

Baiting

Sun's Executive Vice President of Global Sales and Service **Don Grantham** expects further expansion of the Web 2.0 segment.

It was two years ago that your boss, Jonathan Schwartz, made the source code of Solaris and Java available on the internet. Was this a profitable move for the company?

- We have registered 11.5 million downloads since we made *Open Solaris* available on the net. The model of MySQL, recently acquired by our company, is very similar: a free access open source code database with 70,000 downloads per day. Our main focus now are web-based users, especially startups who do not wish to pay for software. The Executive of MySQL Marten Mickos was right when he said that there are two periods in the life of individuals and companies: when they are willing to spend time to save money, and when they are willing to spend money to save time. Software developers who download our free software today may not have money right now, but they are likely to have a great influence on application development and business architecture in the future.

Your future strategy is focused on social networking sites. Which three companies would you invest in, if money would be of no object?

- The website of Alexa lists the 500 most visited websites. We target prospective clients who generate the highest traffic in any given country. We look at the traffic and try to figure out who will be the next *Facebook*, *MySpace* or *YouTube*. That is the pool our sales teams try to acquire new clients from. This is a completely new paradigm, which requires a new model from a productivity perspective. But this is the only approach you can take with these new companies. We offer free downloadable technologies for them; as they grow, they are highly likely to use these open standards. Our task is to find these prospective clients in time, and make sure they use our software. Later, when they are willing to spend money, we help and support them to make sure everything they use is based on Sun infrastructure. It is a very simple business model.

You still have not mentioned any names...

- I do not want to speculate. There might be three college kids sitting in a room right now, working on something that will be the next big hit. I know the business model and the environment we talk about, and I am sure there will be new stars.

But at the same time the market is consolidating, mergers and acquisitions (like the Google-YouTube transaction) are constantly on the agenda. What will be the next step?

- I think this is a growing, developing market. As the Google acquisition shows, some of its segments may be mature, but this particular segment is bound to grow further, and we soon will see Web 3.0 companies. I see great opportunities in this market.

NEW STRATEGY AT SUN MICROSYSTEMS

Software for free

Sun hopes that small startups that download its free software today will become the major hardware buyers of tomorrow.

For companies in Silicon Valley, the old saying that goes “so many countries, so many customs” is especially true. Google

regards the office space as a sort of kindergarten, and grants awards for the most uniquely decorated work stations – and the result is an office space decorated

with balloons, Indian scarves, posters, candles, and the like. On the other hand, at Sun Microsystems, employees have no desks at all. Offices are equipped with thin clients, and employees only have to insert their chip card to access their personalized interface. They can sit down at any desk, but most importantly, personal attendance is not mandatory: the company supports remote work practices and encourages staff to work from home. There are a remarkably large number of telephones installed on corridor walls: it is enough to say the name of an employee into the speaker, and the system automatically connects the caller with the employee wherever he/she is: at home, in the car, or in a Sun office located in another continent. "It is a one-and-a-half-hour drive to the office from home, and during rush hour the trip can take up to two and a half hours. So I only drive to the office once a week" – a PR Manager says. He saves time, and the company saves office space and costs.

Obviously this is not the only reason behind the recovery of Sun Microsystems. After half-a-decade in the red, the company eventually was back in black in 2007, although last year's global revenues of USD 13.8 billion were still far away from USD 18.2 billion reported at the peak of the dotcom boom in 2000. Chief Executive and founder of Sun Microsystems Scott McNealy was succeeded two years ago by Jonathan Schwartz, and the business policy introduced by the new CEO seems to work well. Mr. Schwartz carried out an aggressive cost-cutting program, made strategic partnerships with almost all major representatives of the IT sector, and, to the great astonishment of all, he uploaded treasured intellectual properties of the company to the internet. Mr. Schwartz, an economist of Hungarian origin in one quarter who regularly publishes his views

Sun is finally back in black, although last year's revenues of USD 13.8 billion are still far away from record revenues reported in 2000.

on the sector and the company in his blog, made the source code of the *Solaris* operating system, the *Java* platform and the code of the company's *Sparc* microprocessor freely downloadable.

"The software unit is the fastest growing part of our company. With free software we reach many more people than with our hardware products. Small companies never pay for software – but they will, when they become big companies" – says Mr. Schwarz to the journalist of *Figyelő* magazine, over lunch, while eating salad. Unlike other businessmen in the Valley, he wears a suit and a tie, and the only "cool" elements in his appearance are his ponytail and the round glasses (which practically became a trademark for him). He believes that the new business model of the company will be successful in the long run: current users of free software products will be buying hardware from Sun in the future. "The majority of social networking sites are not older than 5 years, they started from a garage, but they already operate the largest data centers, like *Facebook*" – he explains. *Facebook*, one of the largest social networking sites became the client of the open source code development firm *MySQL* in December, which, a couple of weeks later, was acquired by Sun.

Competitors in the hardware business also offer free software to small enterprises: IBM, the number one competitor of Sun, offers *Lotus Symphony* office package, *DB2* database management software, and *WebSphere Application Server* for free. IBM's special program for small and medium sized businesses, called *Express Advantage*, is available also in Hungary since October last year, offering hardware, software and business solutions at discount prices for SMBs. Sun Microsystems also has a program designed especially for web startups, but it is not available in Hungary. "There are around 20 countries in the world, where it is worth launching a program for startups" – says

Sun's Vice President of Marketing Carlos Soto. The company has introduced the program in eight countries so far.

The major part of Sun's revenues comes from the sale of data storage applications and servers. "37 percent of all data stored in the world is stored on our devices" – Vice President Don Grantham said proudly (see our interview with him next to this article).

The buzzwords are virtualization and consolidation (key cost containment and efficiency strategies making use of spare capacities), and energy saving servers, which are not only cost-efficient but also environmentally friendly. The cost of electricity, cooling, and air conditioning amounts to around 40 to 50 percent of total operating costs of a data center; and rising energy prices may increase this ratio up to 70 or 80 percent in the future.

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