



The FutureSense Strategist²

Subject: Microsoft & Sun Microsystems – Pragmatism & Survival³

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Well, at this point we all know about the 10-year agreement between Microsoft & Sun Microsystems is that it will limit the creativity that Scott McNealy can use to describe the competitive practices of his rival or the intellectual capacity & ancestry of its Chief Software Architect. What will this agreement really mean, though, & how will it really work – how can it really work? Technically & legally, the agreement is a set of details, but culturally, this is hard for both companies. Both companies have a lot invested in the depth & intensity of the rivalry, but for different reasons. Both companies (or at least Microsoft) may benefit greatly from the agreement, but again for different reasons. This Strategist will explore why it is in both company's interests to at least make the semblance of the agreement work & what Sun needs to do to move beyond this agreement...

The culture within Sun has for years emphasized an “us versus them” attitude, where there was anyone not in tune with the Java message. This has primarily been Microsoft as embodied in the senior management team of Gates, Ballmer and the array of SVPs and senior techies visible outside of Redmond. “Them”, however has also included many of Sun's principal partners & sometimes competitors in hardware & software such as IBM, BEA, SAP etc. “Us & them” is a good technique for circling the wagons, & circling the wagons can be a good strategy for the short term when a company gets into trouble; but you can't do it forever. And Sun is in trouble, make no mistake about it. They have had 12 quarters of declining revenue; their most recent 12 month period (ending 12/28/03) saw a decline of 4% in revenue to 11.2B with a GAAP EPS of -\$0.45. As an alumnus of the company formerly known as Digital Equipment, I am all too familiar with many of Sun's problems: late to adopt the majority hardware architecture (x86 Intel, in this case), loath to give up a proprietary operating system (Solaris), late to cede control of their standard software franchise (Java), slow to exploit a substantial early lead in infrastructure technology (application servers, remember JOE), difficult to collaborate with in standards development (web services) – did I miss any, I'm sure I did... Now Microsoft is going to pay them \$1.95B & share IP with them. There must be a pony here somewhere.

On the Microsoft side, Sun as a company has been seen more as irrelevant than as a serious competitor; while McNealy has been seen as an irritant. Microsoft, as always, emphasizes developers as a constituency, so Java is seen as serious competition, but it is IBM, BEA etc. that are seen as competitors. Microsoft executives have, for the most part, refrained from the “war of the words”, but they have out-competed Sun where it counts – in the hearts & minds of developers.

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Let's look at the agreement – There seem to be three major pieces that might affect the technical evolution of each company's products. These are:

- **Technical Collaboration** – a general agreement to share IP on server-based technology so that server products will interoperate more smoothly, a first example is the potential interoperation of Microsoft Active Directory with the Sun Java System Identity Server, additional areas cited are email & database with no details given
 - Sun will license the Windows desktop operating system communication protocols
 - Microsoft will continue to provide support for the Microsoft Java Virtual Machine
 - future collaboration (unspecified) to provide interoperability for .NET & Java technologies
 - Windows Certification for Sun Xenon-based servers & potentially for Opteron-based servers
- **Patent & IP Framework Agreement** – Neither company will sue each other for any past patent claim. This covenant may be extended into the future & the companies will negotiate a cross-license agreement for IP.
- **Legal Settlement** – The companies are settling & terminating their lawsuit in the United States, & Sun agrees that this agreement satisfies the objectives it was pursuing in the EU actions against Microsoft.

So, who benefits? Microsoft gets to continue to support its JVM (i.e. control the use of Java on the Windows platform) & over time there may be better interoperability between the .NET & Java environments. Microsoft will also no longer have the “distraction” of the Java-based lawsuits or McNealy's rhetoric (probably). Sun may get to sell some Windows Certified servers. Microsoft gets to continue to develop the .NET environment as a service-based architecture for the enterprise (with improved interoperability to JxEE). Sun does not “own” the Java franchise, so it is quite possible that its competitors will benefit as much or more so from this agreement as it will. The other real beneficiary is Microsoft's & Sun's customers who have struggled over the past several years to develop the necessary interoperability between these environments. If this agreement actually does lead to increased & simpler interoperability between .NET & Java, then it will be worth a great deal, in the medium term (2-4 years), to users of these technologies. The potential is there, ask me in two years how well it has worked.

OK – here comes what I really think... Sun does not get much from this agreement unless they're willing to go out on a limb & do some hard work. The cultural center of gravity these days at Microsoft is the new technologies under development for Longhorn. WinFS, Indigo, Whidbey, Yukon, Avalon – these are the technologies that will take Microsoft into the future world of item-based service architectures that Java is also slowly evolving toward. Sun is not currently part of that evolution, & this agreement does not position them to be. Sun will not establish double digit growth rates by selling Windows-certified servers. If Sun is to become relevant in the enterprise software space, they must move to regain the momentum they had several years ago in infrastructure & service-based architecture. In order to do this, they must think big. They are not going to compete, at this point, with IBM & BEA for application server deployments or with Microsoft for mid-range developer seats. I believe that they must use this agreement as a beginning, move past it & develop a vision for service architectures that can be delivered in the next several years - & then begin delivering on that vision. The vision needs to subsume the current ideas of web services architectures, take the concepts of “item-based” or “everyday information” from their new IP partner (Microsoft), take the concepts starting to be articulated in ideas such as Gartner's Service Oriented Business Applications (which wags are already calling noodle-based architectures), synthesize them with the new ideas circulating about composites (large-grained business function with UI), large scale discovery & classification etc. & lay out a description of how this all could come together. They would have to avoid a proprietary view, but be willing to work within current standards processes. The important thing would be to lay out the vision (maybe I'll do that in a future Strategist), & then credibly start moving toward it. – OK, just an opinion... Stay tuned, & remember...

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