IBM Expands its (Hybrid Cloud + AI) Strategy at THINK

By Jean S. Bozman

After two years of virtual conferences, this year's IBM's annual THINK conference was a little bit different. This time, "Digital THINK" was broadcast in real time on the ibm.com public website – and an in-person event was held in Boston (May 10 - May 11, 2022).

In coming weeks, the in-person IBM THINK event will go "on the road" to London, Berlin, Singapore, Toronto, Paris, and Madrid in May and June.

This decision to think differently about delivering THINK's content has two purposes – to bring IBM's newest technology messages directly to the business executives who fund tech projects, across geographies – and to build on the $60 billion company's installed base worldwide.

By tackling both business and technology at the same time, IBM's overall message to its customers is that business executives – often CEOs and CIOs – are focused on understanding how their technology "buys" will translate into near-term business benefits.

In an era of business transformation, business executives are looking for technology solutions that can rapidly improve business outcomes. In other words, obtaining a good outcome in months is better than one that will take years to produce competitive advantage for customers.

This approach acknowledges the difficulties posed by many months of supply-chain delays – affecting hardware deliveries worldwide – and the dramatic impact of cyberattacks and ransomware, when they occur, threatening both security and business continuity for IBM's business customers.

A Strategy for the New Normal Business Landscape

In the wake of the COVID-19 pandemic, IBM realizes that executives want to buy technology and services that will help them to leverage their distributed data assets, which are often separated in data silos. They are increasingly using hybrid clouds, spanning on-prem and off-prem sites, with advanced AI analytics to accelerate a new wave of business outcomes.

This strategy is consistent with the vision, led by hybrid cloud and AI, presented by IBM CEO Arvind Krishna when he took office in 2020. IBM, citing industry research data presented at THINK, believes that most of its customers are already subscribing to two or more public clouds.

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THINK 2022 focused on the ways in which customers will engage with IBM technology that enables the customers' business strategies. This concept was termed co-creation, in which IBM and its ecosystem of partners – ISVs, SI, VAR and VADs – will work together with customers to build, deploy, and maintain business solutions.

Importantly, IBM Consulting's role of working with IBM partners on customer solutions is being emphasized, following the spinout of Kyndryl, IBM's infrastructure consulting group, in 2021. One example is the RISE with SAP program, which leverages SAP's on-cloud software for IBM customers' digital transformation and application modernization projects. Further, IBM is expanding its go-to-market engagements with its worldwide partner ecosystem.

Top Themes: Understanding IBM's Strategy

Here are the top themes of presentations at the THINK conference:

- **Security:** High on the CxO agenda are the twin subjects of cyberattacks and ransomware. This is true no matter where you go, or which conference or survey or poll you study. That's because ransomware and high-profile cyberattacks can damage any business, organization or government agency that is facing (or has faced) these attacks. They corrupt data, preventing access by business units and end-users, impacting business revenues, and corporate brand reputation – all at the same time.

- **Expanding IBM Software's partnership with SAP.** IBM announced an IBM software-as-a-service (SaaS) solution leveraging the SAP HANA/4 database, SAP ERP and SAP CRM software products. This move is significant: It expands IBM's decades-long software strategic relationship with SAP, and it expands IBM-SAP marketing for customers' cloud-delivered application modernization and digital transformation projects. Significantly, IBM is using SAP HANA/4 databases to re-host nearly 400 TB (terabytes) of IBM's own data for hybrid cloud access.

- **IBM-AWS agreement to run IBM Software aaS on Red Hat OpenShift on AWS (ROSA):** IBM and AWS signed a Strategic Collaboration Agreement (SCA), which will run IBM's software catalog, including ROSA containers, IBM Maximo, and IBM data-management software on AWS ROSA. This level of cooperative go-to-market for cloud solutions will be surprising, even shocking, to some readers. It signals a change in IBM's marketing that includes agreements with multiple public cloud service providers (CSPs) and independent software vendors (ISVs) – while offering industry-specific solutions on IBM Cloud for highly regulated industries, including banking/finance, telco, and health care. It is a pragmatic approach, acknowledging customers' multi-cloud usage models, and it is showing marketplace differentiation through an industry-specific focus for IBM Cloud.

- **DevOps and Cloud Migration:** With its 2019 acquisition of Red Hat, IBM became directly involved in the "write-once, run anywhere" approach of Red Hat Enterprise Linux (RHEL) and Red Hat OpenShift Containers. Here, IBM is embracing the problem-sets of developers and DevOps, and the corporate challenge to accelerate cloud migrations for CapEX and OpEX purposes.

- **Co-Creation with Partners and Customers.** The THINK conference highlighted co-creation as a theme to modernize older applications originally designed to run on a specific data-center system. This highlights IBM's move to co-design and support open, distributed solutions based on Red Hat Enterprise Linux (RHEL) and Red Hat OpenShift containers. The new digital hubs for IBM customers will span the enterprise, including the corporate data center, one or more public clouds, the IBM Cloud, and a network of remote systems at customers' Edge sites.

- **AI/ML and automation software:** Conventional development and DevOps practices require deep skill-sets in application development and maintenance -- demanding attention at all stages of the software lifecycle. IBM believes that AI-enabled automation tools will shorten the development, testing and updating of applications that are being modernized for use in the hybrid cloud. AI-based automation software will address repetitive tasks, allowing developers and administrators to identify and repair software flaws more quickly.

- **Research Roadmap:** IBM Research is well-known for its inventions in quantum computing, and semiconductor advances. This THINK meeting explained the ways in which these innovations will find their way into IBM's products and services over the next three years. IBM Research labs will continue to build on an impressive list of IP achievements in quantum computing, superconducting materials, AI, and machine learning (AI and ML) and AI-enabled automation.

Key Takeaways

- *IBM is taking a customer-centric perspective of security, the importance of protecting customers' data assets -- and preparing isolated data asset "silos" for end-to-end data analytics. Placing security as the top priority is responding to CxO's concerns about preserving the stability and availability of their business applications and data in the New Normal environment.*

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- *Hybrid cloud is a theme for a reason. What at first appears to be co-opetition between IBM and Amazon Web Services (AWS), given their THINK announcement, is a pragmatic go-to-market (GTM) approach. It acknowledges customers' existing multi-cloud usage models (industry estimates that 60-80% of corporate customers use multi-cloud), while showing differentiation through an industry-specific focus for IBM Cloud in financial services, telecom, and health care.*

- *AI and ML software are foundational technologies enabling IBM's strategy. The hybrid cloud and AI strategies have been consistent pillars of IBM's overall corporate strategy for several years. IBM views AI as key to accelerating customers' data analytics results -- enabling multi-site data analytics for faster/better business outcomes.*

- *IBM's emphasis on end-to-end security as an IBM differentiator is aimed at ensuring that the entire IT stack will be able to support business-critical and mission-critical workloads – even on the Cloud. This strategy is designed to avoid service interruptions and preventing damage to customers' business operations and brand-name reputations.*

A New Take on Go-to-Market (GTM)

IBM has always been focused on the customer "pyramid" as it launches initiatives to build its sales and marketing initiatives worldwide. The THINK conference shows that the pyramid acknowledges the vectors for engagement among its top customer segments.

The customer-pyramid segments include IBM's largest global customers, estimated to number in the hundreds, mostly reached with direct sales; and the broader group of mid-tier customers, who will engage more heavily with the IBM partner ecosystem of CSPs, ISVs, MSPS, VARs, VADs, system integrators (SIs), and co-lo partners as they connect with IBM's DevOps and Consulting resources for designing, building, and deploying a new wave of modernized applications for customer projects.

Through it all, IBM's 2021 acquisition of Red Hat is the center of much of this renewed architectural build-out for customers' application modernization.

Many industry observers thought that Red Hat's annual revenues of $3.5 billion (in 2021) would not add to IBM's top-line revenue numbers, or that its value-add could justify the $34 billion price of the acquisition. But, as IBM's Q1 IBM financial report shows (as posted on IBM's Investor Relations page), IBM is again growing its revenue in a highly competitive marketplace – and a rapidly transforming world. It's clear that Red Hat software is already changing the solution portfolio of IBM – and that Red Hat software will have an increasingly important role as IBM grows its top-line and bottom-line numbers from 2022 through 2025.

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