

PX0491

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**From:** Bob Kruger  
**To:** Executive Staff  
**Subject:** Novell  
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I've been thinking a lot about Novell's purchase of WP, QPro, and their general strategy. However, my mail folder was clobbered before being able to send my thoughts. Hopefully, this effort is complete enough.

Novell is intent on copying MS' playbook. They need our breadth to do that. Of course, that also means that they'll have to duplicate our mistakes. I don't think that customers or analysts will be as patient. Indeed, customers are already doubting Novell's ability to focus on problems and feel this will further dilute their focus. I tend to agree.

Novell has not done well with its Unix or Hyperdesk acquisitions, and has not provided quality releases of either its recent client or server products. Intentions for AppWare are also very confused. One thing is certain, though, they will position their WP and QPRO acquisitions as being for the benefit of industry and customers, ie. providing an alternative to the MS hegemony. They are also positioning their apps as "network ready," something customers will likely believe because they will be buying from the "network" company rather than a "desktop" company.

I believe that Novell's objective is to hit the desktop from both an OS and apps platform perspective. I feel they will soon bundle AppWare into NetWare thereby providing a cross-platform environment. This bundle would offer networking and dev tools; couple with Novell's commitment to OpenDoc, there would be support for compound docs and the SOM/DSOM object model. By feeding \$145M to Borland, they will get solid development tools. By offering native NetWare and Process Independent NetWare (PIN), Novell duplicates our Windows/Win NT strategy.

Of course, this is not necessarily a guaranteed successful strategy. As we noted during the Pain presentation, MS has had time to learn from its mistakes and also deliver solid products/technologies. Also, no virtual API has yet succeeded in the marketplace because ISVs don't believe them to provide competitive performance, reduce overall dev/test time, or improve product supportability. Additionally, there are many known problems with the NLM architecture so why continue their proliferation. (Note, though, that companies like Oracle claim to do very well selling NLMs.) ALMs don't help either.

The problem for us is that people don't really understand the pitfalls of AppWare. We need to excellerate this understanding. (Mikefri has the action for this, but we'll get him some help.) The message of AppWare is total goodness.

One thing that continues to help MS is that we are shipping solid product/technology (ie. Windows/OLE) today and Novell is not. Also, Sun's visible efforts to provide a competitive environment (ie. competitive to Windows/Ole and AppWare) I think works in our favor because Windows/OLE appears to be a safe, non-confusing haven. We can further help our situation by better selling the Windows family, our cross-platform Windows/OLE support, our "open" message, and by better tying together the various Windows platforms (ie. At Work, Win, NT, handhelds, and ACT stuff) though presentations and common naming conventions.

Novell has not garnered many points on the "open systems" front. They are therefore starting to license some of their NCP specs. We don't yet know the terms for such licenses. However, I'm pretty certain that there is a royalty required for anything derived from the NCP specs (similar to restrictions on ODI specs). It's also unlikely that MS will get [royalty-free] access to NCP specs. It's been incredibly difficult just to get a license signed ship one of their DLLs with Hermes.

In case anyone is interested about the NetWare 4.1 front, Novell is making little noise of late because it will be available much later than anticipated. Customers are not pleased. We do know that Novell is working to better integrate its utilities and net services/mgmt tools. It's possible that they will extend such integration to "Novell Office."

On the application side, Novell is definitely on unfamiliar turf. I don't think that Novell mgmt will change much for the better at WP, though they will likely reduce headcount. Of course, this also means that WP will have a new lease on life as will Borland. I think that Novell was smart to buy just QPRO rights and

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leave Borland to work on tools (especially for AppWare). Also, through the purchase of WP and QPRO, Novell can play havoc with prices and try to put a dent into MS' aura of success. Maybe their objective is to shake confidence in MS by causing a dramatic price drop that reduces MS Office share and/or revenue. It's not necessarily a smart move, but Novell has done lots of stuff over the past year that hasn't made sense.

Novell will also claim that they did this acquisition to balance the industry. I don't think that people will buy it for long. Not everyone has had a positive experience working w/ Novell.

On the positive side of Novell's acquisition, I think they have put their relationship with Lotus at a distance. This may help us in the long run.

I worry about Novell and AT&T teaming up. AT&T brings patents, customers, and a means of distribution to the party. Novell brings corporate customers and money, plus a channel. With their apps business, they would also have a credible platform in which customers might "live." The result would be focus away from the desktop OS to the larger issue of multiplatform support and networking capability for the apps. AT&T could also get Novell into office equipment and possibly the home. The addition of other possible partners (Apple?) could facilitate entry into the home market.

A tight alliance with Oracle would provide Novell with the database services it needs. This would be for apps or video services. Again, AT&T could aid this alliance.

I can't see Novell and Oracle merging. I'm not certain that Novell and AT&T could really merge either.

Finally, I'm sure that Novell has a lawsuit all typed up for us. I'm not sure if we'll see it when NWCS ships for NT or if they'll wait for Chicago. Aside from having taken proper measures during development, we've also continued articulating a consistent, benevolent, customer-focused message for having built the client. This would aid us during a suit. And speaking of suits, Roger Billings (the alleged creator of all that is networking) is still suing Novell and Novell has been unable to get the case thrown out of court.

-bobkr