



Five Predictions: From Obvious, to Out There, to Outrageous

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Bruce Richardson

The dawn of a new year brings promise and uncertainty. As we complete the first week of 2007, we have more questions than answers: How will the economy fare? What will we be talking about next year at this time? Which company will Larry Ellison buy next?

With that as a backdrop, here are five predictions for 2007.

1. Strong global economy, though still not evenly distributed

Like you, I'm always in search for clues about the economy. Last week, Werner Brandt, **SAP's** CFO, said his company is expecting double-digit revenue growth in 2007, with the United States and Asia being the top two sources of growth. SAP's optimism is a good omen for the enterprise software market.

This week, we met with the CEO of a well-known industrial automation company. He cited Asia and Latin America as two engines for continued growth. Many of the new Asian opportunities involve infrastructure projects in China and India. As for Latin America, two strong verticals include life sciences and biofuels.

As a too-frequent traveler, I also look to hotel and airfare pricing as a harbinger. Business hotel rates in India are moving up from "expensive" to "obscene." The same is true in the United States and many parts of Europe and Asia, too. The sense is that this will be a good year for business. Even the airlines are set to report their best years since 2000.

2. SOA moves from "SOA what?" to small pilots in manufacturing and retail

I initially put this list together for an IT executive. When I asked colleagues to add their predictions, one of them warned me of a very strong "anti-SOA" (service-oriented architecture) sentiment at a recent meeting of IT executives. Here is his summary of the conversation:

"People bought ERP packages because they wanted a packaged application. SOA seems to be a step back from that. Companies don't necessarily want more customization, and this [SOA] seems to be driven by the vendors not the end users. I only mention this because it might be worth considering moving SOA down the list a bit."

My colleague is right, but it doesn't matter. My interviews with the largest SAP and **Oracle** application customers also reveal that they are in little or no hurry to explore the wonders of web services. Nonetheless, I'll bet that SAP creates a sales incentive program to get to the first 100 or so ESOA accounts. Knowing SAP's tendencies, Shai Agassi will want to close 2007 with a large base of name accounts in hand in order to demonstrate his company's SOA leadership over archrival Oracle, which is not expected to ship its Fusion SOA applications until 2008.

3. SAP and Workday fuel model-based craze

I may be the only analyst interested in the model-based approach to creating applications. Nonetheless, I predict that First Thing Monday readers will come to appreciate what the model-based development or definitional services methodology will mean to application development, modifications, upgrades, and maintenance.

When First Thing Monday readers see this or hear me talk about it, the first reaction might be: "Sounds like you're talking about a 4GL" or fourth-generation language for application development. While space limitations (and reader attention spans) prevent me from rehashing my November column "Dave Duffield's Workday Ushers in New Era of Apps," here is how two **Workday** executives explained the difference between model-based and 4GLs:

"Programming has evolved from coding in binary (1GL if you will), through use of Assemblers (2GL), to higher level languages like C, Java, or other "3GLs," and then to higher level 4GLs like ABAP, PLSQL, or PeopleCode. The next logical step in reducing code was to use a definitional or model-driven approach—using templates to prompt for application definitions, which could be turned into actual processing through either interpretation or code generation."

There is no 3GL or 4GL code in Workday's apps. Per the developers, "all parts of the application are defined as metadata, which is interpreted by our Object Management Server (OMS) at runtime." This led into the discourse on the "19,000 method definitions" or "19,000 pieces of metadata without code" versus tens or hundreds of millions of lines of code in the leading ERP systems. Plus, with the new approach, you've severed the need to map all of the application data to a relational database and you can embrace new user interface technologies

(such as AJAX) in the browser.

Workday is not alone. As we wrote last month in "SAP: A Tale of Two SOAs," SAP is poised to launch a new set of model-based applications. Jim Shepherd bet me this morning that we could see the launch of SAP's A1S as early as next month.

Now some of you are thinking, "Poor Bruce has fallen down the object-oriented wormhole." Not true. This time things are different. I think we're on the edge of having "do-it-yourself" (DIY) Web 2.0 applications that will be based on a common development framework and metadata.

Now if SOA makes CIOs nervous, DIY may induce apoplexy.

4. Oracle or IBM buy part or all of Ingres

In July 2004, I wrote "The Panic in Software Park," in which I mentioned that I had bet a reporter that "one of the major software vendors would offer at least one of their products in an open source version." Here were my two scenarios:

Scenario 1: PeopleSoft—PeopleSoft has two major CRM products, its own product developed after the **Vantive** acquisition, and the **YOUcentric** software that came with the **J.D. Edwards** merger. What if PeopleSoft offered the YOUcentric applications for free? Any loss in revenue could be offset by the offer of an annual support contract. The only vendors that could try to respond would be the other ERP vendors. **Siebel** and **salesforce.com** couldn't match this with their own products.

Scenario 2: IBM—What if IBM bought an ERP vendor specializing in the small and midsize business (SMB) market? Rather than cede that market to Microsoft, IBM buys **Syspro** and offers it as an open source product.

Two and a half years later, I'm back to thinking about open source.

If you attended Larry Ellison's keynote at the recent Oracle OpenWorld, you wondered why Oracle chose to launch an attack on the much-smaller **Red Hat**. After the event, I speculated that it might have been a pre-emptive strike on Microsoft against the new Vista operating environment or an attempt to launch a stack war on SAP.

One industry luminary said he believed everything Oracle does is an attempt to hurt **IBM Software Group**. He argued that the acquisitions of PeopleSoft (and JD Edwards by proxy) and Seibel was an attempt to reduce the oxygen to WebSphere and DB2 by eliminating its largest software partners. All that was missing was film of the man with the umbrella on the grassy knoll.

Assuming that my friend is right, what might Oracle do? How about this: Oracle has two very large targets for database, its existing base (especially very large organizations) and OEM customers. Now, I'm not a database expert, but I'd bet that customers with a large investment in Oracle database technology have little incentive to move to DB2 or an open source database. I'm guessing that switching costs and/or retraining might make this a non-starter.

If you look at the OEM segment, archrival SAP would do nearly anything to help its customers get off of the Oracle database. Again, it's hard to envision that they would move. First-time customers, on the other hand, might be very amenable to mySQL or other offerings.

What if Oracle were to invest in or acquire **Ingres**, the self-described "business open source database"? Ingres has 10,000 customers and partners. One of the newest partners is **Infor**, the third-largest ERP vendor. Last month, Ingres said it would be providing database technology to Infor for one of its Adage ERP product line. Infor has 70,000 customers using software the company acquired via **Baan**, **MAPICS**, **Marcam**, and **SSA**. While the relationship with Infor is with the much smaller **Adage** customer base, Oracle would love to lure all of Infor's ERP infrastructure business away from IBM.

Or, IBM gets to Ingres first.

5. U.S. government outlaws use of flash memory sticks

A few months ago I met with the founder of **Verdasys**, a small Boston area company specializing in security software. Here's the premise: most companies have limited appeal to prevent the unwanted dissemination or theft of confidential data or intellectual property. A disgruntled employee (or entrepreneurial supplier) may cut-and-paste sensitive data to an Excel spreadsheet, e-mail it to a Gmail account, print it, fax it, or copy it to a memory stick or disk.

Verdasys' Digital Guardian prevents this. The software deploys a number of safeguards including employee warnings, alerts, denial of access, and unexpected encryption of the targeted data.

Am I overreacting to the potential threat? During my recent swing through India, the cover story of *Outlook*, a weekly news magazine with 1.5 million readers, was entitled "India's Top Secrets Sold." According to the article, an Indian commander allegedly copied thousands of pages of military procurement plans from the ministry of

defense on eight memory sticks, and gave them to an arms dealer who provided them to foreign weapons firms.

As it turns out, some of the Indian firms we visited have sealed the USB drives on employee laptops to prevent this type of activity from occurring.

Data theft or loss is not an India phenomenon. In the last year, I have received letters from my local newspaper and my college alma mater alerting me that my personal data has been compromised. I'm not saying Verdasys or similar tools could have stopped this, but looking for software solutions seems like a smarter approach than a government ban.

Your top predictions here

I initially started the list with 10 predictions, but it was already too long. Maybe I'll add the other five next week. A better idea may be to solicit your 2007 predictions or reactions to my list—brichardson@amrresearch.com.

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