capacity, but I think what's happening is that the OS is becoming more something that's getting in the way of where you want to go.

I use XP and Vista both. I'd rather just get on the computer and get immediately to where I want to go on the Web and not have to fuss around with all these features with the OS - booting up, security features, updates, patches, and so forth.

I think the world is moving that way. Why can't everyone have a client computer, a device that simply has some kind of very thin OS and the browser connecting them to all the cloud services they need?

That's what's great about smartphone. I love the smartphone because it just goes to where you need to go very rapidly. You're not fussing with the OS. It's more of an embedded, invisible, thin capability, and that's what enterprises are looking for as well.

**Gardner:** JP, we talked about OEM agreements and how important they are behind the scenes in the technology industry. The OEM agreements that Microsoft has with their hardware vendors are perhaps seeing some strain.

Microsoft didn't do any favors for their hardware vendors with the debacle that Vista was, particularly as that came during the precious year or two before this recession. That could have driven a lot of sales that now will probably never happen.

Do you think that Google, not only has an opportunity to come into the market, as you mentioned, with a technology, but perhaps is going to be a friend of the enemy for these hardware people. They'll probably give this thing away and allow these hardware developers, distributors and creators to benefit from the services marketplace of advertising in a sort of backhanded way, and they get basically free software from Google as a result?

### ***Who'll win the desktop?***

**Morgenthal:** For them, it comes down to who is going to win with the desktop applications. That's what it comes down to. The only reason these hardware vendors are making the investment in Microsoft is because customers want a Microsoft platform, most likely because they are running Office or some other Microsoft application. It's what they're trained on and still comfortable with.

There's a [great video](#) out there that Google did asking people on the street, like a Jay Leno walk by, what is a browser? About 92 percent of people didn't even know what the browser was. They're like, "The browser is Google. Yeah, I go to Google." They don't understand it's an application that renders HTML. They don't know that. They have no clue.

It's very easy in this day and age, we get on a phone, we talk, and we know the stuff inside and out. You've got to realize that 92 percent of people out there don't get it. It's easy for Microsoft to go put up a video that shows how great Vista is and how people were snookered into, "Wow, that's the next version of the OS. Look how cool it is. No, it's really Vista." Of those 92 percent of people, you don't think at least 50 percent of those are still going to come in and say, "I want a Vista machine," after seeing that? Of course they are. That's why the hardware vendors don't have a choice.

Microsoft doesn't have to worry. Yes, they want to make good friends with these people, but ultimately it's the consumers who are coming in and saying, "I want this type of machine, I don't trust that Linux stuff. I don't know anything about that. I don't want to go there. I was told if I go there, I'd better know how to actually get to a command line and work." That's what they still hear.

**Gardner:** Tony Baer, JP says that the hardware people don't have a choice. Does Google want to give them a choice?

**Baer:** I don't know what Google really wants. Basically, as Jason and I were saying, they're going to throw as much mud against the wall and see what sticks. I like Jim's metaphor on them being the [Xerox PARC](#) for Web 2.0.

If Google were serious, in other words, if they really did have a more of a strategic business plan for this, I would say yes. But, as long as it's just, "Let's just throw something else out there, and by the way, this is not going to come for another 12-18 months," I have a hard time taking this seriously.

**Gardner:** Brad Shimmin, suppose I'm HP, Dell, or I'm Acer, and I need to sell these \$400 netbooks, because that's my only growth area right now and might be for the next two years, before these corporate budgets start growing again. I could sell that thing for \$400. Microsoft is going to take \$150-200 just for the OS, and Google wants to give a free OS. What am I going to do?

### *Let the user decide*

**Shimmin:** I would have both of them on there, and let the users make a choice. I'm still thinking about the price tag.

**Gardner:** For the Microsoft OS.

**Shimmin:** That's what I'm saying. They want to make a buck and they'll do it the best way they can. If they're getting it free from Google, they'll put it on there as a option, but they'll still pay homage to Microsoft, because, as we've been saying, it has to be. They still have ownership of the desktop.

In my mind, the curious thing about all this is that what's made the iPhone and the BlackBerry so successful is that they're self-contained machines. The OS and the hardware are very tightly controlled and very tightly integrated. What's made the PC and the Windows OS such a pain and so detrimental to productivity is that it's very much the opposite of that.

The Mac -- and I'm a Mac user too by the way -- is that it makes us more productive. The OS doesn't get in the way of the Internet. It actually makes the Internet better. It's because it's a controlled environment, but it's really expensive to do the things that way as a company, due to costs in manufacturing.

If Google Chrome is going to go out there the way Android has gone out there, which is, "Let's look for some OEM vendors to make this work and it's going to be based on Linux," I don't ever see it actually doing what the BlackBerry and the iPhone have done in terms of making the 'net better.

I think that it's going to be for those Slashdot folks, who really like that kind of thing and want to make it go. I see this taking a lot longer for the white label stuff to really make things work as well as the closed environments have.

**Gardner:** Well, I'm afraid we will have to leave it there. I appreciate everyone's input.

We've been talking about the acquisition by Software AG of IDS Scheer, and also the possible impact that the Google Chrome OS could have in the market. It seems most of our people think, that's not such a big deal.

I also want to take this opportunity to thank our sponsors for the BriefingsDirect Analyst Insights Edition Podcast Series; they are Active Endpoints and TIBCO Software.

I also want to thank this week's panelists, Jim Kobielus, senior analyst at Forrester Research. Thanks, Jim.

**Kobielus:** Always a pleasure.

**Gardner:** How about a little excitement there, Jim?

**Kobielus:** I am still overstimulated. That's a redundant statement.

**Gardner:** Are you overstimulated too Tony Baer, senior analyst at Ovum?

**Baer:** I really love these podcasts, Dana.

**Gardner:** Nicely done. Brad Shimmin, principal analyst at Current Analysis.

**Shimmin:** Still here, and not even caffeinated.

**Gardner:** Jason Bloomberg, managing partner at ZapThink, thanks for joining.

**Bloomberg:** Come to our new [SOA and Cloud Governance course](#).

**Gardner:** Excellent. JP Morgenthal, independent analyst and IT consultant. What plug do you have for us JP?

**Morgenthal:** Until next time.

**Gardner:** Joe McKendrick, independent analyst and ZDNet and other web property blogger extraordinaire in SOA and BI and all sorts of things, right?

**Morgenthal:** Call me Joe "not a slave to fashion" McKendrick.

**Gardner:** Thanks very much. This is Dana Gardner, principal analyst at Interarbor Solutions. Thanks for listening and come back next time.

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