



Advisory Report

Microsoft Positioned to Disrupt Application Infrastructure Market



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June 19, 2009

■ Summary

During an online analyst conference last week, Microsoft executives expressed an unequivocal desire to challenge the application infrastructure leadership status of IBM and Oracle. In order to achieve that goal, Microsoft will need to interact more intimately with Java, open source communities and distribution channels. Already Microsoft is looking at Web development and composite application advances that could greatly extend its relevance in the market. If it continues down that path, the world's largest software company could prove highly disruptive to both the current market status quo and the prevailing technological paradigms in this space. Microsoft has everything to gain from a vigorous stirring of the pot and it is indicating it might just be in the mood to give it a spin.

■ Current Perspective

Microsoft's aspirations of dominating the application infrastructure market have not turned into reality, as Java-centric competitors currently hold sway, but that means the world's largest software company has the opportunity to play the role of disruptor. More importantly, an increased desire to interact with the rest of the application infrastructure universe will move Microsoft from potential disruption to kinetic disruption.

When service-oriented architecture (SOA) began to emerge earlier in the decade, speculation was that IBM and Microsoft were poised to create competing SOA superplatforms, which would dominate the application development and infrastructure market for the next decade. IBM, with its enterprise-level focus, delivered. It has the SOA-based superplatform that forecasters predicted it would, pulling together application development software, middleware, business process management (BPM) and governance. However, Microsoft, which focused primarily on developer productivity, did not deliver a similar superplatform. It partnered for BPM and governance while building a committed, if niche, developer base for itself with its .NET, Visual Studio and BizTalk technologies.

Oracle, thanks in part to its acquisition of BEA (see Oracle Unveils Plan of Attack for BEA

Current Analysis
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Technology Integration July 3, 2008) and its pending acquisition of Sun Microsystems (see Oracle Ambitiously Reaches for Sun April 21, 2009), looms as the chief challenger to IBM. IBM and Oracle dominate to such a degree at the moment that almost all competitors have tuned their messaging to highlighting the advantages (in either price or product) they have as compared to IBM and Oracle. Microsoft has joined this chorus.

Yet Microsoft is no ordinary challenger in this market. It has thousands of customers and a huge partner channel. It is a sleeping giant. Competitors currently are quite comfortable with Microsoft in that role. It is not driving the market and it has become somewhat predictable. Microsoft has continued down the .NET path it set out for itself earlier this decade, tending to its own platform. That strategy works in terms of keeping the current customer base satisfied, but it creates no ripples across the industry. Upgrades to BizTalk Server or .NET do not directly challenge competitors because customers with Java solutions deployed would need to rip and replace large amounts of underlying infrastructure to take advantage of those Microsoft upgrades.

Of course, now that most target enterprises have bought and implemented some form of SOA-based application infrastructure, they are locked into those investments. Microsoft cannot expect to users to chuck an entire installation for the standard benefits of even a major product upgrade. Increasingly, its growth opportunity in the application infrastructure market will be to build on top of Java-centric competitors.

Again, those competitors are comfortable with Microsoft in a confrontational relationship (i.e., do it our way instead of their way). It allows those competitors to position Microsoft as the “other,” the square peg in a market full of round holes.

Yet what if Microsoft becomes communal, working inside the loosely defined “Java” universe rather than parallel to it? It is coming and it has happened before. Microsoft had significant influence in creating Web services standards earlier in the decade, but it is just now getting involved in open source bodies. The Eclipse Foundation is building tools for Microsoft’s Silverlight rich media and application platform. It is working inside the Apache Software Foundation on the Stonehenge project to provide best practices around SOA-based interoperability.

But that is only the tip of an iceberg. Microsoft has recognized that its Oslo modeling project (see Professional Developers Conference: Microsoft Preps for Oslo with .NET and Windows Server Previews, October 28, 2008) might be better suited to specific domains – Microsoft specifically had identified Web development as one of those domains – than as a platform play. Windows Server traditionally runs monolithic applications, but the Dublin project is focused on creating a container to run composite applications. The company has put Java and Ruby software development kits in its Azure cloud-based services platform. In each instance, Microsoft is breaking away from the paradigms that guided it in recent years.

Truth be told, Microsoft would do well to break as many paradigms as it can. The company needs to expand its notion of community beyond Microsoft users and out to all potential users. It should be contributing to more projects and making its downloadable products available outside of Microsoft properties such as MSDN, Azure and CodePlex. Microsoft is still dipping its toes in the water of the ocean that exists beyond its shorelines. It has a long way to go to command those oceans.

And many other vendors need Microsoft to venture into those waters. IBM and Oracle are rapidly consolidating the application infrastructure space as they flesh out their soup-to-nuts portfolios. Large, but not leviathan competitors such as Software AG, TIBCO and Progress

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have influence in large enterprises, but cannot rapidly disrupt the market. Open source vendors such as Red Hat, SpringSource, MuleSource and WSO2 can disrupt the market, but lack presence in large enterprises. Microsoft has the enterprise presence and the ability to disrupt the market. If it doesn't, then only unforeseen circumstance will.

During an online analyst conference last week, Bob Muglia, the president of Microsoft's Server and Tools Business, noted that 75% of its customers have both Java and .Net working in their application development shops. Clearly the business is there for a vendor that can span both those constituencies. All of the signs point in the direction of Microsoft taking a new bite at the application infrastructure space, building on its Oslo and Dublin projects. Expect to see it become much more prominent in what have been considered Java open source communities. Expect it to push its products, particularly BizTalk Server 2009, to new constituencies.

The reality is that Microsoft has to take a new approach to re-engage large enterprises in the application infrastructure market. IBM and Oracle executives openly state they rarely run into Microsoft in competitive customer engagements, and that Microsoft seems more concerned with competing against Google in the online applications space. Microsoft clearly needs to disrupt this status quo. Last week Microsoft executives made it clear IBM and Oracle are in their sights. Sooner rather than later they will recognize the only way to undermine the comfort level of IBM and Oracle is to radically rethink the entire Microsoft application infrastructure game plan.

No vendor has a greater stake in upsetting the current order of things in the middleware space than Microsoft.

Recommended Actions**Recommended Vendor Actions**

- Microsoft should look to Java open source vendors such as Red Hat and SpringSource for alliances that can undermine the market position of IBM and Oracle. A key to those making those alliances successful will be making Microsoft assets easier to be consumed by and orchestrated within Java systems.
- Software AG, Progress, TIBCO and HP should deepen the reach of their BPM, governance and management tools into the Microsoft product portfolio. In particular, the ability to bring business process composition and governance capabilities to the composite applications that will run on Dublin will become a differentiator from IBM and Oracle. Microsoft should make sure those vendors can achieve that differentiation.
- SAP should expand its Duet partnership with Microsoft beyond its current Office boundaries. Better interoperability between Microsoft composition and integration products and the SAP Business Suite would benefit both vendors.
- IBM and Oracle should use their channels to keep systems integrators and ISVs locked into their application infrastructure portfolios, and away from any potential market disrupting moves Microsoft may make. A strong channel often is seen as a method to gain market share, but it also can protect market share, guarding against potential technological end-arounds coming out of Microsoft.
- Oracle should use the open source development and integration assets it will gain from the Sun acquisition (see JavaOne 2009: Sun Sets with a Flurry of Innovation, June 3, 2009)

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to undercut Microsoft's "great product, better price" marketing. Oracle soon will have lower cost products via Sun's GlassFish Portfolio and that can be used to disrupt Microsoft's application infrastructure business.

- IBM should continue to pursue new development paradigms, like putting its REST-based WebSphere sMash application mashup tool into the Amazon EC2 cloud. IBM has a breadth of technological assets that allow it to place multiple bets. If it continues to pursue all available avenues, it will hedge against getting caught on the wrong side of a paradigm shift.

Recommended User Actions

- Users should prioritize the creation of a full enterprise architecture and canonical data libraries before settling on a primary application infrastructure vendor. Many users are still project-driven and lack the broad view needed to embrace a disruptive technology. Good architecture enables that, while the lack of an enterprise architecture gets users locked into product choices.
- Microsoft users should demand the vendor expand its focus beyond its current platform. Microsoft's ability to be relevant within the rest of the application infrastructure market will directly impact the relevance of Microsoft users. The company and its customers must avoid getting confined to a niche.