



Executive Interview: Jeff Smith, NCSD/IBM-Austin

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Earlier this year, IBM-Austin's Networking Computing Software Division (NCSD) became an active member of the Austin Software Council. Jeff Smith, NCSD's vice president of development, is young, dynamic, energetic—hardly the image of the controlling bureaucrat that once personified an IBM executive. But the massive whiteboard across his office wall is a clue to Smith's background. He's an engineer—with a lot of ideas. After graduating from Vanderbilt University with a double major in electrical engineering and computer science, Jeff has spent his entire professional career “here in Austin with IBM.” Jeff talked to me about IBM's organization, e-business and the role of the Software Council.

Q: You came to IBM Austin in 1984. What's different now?

A: The city was a lot different. And so was IBM. For example, today IBM is 100% research and development. In 1984, it was close to half manufacturing which included making the boards that go inside a PC. Forget the chips. We made the actual board with sheets of copper and fiberglass, punching holes in the board, putting circuits in it. We did all the RISC 6000 box manufacturing, too. None of this [manufacturing] is here now.

I joined IBM to do what they called “I S.” It wasn't even product development; it was support for that big wealth of manufacturing. Over the years, manufacturing has either been moved to other places or sold. It's been replaced by hardware development, software development, research and smatterings of solutions service units. The big players here are the server group that does RS6000 and all the hardware and software development for the RS6000.

R&D is here for the RS6000 hardware and AIX software, OS/2 and the bulk of Java (including browsers and xml). A product line called Websphere is here, and another line called SecureWay—think of it as directory and

security infrastructure technology—is growing tremendously. Of course all of Tivoli is here, which is part of the Software Group.

IBM has six major groups: one for software; one for hardware, which does all of the non-PC hardware technology for building computers; the PC Group that includes network stations; the Technology Group, which does components that go inside a lot of things. For example, we did a huge deal with Dell where IBM is going to sell them a bunch of components, such as memory, chips and disks, that go in their box. The Global Services Group continues to be a rapidly growing part of IBM. And then there's sales and marketing. NCSD is responsible for Java, OS/2 and SecureWay products.

Over 50% of IBM-Austin is in the Software Group. Add to that the AIX software development that's located in the Hardware Group with the RS6000. Together, you're talking 4000 of the 7000 [employees]. So fundamentally IBM-Austin is a software company. That's why I was so interested in re-engaging with the Software Council. This was not the case in 1984. I would be willing to bet that IBM is the largest software company in Austin. But I'll also bet that if you were polling the technology companies in town about who's the largest software company, no one would name IBM. What makes it difficult to talk about IBM and software is that we're not working on one thing. We're not just embedded databases like Pervasive is.

Q: Is one of your key goals in the community to do alliances?

A: Absolutely. Alliances are very important. But another thing that is true: Because they are operating systems, you can think of AIX and OS/2 a little differently from Java,

SecureWay, Tivoli and Websphere. [The latter] are really intertwined, specifically because they are all components of an application framework for e-business. That is IBM's definition of the technologies we think are needed to build an e-business operation. With customers we talk about these technologies all together. They can be deployed on a variety of platforms—AIX, OS/2, Windows and Solaris. There's a wide range of industry platforms. But they're all thought of as middleware; AIX and OS/2 are operating systems.

Q: How do you talk to customers about them?

A: E-business includes business-to-business as well as business-to-consumer transactions. It's as much about transforming a business process as it is about using more technology to execute it. So a lot of our business with customers is helping them transform their business processes as well as buy and deploy technology.

The key thing about the application framework is if you explore our vision, the interfaces that you can use are all industry standard. We don't lock you into a particular platform that we deploy. It's exactly the opposite of the old IBM and the new Microsoft way of doing business. Microsoft says if you use our stuff like Back Office and Internet Explorer, that mandates that you use Windows. We say use our stuff—DB2, Tivoli, SecureWay, Websphere and Lotus—and you can pick your platform because we support them all.

The opening technology/architectural play for us is the application framework for e-business, and our value proposition is heterogeneous end-to-end architecture that covers the entire range of computers you might want to use in your enterprise. E-business we view as revolutionary to the

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entire business world. It opens up opportunities businesses have never been able to do before. They have to think and behave differently. That's what starts every conversation with every IBM customer.

Q: It's definitely true of your ads.

A: In 15 years with IBM, I have not viewed its marketing prowess to be overwhelmingly awesome. A couple of shining examples: the PC campaign with Charlie Chaplin was very clever, successful and effective. That was an example of something we did very, very well. Since then you can wrack your brain about what really catchy marketing thing IBM has done since. But the e-business campaign is one of those. It has a really cool logo that you immediately understand. It's simple, contemporary. And for the first time since I've been with the company, every single line, every single business group at IBM, is lined up behind a single corporate strategy. Which is why I have great hopes for IBM to capitalize on this success because I really see this 290,000-person company lining up behind a single vision.

Q: The Austin Software Council is pretty tiny compared to that huge picture you just painted.

A: Yes. But if you look at the dynamics of what's going on in the software industry, a lot of changes are due to catalysts who are little players and who change the way people think about technology in business. IBM is clearly trying to capitalize on that marketplace. But we are no longer able or willing to change the entire industry by ourselves like we might have been able to 20 to 30 years ago. The success of e-business is going to depend more on not only whether IBM can capitalize on it but whether we all can. We believe that partnerships and alliances are central to making it happen. A lot of those players are in Austin.

Q: Is it difficult for a very large corporation to scent out those [smaller companies/opportunities]?

A: If you were to total all the software dollars in Austin, IBM would probably be zero since we're headquartered in Armonk, NY. The point is, as Lou Gerstner likes to say, "Every little company's goal is to become a big company." The guys who started Tivoli, Bob Fabbio and Todd Smith, were my friends from AIX development days. That's what happened with Tivoli. It started out little and became big. I think that IBM has a pretty good track record of wanting to help highlight and foster little guys with really great ideas.

Just purchased a company called Dascom in California. A small company that does security technology. Over the last few years, we formed a partnership with them using some of their technology. It was similar to the Tivoli story. It was significant overall in the industry that we wanted to make sure we had something we could continue to leverage.

We're always looking for opportunities like that. It used to be that IBM had to make all its own stuff. Now we are much more focused on alliances, partnerships, and in some cases, acquisitions to help achieve our goals in e-business. So that's why I think something like the Austin Software Council is a great environment to bring players together who can help each other. I'm not sure what other forum really does that.

NCSA is primarily responsible for providing an "infrastructure-free business." It includes security and directory componentry, an operating system called OS/2 as well as a Java component. With SecureWay we have been focusing on pulling together pieces you can buy separately from lots of different places and putting them into integrated packages or "solutions." FirstSecure, our first attempt at a total security solution, includes a firewall, a certificate dispenser and an engine that manages the policy. We did that by pulling together pieces of technology that we already had. I guarantee you're going to see more of these packages that include both IBM and non-IBM componentry to provide a total solution to a particular customer site. That approach is pervasive across the IBM software group. Lotus does it. Tivoli does it. NCSA does it. The database guys do it to a certain extent.

Q: What kind of problems do you want to solve?

A: Security is clearly a big investment area. One of the most important barriers to e-business—perception and/or reality—is the security of the resulting environment. Not to be too anecdotal my mom, who is almost 70, recently got a computer. She is going the Joe Average consumer route—America On Line, recipes, stuff like that. We were talking about Christmas. It's always the same question: what does everyone want? Since she doesn't get around that well I said, "Just sit down and shop online." "How will I pay for it?" she asked. "Just pay for it online," I told her. "Oh. I could never do that. I can't give my credit card number over the Internet." "Mom, would you do it over the telephone?" I asked her. "Well yeah. But that's different."

So there's that perception that there's a security barrier to doing business online. I think this is a real barrier to e-business. However, it is frankly a business opportunity. We have a long track record of providing highly secure environments that are trusted by the governments and large corporations worldwide. Let's not forget that this isn't security in the area that we've necessarily done business in; this is security in a lot of different types of technology. The web, digital certificates, lots of things that we didn't invent 20 years ago. We have to partner to build a good story.

Although it's not talked about as much, directory is another one. It simply is a method for and place where you store relevant information about people, applications, physical resources, maybe security policy—and

where this information can be accessed by a variety of different programs from a variety of different places. Most big customers will tell you they have a 100 different directories in their enterprise and a lot of times they need to get information from one directory to another to put together a directory to get a particular solution. We approach that problem in IBM with a "metadirectory," a layered technology that allows you to assimilate information from multiple directories. This is monumental enough that you can't do it by yourself. You really have to partner, not only with the providers of the physical directories, but also with other players.

Java's a funny one because it is primarily a technology invented by Sun, now licensed to everybody in the industry. It's important in IBM's cross-platform story. The emergence of xml is going to be interesting. A lot of people are building things using xml that will be right for partnering with. For NCSA those are our primary investment and interest areas.

Q: How can the Software Council help you?

A: Despite our size, we face some of the same issues as smaller companies. This came out when I participated in the CEO Peer Group. For example, access to and retention of key talent. One might argue that a company like IBM with 5% of its total software development located in Austin is handicapped in its ability to compete with other players in Austin for top skills. That sounds funny, but if you think about the things you do to recruit and retain top talent, they're done through the initiatives at the top of the company. The top of IBM is in New York—not Austin.

I think it's important in IBM to be a visible, relevant player in Austin's software community and

to compete on an equal basis for top talent. Being part of the Software Council is important because I'm competing for skills and talent just like everyone else in this town. Also relationships and alliances can be formed by knowing who the other players are.

If I can work with a company in the same city as opposed to someone across the country, gosh that's a much better deal for me. Finally, I believe that visibility and recognition as an active member of Austin's software community bolsters morale. People love to see what they're working on get recognized. To the degree that IBM can have a continuing presence, it makes people feel good about working for this company.

But if you look at the dynamics of what's going on in the software industry, a lot of changes are due to catalysts who are little players and who change the way people think about technology in business.