Enterprise Apps Vendors Vie for Position

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The enterprise software market is churning, as SAP and Microsoft partner, Infor acquires Hansen, and Lawson pursues SAAS and development tools.

The enterprise software market is in flux, with applications vendors morphing into platform providers, service-based architecture concepts ruling development investments, consolidations dominating the marketplace and customers looking for better pricing models that move beyond annual licenses.

The changes, according to a recent McKinsey & Co. report, State of the Software Industry 2007, have led to a wave of innovation that is "defining the foundation for customer and vendor value in the next era."

In the meantime, the dust has yet to settle among vendors jockeying for position. The key players in the business applications sector - SAP, Oracle, Microsoft, Infor Global Solutions and Lawson - are redoubling their efforts to gain market share and a leg up on the competition through acquisitions, partnership extensions and SOA (service-oriented architecture) initiatives.

At SAP's annual international Sapphire conference in Vienna, the company announced on May 15 another co-development partnership with Microsoft (the first being Duet, which exposes SAP processes in Office) to optimize Microsoft's SQL Server for the SAP Business Suite. The two companies also agreed to set up a joint lab in SAP's hometown of Walldorf, Germany, to further optimize the process for migrating

SAP ERP on SQL Server 2005. The expanded partnership appears to be intended as a move against Oracle, given Oracle's database dominance in SAP implementations and its increasingly bitter rivalry with SAP.

SAP also announced a partnership with Novell to offer joint support for SAP customers to run their applications on SUSE Linux Enterprise Server from Novell. The deal, again a blow at Oracle, provides a single support point for SAP customers running Linux. Oracle began offering support for Red Hat Linux in October 2006.

Microsoft, meanwhile, is expanding its business intelligence capabilities with the next version of SQL Server, code-named Katmai, due in 2008. The tie-in to SAP applications has interesting implications given the evolution of native intelligence capabilities in business applications.

Separately, Infor, the world's third-largest ERP (enterprise resource planning) vendor behind SAP and Oracle, announced May 15 its intention to acquire Hansen Information Technologies, a provider of enterprise applications for the government industry. Infor has bought more than 20 companies in the past three years, including Baan, Mapics, System Software Associates' BPCS and Infinium Software. Infor's parent company Golden Gate Capital is now on the lookout for a platform company, according to the company's Web site.

"Infor's strategy is to address markets where customers want solutions with functionality and expertise specific to their needs, rather than the generic products of the large horizontal software providers," said Chairman and CEO Jim Schaper of Infor, headquartered in Alpharetta, Ga. "Following the close of the - Hansen - transaction, Infor will provide a complete offering of government-specific solutions from a vendor that has the size and scale to be a long-term strategic partner."

Meanwhile, Oracle, which has expanded its applications business

through a three-year multibillion-dollar spending spree, announced May 9 it is rewriting its Fusion Middleware platform to include new CEP (Complex Event Processing) capabilities, a services-based infrastructure and support for grid computing using the in-memory data grid Oracle gained through its recent acquisition of Tangosol. The goal is to provide a platform to support "extreme demands" for real-time data analysis, intensive computations and high-performance transactions, according to a news release.

"Our vision marks a significant advancement in how organizations can benefit from moving grid computing, SOA and EDA - event-driven architecture - to the core," Thomas Kurian, senior vice president of Server Technologies for Oracle, based in Redwood Shores, Calif., said in a statement. "By providing a foundation for modern applications, Oracle will enable organizations to develop, deploy, integrate and manage applications in a unified, scalable manner."

Lawson, a distant fourth in the ERP race (particularly for the midmarket) is making its way back from its acquisition of Intentia in April 2006 with positive earnings and an operating margin on the upswing, according to CEO Harry Debes. In a couple months the Minneapolis-based company plans to release a new on-demand human resources suite that will be Lawson's first foray into SAAS (software as a service), an emerging model that's touched every major applications vendor.

Debes is also considering launching Lawson's Landmark development environment as a commercial offering - a potential platform play that could compete with Oracle and SAP - and looking at additional acquisitions to fill technology holes. "We are planning to release Landmark as a tool set to our own services organization later this calendar year," Debes said. "The next stage would be to release to customers and partners, but we haven't figured out how to do the

licensing yet."

Debes said Lawson is also considering additional acquisition targets; while he's not looking at an immediate purchase, Debes is keeping his options open, he said.

"We're looking at targets but we have to be very careful we don't get ahead of ourselves," Debes said. "We are looking, but there are tough requirements. Frankly, valuations are high, driven by Oracle and private equity firms. Money is still cheap but a lot of software has over-evaluations that we're not prepared to pay."

The McKinsey report has a suggestion for customers that find themselves facing the paradox of spending more of their IT dollars on the largest software vendors but desiring the innovative products of smaller software companies. "The solution in this wave - of innovation - may lie in the bottom-up nature of the innovation diffusion itself - particularly with innovating easy-to-deploy software-as-a-service models, end users and business leaders may take on the role of the IT experimenter and shift the focus and - spending - on innovative smaller vendors outside of the IT departments and into the budget of the line-of-business departments directly," wrote analysts Ken Berryman, Joel Jones and Junaid Mohiuddin in the May 9 report.

Vendors, on the other hand, should "ensure that your investment - s - in product and technology innovations are well balanced with similar investments and focus on business model and process innovations," Berryman wrote. "Reexamine your processes to make sure that you are pursuing maximum flexibility, as the winners in this era will be those who are the fastest to incorporate all kinds of innovation in their business."