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SGI - Sunk by Itanic

As a technology company you have two ways to be on top: innovate in technology or innovate in supply chain. Both ways are different: As a technology company you earn your money at the rising edge of a technology with smaller volume and a bigger margin, as a supply chain company you earn your money at the height or the falling edge of the technology, small margin, but big volume. There is a problem for companies in between. You can't sell technology, consists out of commodity components without having a real unique selling point, some secret sauce somewhere in your product. And when you have such a USP, the size of the market for the product with this USP should fit the size of your company.

SGI has exactly this problem. Linux as the operating system, Itanium as a processor. Both components are not really USP. Okay, there is some secret sauce in the Altix series. But the system was designed with technical computing in mind and the market is not a really huge one, because many of the problem, in the technical computing area can be solved with cheaper hardware. In other areas the system never got traction. The mindset was: Okay, SGI is for dinosaurs and engineers.

The consequence is clear, SGI was trapped between both groups and by this it's the first big company as the victim of Itanic/Linux-commodization. Or in different words: This happens when you hear on analysts. They want a extremely good next quarter, not 40 average or good quarters. The morale of the story: Never ever do the things analysts want you to do

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