

Sun CEO Hints At Growth Through Acquisition

Revenue and profit growth have become the computer company's top priorities.

By John Foley

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With its product strategy mostly on track and major cost cutting behind it, Sun Microsystems is focused on driving revenue and profit growth, CEO Jonathan Schwartz said Wednesday in a briefing with analysts in New York.

Software acquisitions, new partnerships, and continued spending on IT infrastructure by business customers all factor into the plan. Schwartz made no mention of a patent suit announced the same day by Network Appliance over Sun's Zettabyte File System, or ZFS, technology.

Schwartz pointed to widespread adoption of Sun's Solaris10 operating system and Java programming language, and rapid uptake of ZFS, as evidence of the growing popularity of Sun's technology and a revived reputation. When asked to estimate the size of Sun's software business, Schwartz put it as "well over \$1 billion." He indicated Sun will acquire software companies to grow. "We have a pretty clear idea of where we're going to be headed," he said, but declined to be specific about technologies on Sun's shopping list.

Sun's CEO credited partnerships with Intel and IBM as giving Sun renewed credibility with large business customers. Within the next week or so, he said, Sun will announce a deal that involves sharing its networking technology with Juniper Networks.

While some companies are looking to cut IT spending through hosted applications and outsourcing arrangements, that's causing IT infrastructure providers to build out their data centers to support demand. "The people who are delivering these services are taking their spending up," Schwartz said. Sun's "petascale" Constellation system and Magnum switch are aimed at that market.

Sun's got its hands full with an internal project to deploy a new ERP system. CFO Michael Lehman said 1,000 employees are working full time on the implementation. Sun's "redesigning all of our processes so they work together," he said. As part of that project, Sun recently completed installation of a new financial ledger application. In order to ensure the application is working properly, Sun is delaying release of its financial results for the first fiscal quarter of 2008.