The Environmental Ripple of Broadcom's Market Moves

By Tomás O'Leary

President, Free ICT Europe Foundation

News of a new Broadcom deal rarely arrives with great fanfare. The November 2023 VMWare acquisition provoked open worry online and in business circles, with many critics wondering whether the former Hewlett-Packard spinoff's reputation would prove accurate: one of "milking" its cash cow purchases by cutting expenses and extracting revenue, often at the expense of current customers.

So far, all signs indicate they were right to be concerned. But changes to VMWare's licensing and pricing models don't just reflect Broadcom's history of initiating unfriendly practices where it suits the bottom line. They also have high potential to disrupt the environment with piles of unnecessary e-waste.

Past acquisitions clarify tech giant's strategy

Broadcom's profit-maximization motive quickly becomes evident when it purchases new companies. For the 2018 CA Technologies acquisition, Broadcom CEO Hock Tan outlined his plan to "'renew its existing enterprise software products [...] instead of bringing new products and drawing new customers'" in the Market Realist. The company would go on to lay off 40.9 percent of CA's U.S. workforce. The strategy in some way mirrored the 2017 Brocade acquisition, in which 1,100 employees companywide were eventually laid off.

But headcount isn't the only thing to change when Broadcom buys in. Like many other businesses, Hewlett Packard Enterprises (HPE) sells rebranded Brocade/Broadcom network hardware, and their comments about new support policies sellers must adhere to are highly telling:

*"The **Brocade End-of-Support (EOS) policy no longer provides support or troubleshooting for products that have reached their EOS life cycle**. The HPE End-of-Support-Life (EOSL) policy aligns with the Brocade policy. [...] **When an EOSL product is contributing to the issue, it must be removed before any additional investigation may take place**."*

Another HPE document outlines how customers using Brocade network switches lose access to important support and maintenance commands when the product reaches end of support life (EOSL) status. All managed switches require a module to transmit data about the functioning device, which is an SFP. Broadcom/Brocade is not accepting the

Open MSA Standard for SFP. Not accepting the MSA standard rules out competition, limits interoperability, limits reuse, reduces innovation and results in higher costs.

VMware by Broadcom Creates Major Impact to Hardware

Now fast forward to December 2023. The VMWare acquisition had formally completed, and news of layoffs had predictably begun hitting headlines. Potential to innovate became an immediate concern: "Cuts are reportedly in areas of software development and cloud engineering, two areas that could impact future development," SDX Central noted at the time.

Next came major changes to the business model. In January 2024, a hotly controversial VMWare by Broadcom post announced the company would stop offering perpetual licenses, moving the product to a subscription-only model. The same post outlined plans to bundle products like VSphere and VSAN into one of two ersatz bundles, removing the option to buy licenses à la carte.

Alongside the obvious impact on low- and medium-revenue customers – those using a handful of products and à la carte service offerings – the move came with a presumed impact on small and mid-sized resellers. "It's most of the middle tier [who will feel the changes], of which the MSP and the system integrators not only have to learn new technology now but also need to understand how this new technology is working with the payloads of the customer," according to "How VMware's Controversial Product Changes Could Impact SMBs" on DataCenterKnowledge.com.

Exploring potential e-waste impacts of the Broadcom model

Like CA Technologies customers before them, many businesses using perpetually licensed VMWare product are deeply entrenched. Moving away is as costly and risky as staying put with an unsupported product for these customers.

Industry watchdog groups like CISPE and the U.K.'s Competition and Markets Authority have predicted the detrimental effects a subscription-based model will have on businesses. "Several CISPE members have stated that without the ability to license and use VMware products they will quickly go bankrupt and out of business," CISPE said in a post. "Some state that over 75% of their revenues depend on VMware software virtualization technologies."

In many cases, "perpetually licensed" is tantamount to "on-premises." And here, the Broadcom acquisition cycle becomes more than a business issue. Looking beyond competition concerns, a simple fact stands out: When a customer is forced by policy to move to the cloud, the hardware they leave behind must go somewhere.

That somewhere often is an e-waste landfill, where discarded hardware releases toxic chemicals such as lead, mercury, and cadmium into the environment. According to TechHQ, the United Nations (UN) reports a record 61.3 million metric tons of e-waste was generated worldwide in 2023. Another major UN study predicts that global e-waste will become the world's fastest-growing domestic waste stream by 2030, and that the problem is already growing five times faster than the recycling capabilities needed to support it.

By forcing customers to migrate to the cloud or risk losing support and security updates, Broadcom effectively continues a tradition of policy, not performance or actual need, creating e-waste. In a situation where so few – besides the business and shareholders at the top – benefit from such activity, it is clearly time to reconsider just how much control large businesses have over software licensing, hardware usage rights, and e-waste creation.

What comes next?

Broadcom has repeatedly stated a goal to increase VMWare's revenue from $4.7 billion to $8.5 billion over the next three years. Based upon their layoff trends and previous activity in the market, it is fair to assume much of that growth will come from existing customers. And that kind of growth doesn't happen without serious e-waste considerations.

Beyond those points, it is difficult to predict how the dominoes will fall for the VMWare by Broadcom experiment. But like with the Brocade purchase before it, the potential environmental impact is worrisome. When arbitrary changes to software force companies to push newly deprecated hardware to the landfill, everyone – not just current customers and partners, but people in no way connected to the Broadcom ecosystem – loses out. Aggressive profit-optimization practices are not only a threat to fair competition and a potentially huge expense to current customers, but also a serious problem for human health and the environment.

Tomás O'Leary is a vocal and influential thought leader in the enterprise software market. In 2012, after previously spending more than 15 years working at IBM and the IBM business partner community, Tomás created an alternative for traditional enterprise software users – Origina, the global leader in the independent IBM® and HCL® third-party maintenance and support market. Tomás wants to change the software industry by delivering outstanding software maintenance services that champion customer rights and unlock value. He also is one of the founders of Free ICT Europe and Free ICT USA, lobby groups specifically set up

to address lack of customer choice and perceived unfairness in the enterprise software aftermarkets, including software support.