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## Executive Summary

The 1990s saw the IT pendulum swinging from mainframe to client-server to distributed computing, to the point that IT lost control, end users deployed what best suited them, and business units cut into central IT budgets. This created an IT nightmare and the dot-com boom, followed by its bust, taught enterprises discipline and painful lessons: Distributed computing doesn't mean giving up centralized control, and the pendulum swung back to IT. Now, with the proliferation of a variety of handhelds, PDAs, mobile devices, wikis, blogs, Web 2.0, user-generated content, and social computing, end users are gaining control again, and the pendulum is swinging back towards them. This is also raising concerns about privacy, security, compliance, and governance. Although this trend may be irreversible, IT will be forced to embrace the inevitable and at the same time to gain control. This is déjà vu all over again. Enterprise is not dead, it is rising again.

## Details

*Panel:* Betting on Business

*Moderator:* David Barry

*Panelists:*

- Jim Goetz, Sequoia Capital
- Hollie Moore, Silver Lake Partners
- Mark Sherman, Battery Ventures
- Peter Solvik, Sigma Partners

Sequoia has been investing in enterprises for 30 years and focuses on growth and early-stage companies. Its recent or upcoming IPOs include Ariba, BladeLogic, and Neteez.

Battery Ventures is looking at:

- India heavily in BPM, BPO—beyond body-shopping
- SaaS—it is not new technology, but repackaging existing apps
- Aggregation of enterprise apps.

Sigma is focusing on the enterprise, with about 50% of its portfolio, and cleantech. There are mega-software players today—SAP and Oracle—but they are not that innovative. Financial services and healthcare are still very big, but there are no mega-players there. Sigma is investing heavily in services firms

Silver Lake started in 1999 based on the idea that the technology field had matured. Silver Lake is a laggard and still focuses heavily on large players. It found an ERP vendor, of all places, in Indianapolis—hotbed of technology!—that caters to SMEs, with \$25 million in sales, and took the company private. “You must find new ways to ramp up sales. You CAN displace incumbents—look how Cisco and NetApp succeeded.” India is a multi-year effort for Sequoia, has made investments in BPO, BPM and Cafe Coffee Day, often called the Starbucks of India. You take risk even in young companies if they have a disruptive and innovative technology. After the dot bomb and careless

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<sup>1</sup> <http://enterpriseinnovations.dowjones.com/>

<sup>2</sup> <http://www.itnewswire.us/>

IT spending, budgets moved back from business units to IT, but now the pendulum has swung back and BUs have budgets because IT is not delivering what they need. Morgan Stanley four years ago wouldn't touch startups' software; today it is all about Web 2.0 and it is buying products from startups. Security is a big issue in IT, big players are not big here. Sales cycles are a lot shorter now and margins are down. IT spending is increasing worldwide. Silver Lake is in the not-lose-money business and doesn't spend too much attention to IT spending habits, and buys companies with slow and steady growths. Silver Lake doesn't invest in software.

Five years from now, there will be resurgence in IT services; enterprise-oriented technology is maturing; SaaS spending will increase; just as it happened in textiles and shipbuilding, much of software development will move to low-cost locations; information and data services will change; you'll see data as a service (DaaS), in addition to HaaS and Saas; consumer software will move to enterprises; incumbents beware, startups will challenge you folks.

**Keynote Interview:** Nimish Mehta, Senior VP, Enterprise Information Management, SAP

**Moderator:** Eric Savitz, Barron's

SAP is functionally organized and Nimish is in charge of Business Intelligence and Master Data Management. 11,000 of SAP customers use Oracle. Enterprise software companies for a long time focused on data integrity and security, but not easy-to-use GUI, as do Google, Apple, Facebook, and MySpace. You should not be able to search everything on your internal database, e. g., medical records. So, you just can't bolt a Google search engine on your enterprise IT. Marrying consumer software, Web 2.0, social networking, etc., with enterprise software with integrity and security is challenging. How do you perform consumer research without inadvertently disclosing product roadmaps and features? The best way to make a database totally safe is to make it totally inaccessible! Contrary to what SaaS vendors claim, you can't make your troubles go away by embracing SaaS. SaaS doesn't make your store management any easier nor does it change your business processes. SAP, as has Oracle, has grown on the on-premise model. SaaS begs the question, "Is my data secure?" This is what makes SAP trustworthy. SAP is missing some things, such as multi- and mega-tenancy. "The guys in the Glass Towers (Oracle) have been very aggressively acquiring, but SAP makes smaller buys and is not a portfolio company."

**Panel:** The Enterprise Strikes Back – Analyst Outlook

**Moderator:** Emily Westhafer, Events Editor, Financial Information Services, Dow Jones & Company

**Panelists:**

- Harry Blount, Senior Vice President, Lehman Brothers
- Timothy Daubenspeck, Vice President & Senior Research Analyst, Pacific Crest Securities
- Tim Klasell, Managing Director, Thomas Weisel Partners
- Walter Pritchard, Analyst, Cowen and Company

Security is a multi-level issue—network, host-desktop (one reason that Symantec bought Altiris), and data. Cisco is increasingly a competitor for NetApp, HP, and IBM. To reduce IT costs, HP went from 80 datacenters to four. Investments in file systems, metadata, data center virtualization will continue. Green tech used to be altruistic, but now it is a business issue. The average cost of building a data center today is \$1,000 per square foot. IBM and Oracle have been bellwether in acquiring companies. Watch SAP to make more acquisitions in the infrastructure and integration layers. Google is going after Microsoft Office, but MSFT is not asleep at the well and you expect it to respond. Last quarter Apple was the biggest x86 hardware seller after HP. Beware of iPhone and other mobile users entering the enterprise. Cisco is trying to enter the consumer, but hasn't figured out how to brand itself. Five years from now, it will be a Cisco-Microsoft battle. Cisco will never be a leader in unified messaging; MSFT will never be a leader in VoIP. MSFT will partner with Avaya, Nortel...to battle Cisco. The storage vendors have essentially become operating system vendors on top of Cisco. Symantec is working with Huawei to develop security products in China. Symantec is playing a cheap-labor game.

**Keynote Interview:** Bernard Liautaud, Chairman & Chief Strategy Officer, Business Objects

**Moderator:** Vauhini Vara, Reporter, Wall Street Journal, Dow Jones & Company

Business Intelligence (BI) is a very hot area. That's why Oracle bought Hyperion to attack SAP in the CFO office. This is good news for Business Objects. When companies look for BI, they now look at BO because it is 40% bigger than Cognos. The death of Silicon Valley has been announced many times. Of the top 300 software companies in the world, over 260 are US-based. China will be a major software vendor in 5 to 10 years. A mega-software vendor may

emerge out of China over the next 10 years. China's biggest challenge will be to attract world-class talent in product management and marketing. How does BO feel about open source BI vendors such as JasperSoft and Pentaho? "We don't believe their product offerings are as broad as ours, nor are they enterprise-class," replied Liautaud.

**General Session:** Exit Outlook

**Moderator:** Tim Curry, Partner, Transactions Department Head, Silicon Valley, O'Melveny & Myers

**Panelists:**

- Peter Fenton, General Partner, Benchmark Capital
- K. S. Jangbahadur, Global Head of Software, JP Morgan
- Pawan Tewari, Managing Director, Merger Leadership Group, Goldman Sachs & Co.
- Stephanie Vargo-Walker, Senior Director, Corporate Development, Sun Microsystems
- Michael Zigman, Managing Director, WR Hambrecht & Co.

More companies are going public again, leaving some investors to hold out for an IPO rather than settle for an acquisition. Could this stimulate competition in the M&A market? Will corporations spend more on deals? IT spending is back again, but what is buying or building in-house? Should a startup go public vis-à-vis getting acquired or doing a buyout?

Sun looks to alignment and leadership when acquiring companies. Leadership should have vision, track record of success, and market leadership acknowledged by analysts, thought leaders, and media. Are their sales people excited about their products? Get to know potential partners early, become Sun Partners, and think proactive.