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ON Demand – A Demanding Challenge for IBM?

End users expect growth but evermore so now require technology that enables resources to be responsive to fluctuations in that growth and expect to pay on the value it brings to the enterprise.

Review

By Norman Bartlett, Senior Consultant

“Disruptive technology forces change to clients’ business models”, was how Michel Teyssedre, IBM EMEA’s V-P for Strategic Business Development at its annual Analyst Forum in Rome in March 2005, put it.

This phrase provided a continuous thread during the event, a thread that could be traced through innumerable ‘essential issues’, ‘key technologies’, ‘focus applications’, ‘critical concerns’ and ‘proof points’. This was IBM delivering its ‘ON Demand Business’ message.

Twelve months previously IBM had articulated its understanding of the issues. Now it was time to explain how ON Demand Business was addressing those issues with an IT offering that was deeper and wider and tailored for the matters that are troubling customers. No one doubts IBM’s capability to deliver deep and deliver wide. The key question however is can it deliver to a customer base that is poised for growth yet unsure if it can adapt to the world’s new technical and commercial challenges?

From the evidence of the 3-day Forum, the verdict is unproven.

IBM is a great and wonderful beast but its complexity challenges the ON Demand change. The established groups – Systems & Technology, Software, Global Services – provide solutions. Can they provide solutions together? They have attempted to do this with the ‘Express’ brand at the SME level but with only partial success so far.

Michel Teyssedre reminded the gathered analysts of how IBM assessed its coverage of the market. Business solutions and infrastructure solutions accounted for 36% of the business, solutions building blocks and standardised bundles comprised a smaller 25% while individual product services made the remaining 39%.

Case studies there were aplenty, either by presentations or documents claiming to show how IBM has achieved this solution integration. But are these valuable benchmarks illustrating a new way of doing business or fortuitous examples of synergy? How much will the initial migration cost in time and disruption?

Let’s follow the thread, starting with the ‘disruptive technology’ that Teyssedre referred to. The technologies responsible for this definition are the Internet, mobile communications, a massive increase in data retention requirements and consumers more demanding of swift, accurate and responsive services. Yes, those technologies have been there for a few years but now “are going mainstream” according to IBM. Think of Google, 3-G mobiles, eBay, VoIP and archives of data for legal and security reasons.

Can users rely on facilities that are tailored for their needs as they arise? Is it safer to allow capacity for unexpected peak loads and other contingencies? What about the cost of the unused resources when

they exceed demand? IBM believes that one solution is Grid Computing but what this means to IBM depends on who and which internal group you talk to – let alone the numerous end user definitions.

IBM says it is “distributed computing in a heterogeneous environment but with open standards”. Many users see Grid Computing as the means to obtain a return on surplus resources by leasing or making available those resources to others outside the organisation. IBM sees its high performance computing providing an ON Demand resource that users can take to supplement HP, Dell or Oracle solutions. Users would like to see IBM more in the role of a broker, taking their surplus resources.

More work is required there, IBM!

Whether Grid Computing becomes an integral part of ON Demand or not, the need for enhanced networks is very clear. IBM’s work on Next Generation Networks is predicated on the assumption that all legacy architectures will gradually converge towards IP. IBM is also a strong supporter of the Open Communications Architecture Forum (OCAF), the body that is developing carrier grade specification for networks. IBM offers its e-server BladeCenter in this space.

The Systems and Technology Group has seen steady growth during 2004 and is moving forward in 2005 with focused ON Demand offerings. It believes it must concentrate on the supply chain, deliver applications flexibility, enable systems consolidation and provide good email archiving.

Here are the recognisable four bullet points which all can readily subscribe to. The go to market message also provides comfort. Steve Menadue, V-P for ISG in EMEA was precise: “predictable, constant behaviour by IBM towards its channel partners”. An example is SystemSeller, the channel programme for Distributors and their Resellers, that is focused on low and mid range products from the pSeries range plus the OpenPower range. This is to be extended in 2005 to include iSeries and Storage to give Resellers a better margin if sold at recommended prices. SystemSeller is for the low end. How will ON Demand be fulfilled further up the size range?

Looking at the zSeries with the latest tag line, ‘virtually perfect in every way!’ The hardware has been improved, unsurprisingly with more MIPS but also with Java processors in the z890 and z990. The z/OS provides much higher levels of resilience and permits applications running multiple Linux – although some might argue that multiple Linux running on xServers is a better value proposition. Systems & Technology Group claims that 75% of its EMEA installed mainframe base has seen a roll out of new technology at least 2 quarters ahead of the Americas market. This is reflected in its ‘Bank of the Future’ concept with equivalent models for the insurance and public sectors to follow.

Here is where the ON Demand message becomes blurred.

Big Blue leading with its big iron is something the market understands and even appreciates. When the zSeries sales team talks business resiliency, Secure Vault, workload management and even business integration the market knows it can deliver.

But wait! Who's this wearing an ON Demand badge and a hat with the slogan 'integration point for infrastructure solutions'? Why it's Global Services but under the name of Business Lines.

Its EMEA General Manager, Daniel Chaffraix, is responsible for determining what it sells and who sells it. He described how the consultative selling process starts with an assessment of the customer's present situation, determines what future state it aspires to, identifies the required capabilities and assesses a road map. IBM had developed a component business model to frame this work. To do it, some hundreds of Technology Sales Professionals (TSPs) and Infrastructure Solution Specialists (ISSs) will be recruited and trained. "All the focus of this activity was on the enterprise space", he declared.

Later, Leo Steiner, VP for ON Demand in EMEA, explained a little more how the TSPs and ISSs would be trained. The business development of ON Demand started with one-of-a-kind studies. After reviews of many customers, patterns emerged. These have been formalised into 16 generic cross brand offerings and about 25 industry offerings. These are mainly intended for the direct sales force of TSPs.

About a score of business partners have been signed up to ON Demand. They have to form teams to provide a range of coverage. They will be able to use the 11 solutions offerings that have been developed for partners to handle. Has IBM fully understood the issues ON Demand will create for its partners? Does it realise the extent of the support needed by the channel ecosystem under the ON Demand regime? We believe not!

The TSPs will identify needs using 10-12 page Playbooks of content and method. The ISSs will be selling hardware, software and services utilising step-by-step technical infrastructure guides. And who will the newly trained TSPs and ISSs report to?

"They will fit in to industry sector sales alongside the existing Client Executives", explained Steiner.

Hm'm.....

TekPlus Analysis

by Dr Mitul Mehta, Managing Director

IBM is moving fast towards defining and delivering some form of client responsive ON Demand solutions. It should be commended for its rapid responses and readiness to provide early leadership in this area. However we see a two-fold problem in its strategy:

- ON Demand standards need to become rapidly established so that IBM can sell solutions immediately. This is because IBM needs to show its solutions are based on industry standards and that the solutions are able to migrate as future developments take place. Given the current situation with all the standards does 'openness' currently claimed by IBM or any other vendor really mean 'open in the future' - when the road map is still so blurred?
- What does IBM mean by ON Demand? Can all internal IBM groups agree on a generally accepted definition and sing from the same hymn sheet – i.e. not just marketing but really cross grouping solutions bringing real value to the end-user? Can these ON

Demand solutions transcend into vertical specific solutions without losing their overall value to the business processes? What will ON Demand bring to the SMEs?

We believe the first issue will be addressed over time as most vendors begin to see the revenue potential of agreed standards and openness. However developing standards as soon as possible and sticking with them will be in the interests of all and IBM really needs to drive this.

TekPlus believes the second issue will be more difficult for IBM. Singing from the same sheet is possible for IBM as the 'Express' offerings for SMEs recently show. But can it be done for ON Demand – currently the voices we hear from the different groups are totally 'incongruent' and more work needs to be undertaken to make this feasible. We hear about end user benefits that seem impossible to deliver in the short term. If IBM is not careful it will begin to sound like HP with its rather abstract 'Adaptive Enterprise' strategy – resonant of a shadow rather than any substance! And this really isn't the IBM we know of recent years!

TekPlus believes IBM is learning and ready to tackle some of these problems head on. We also believe it will get its act together and deliver the real value of ON Demand from cross-group solutions that meet the end-users needs but it remains to be seen how long this will take!

General Note

TekPlus will be producing in-depth briefs in the near future on how ON Demand will be delivered from each of IBM's groups. For further information, call or email TekPlus.

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