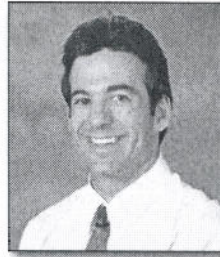


## Publisher's Outlook

### Mitel Benefits from Virtualization, Nortel Sale



by Rich Tehrani

**O**n a recent trip to Canada I sat down with Mitel CEO Don Smith, and President and COO Paul Butcher, to discuss the company, industry and future. The dynamic duo is exactly that, mixing copious amounts of humor and friendly verbal jabs (this time at each other and not me) with frank talk about technology and market share.

The issue of greatest importance was the demise of Nortel and sale to Avaya, since both are Canadian companies with a similar tradition of great engineering.

Don and Paul explained right off the bat that they are excited to see two of their company's biggest competitors, Nortel and Avaya, merge as they have 100 percent channel/geographic/product overlap (that may be a slight exaggeration, but at least 85 percent is probably a safer estimate) and the two companies hated each other for 100 years. These gentlemen say they are getting calls from not only the Avaya channel, but the Nortel channel, as the combined channel from the newly combined company will make it more difficult for these resellers to compete for business.

Mitel has always been a strong engineering company, and the company has taken the PBX-as-software concept a step further by integrating tightly with VMware. Mitel worked closely with VMware engineers to get real-time working on a virtualized system. Now Mitel Communications Director software and Mitel real-time voice applications can run on the VMware vSphere 4 platform.

Don explained how more and more meetings with CIOs include discussions regarding how an increasing number of data center applications have to live in a virtualized world.

What the execs said next was perhaps the most important. They explained that the shift from TDM to IP, while dramatic, is really a lot easier than the shift from hardware to virtualized systems. This explains why in 2001 the company spent 60 percent of its R&D on software but today dedicates more than 90 percent of that spend on it. The questions I have are when will other companies catch up and will lack of virtualization support be a deal-breaker for CIOs?

The incredible power of virtualization reveals itself when you realize you can have a single server running different instances of your communications software. Imagine that one division can have one version of the software while another division uses a completely different version. In addition, each division has autonomy while data center functions such as backups can be centralized.

What's next for Mitel? Well, for the short-term it is trying to figure out the optimum way to sell VMware-based telephony. In a business in which resellers used to distinguish themselves by running wires neatly, we have seen a shift in the skill set necessary to be successful.

First there was CTI, and then VoIP, IP communications (including video) and now virtualization is the latest frontier. Expect more interconnects/resellers to hang up their hats as the complexity level eclipses their skills. Filling this void is the new opportunity for the channel.

After my meeting, I spent some time in Sir Terry Matthews incubator-land (Wesley Clover is a Terry Matthews company, which also owns Mitel) where a slew of communications start-ups compete for time, attention and resources. My wife tells me I have an obsession with Sir Terry, but I would call it a fascination. This is a person who launched and invested in many companies and has maintained a successful track record. When I compare Sir Terry to different legends in tech, I realize while others merge and slash jobs, Matthews keeps launching new companies, creating new equity and incentivizing new generations to build new companies that hire the engineers, marketers and salespeople of the future. **NGN**



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