

IBM Sees the Future in SoftLayer

The enterprise cloud discussion is beginning to evolve from a technology cost containment and speed focus, to a business innovation focus. And as this focus continues to evolve, the delivery of cloud services must also make that leap from focusing on delivering infrastructure to delivering more business-oriented services. The effect of this shift will move some enterprise cloud initiatives to look more like what born-on-the-web companies are doing today. In my opinion, that changing and future undercurrent is one of the reasons for IBM's latest cloud acquisition.



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IBM announced a definitive agreement to acquire SoftLayer Technologies, Inc. on June 4, 2013. Cloud-related acquisitions are not new for IBM, but this is a significant acquisition from several perspectives, for IBM and the industry, as well as current and potential customers. SoftLayer boosts IBM's Cloud service delivery capabilities, which also could have farther reaching ramifications across IBM (discussed later in this piece.) The Cloud services potential is high for IBM, as they expect cloud revenue to reach \$7 billion annually by the end of 2015.

What did IBM buy?

According to IBM, "SoftLayer is one of the largest privately held computing infrastructure providers." With its roots in managed hosting, SoftLayer designed and built its cloud platform so customers can buy on-demand services, by the hour or month, with built-in management. IBM acquired a SoftLayer's cloud platform with its valuable IMS¹ integrated management software, which includes Operational Support System (OSS) capabilities for managing the infrastructure across hybrid environments, and Business Support System (BSS) capabilities for managing the business aspects of self-service ordering, billing, etc.

In addition, SoftLayer brings to IBM 13 more global data centers², an additional 21,000 cloud/hosted customers, SoftLayer's presence to the SMB and born-on-the-web market, expanded partners, and more.

A strength of SoftLayer's approach is the flexibility with which customers can deploy interchangeably between dedicated high performance bare metal servers, virtualized public or private clouds. Customers can choose the stack that fits the optimization needs of their workloads, whether they need high performance data access in dedicated bare metal servers, virtualized compute capabilities, network and storage.

¹ IMS is the name of SoftLayer's software.

² This adds to IBM's existing 10 data centers.

One Plus One Equals ...

The combination of SoftLayer and IBM is complementary in several aspects. SoftLayer's brand recognition with SMB and born-on-the-web customers complements well with IBM's enterprise presence, for a broader combined customer reach. Their presence in their respective customer segments also brings capabilities specific to those customers. For example, SoftLayer's web-based channel is well suited for reaching more SMB customers. And IBM's enterprise-oriented solutions are added into the mix for enterprise customers.

The strategic nature of this acquisition is clearly demonstrated by IBM forming a separate IBM Cloud Services division, which combines SoftLayer and IBM SmartCloud³. This is practical in terms of rationalizing overlapping capabilities, as IBM will likely converge their existing SmartCloud Enterprise and SoftLayer offerings. IBM already stated its intention that SoftLayer will be OpenStack compliant, which is consistent with its SmartCloud strategy to date.

SoftLayer exposes over 2,200 APIs, which enables customers to access every feature and function available through software. SoftLayer's extensive use of service APIs fits like a glove with IBM's services strategy. In fact, APIs will be how services are tied together across IBM's portfolio. Which leads to my next point...

Reading into the Future

Although SoftLayer will reside in the IBM Cloud Services division of IBM GTS, make no mistake, this is a cross-IBM play and will have farther reaching ramifications that I alluded to earlier. At this early stage before the acquisition is completed, this is my own "reading into the future."

IBM stated that the Infrastructure as a Service (IaaS) and the Platform as a Service (PaaS) capabilities will reside in the new Cloud Services division. Naturally, the middleware and application components will still be developed in the IBM Software Group but the intention is to collaborate with the new division. There are many scenarios that could occur, which is why IBM is saying cautiously that they will see what the market wants. There are many opportunities for IBM to offer existing and new capabilities layered on top of the SoftLayer IaaS and PaaS offerings as extended and more complete solutions. For example, the new cloud platform is an ideal delivery mechanism for offering IBM analytics or Big Data solutions, as in industry specific analytics solutions like financial risk analysis, or medical patient analysis, etc. IBM already has many industry specific solutions that could be offered as cloud services, and the composition of services could be tied together using APIs.

This is just one example of the effect that the SoftLayer acquisition could have, but there are many more. Other areas of potential impact and/or intersect are DevOps, IT operations, Smarter Planet solutions, and more. An interesting prospect is that with APIs, other IBM solutions could

³ The new division will be under the existing IBM Global Technology Services.

“snap-in” as additive higher level services, increasing the value of cloud services and adding to IBM’s cloud revenue.

The Final Word

Cloud computing continues to evolve, and with this announcement IBM planted its cloud services stake even more firmly in the ground and added more data centers across the globe. As cloud computing eventually evolves from an infrastructure delivery focus to a business service orientation, delivering cloud infrastructure will not be enough. Cloud infrastructure providers should be on notice that IBM is well-positioned to pass them by in the future with its depth and breadth of technology and business solutions and expertise.

If IBM successfully uses its new cloud platform as a way to deliver its broad and ever growing portfolio of higher level solutions to enterprises and SMB customers across the world, eventually IaaS and PaaS could be relegated to commodity services with high value SaaS services driving purchases. I say this guardedly with several caveats and unknown “if’s”. How this plays out depends on many unknown factors such as IBM’s execution success, customer adoption patterns, selected application solutions, pricing and competitive factors. However, this acquisition reveals that IBM is obviously eyeing where cloud computing is going in the future. Instead of sacrificing choice and flexibility for standardization and speed, like some cloud customers are doing today, SoftLayers enables customers to choose workload optimized infrastructure on demand. In other words, cloud infrastructure and platform services that are optimized for the needs of customer workloads. Thus, IBM’s tagline, “Cloud without Compromise.” And in the future, customers may buy the workload services on top of it all.

But to be clear, IBM still has a lot of work to do once the acquisition is complete. Overlapping capabilities have to be decided on and rationalized, integration linkages with existing products have to be mapped out and developed, and roadmaps/timelines developed. IBM indicated that they will be looking to its customers to determine the path and speed of this evolution.

No one can predict the future, but SoftLayer just might have propelled IBM’s cloud services strategy forward a couple of notches ahead toward the future of cloud computing. We’ll have to wait until Q3 2013 when the acquisition is scheduled to close, to see where IBM takes this SoftLayer acquisition. This isn’t just an acquisition, it’s giving us a glimpse of the future of cloud computing.

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