

CHRONICLES

3Com's Three Losing Bets Against Novell

by Bob Metcalfe

Novell CEO Ray Noorda tells the story of how he tried to sell NetWare to me in 1983 as we stood in 3Com's COMDEX booth in Atlanta, and how I unceremoniously threw him out. I don't remember this episode, but if Mr. Noorda says it happened, then I'm sure it did.

Mr. Noorda, sir, may I say at this late date how much I regret any rudeness shown to you in 3Com's booth at COMDEX that year, or at any time before or since.

Unfortunately, this COMDEX episode was only the first of three times that 3Com bet against Novell, and lost. These bets rank among the worst in business history, so let me try to explain, while reminding you that hindsight is 20/20.

Remember Novell in 1983? It was a tiny company in Utah, of all places, selling, if you will excuse the expression, proprietary LAN hardware. And Mr. Noorda had all the charisma you would expect from a former president of an OEM power supply company.

3Com, on the other hand, was booming in 1983.

We had bet on the new standard Ethernet instead of the installed base of ARCnet or Omninet.

We had bet on the new IBM PCs instead of the many minicomputers or Apple IIs.

We had bet on the new IBM-Microsoft DOS instead of the good old Unix or CP/M.

And we had bet on selling through PC dealers instead of selling directly to end users.

All these bets were paying off in booming growth to the tune of 50 percent per quarter.

Please, Not Another NOS

Before this boom, in 1980, 3Com's first network operating system had been Unet—the first implementation of TCP/IP for Unix. In 1982, we moved over to our second network operating system, EtherSeries, which ran on the new DOS with the first PC Ethernet adapter—3Com's now ubiquitous EtherLinks. So when Mr. Noorda approached us in 1983, the last thing we needed was another NOS.

But, as historians will record, Mr. Noorda did not take 3Com's rude COMDEX rejection to heart. He moved Novell's advanced NOS, Sharenet, off its proprietary hardware, changed its name to NetWare, and launched an aggressive marketing campaign that left the more conservative 3Com in a paralyzing snit. He went on to parlay NetWare into one of the PC software blockbusters of all time, right up there with DOS, Oracle, 1-2-3 and WordPerfect—that's one each for Washington, California and Massachusetts, and an impressive two for Utah, of all places.

So 3Com lost this first bet against Novell. Our NOS, even though it was selling way ahead of everyone else's, soon slipped into a distant second place behind NetWare, and never contributed as

much as 10 percent of 3Com's sales.

Despite placing second in NOS sales, 3Com grew by leaps and bounds. Imagine, then, our surprise in 1987 upon discovering that Novell had not gone out of business, but had become 3Com's largest single EtherLink customer.

We began getting static from 3Com dealers for letting our precious EtherLinks reach the market through Novell and its marauding herd of discount-added dealers.

Some argued that NetWare buyers would gladly do without EtherLinks, but not the other way around. Others argued that we were abetting the proliferation of



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