



CLABBY ANALYTICS

Trip Report

IBM's Moscow NEDC Event

Introduction

Now that *Clabby Analytics* is located in Dubai, UAE, my company (which consists of me) has easy access to numerous countries identified by vendors as “emerging growth economies” including countries in Central Europe, Russia, the Middle East, Africa, India, and Southeast Asia. This centralized location may be why IBM recently moved its CEMEA (Central Europe/Middle East/Africa) headquarters to Dubai. And I expect many other vendors will follow IBM's lead.

Being located in Dubai means that Moscow, Russia is only five hours north of here — and even in the same time zone. So when I was asked to present my perspectives on IBM's New Enterprise Data Center (NEDC) strategy in Moscow, I jumped at the opportunity (“Heck” I said, “Moscow's practically in my own backyard”).

The following is my account of my visit to IBM's NEDC event in Russia's capital. It is meant to provide insights for reporters and analysts who write about information technology trends — and for marketers who want to learn a little bit more about the countries into which they are attempting to sell products.

Moscow — First Impressions

Cold. After living in Dubai's 95F/39C weather for the past ten weeks, it was quite a shock to hop off the plane and be greeted by weather in the 11C/52F range (I loved it). The trip into town from Domodedovo airport was fast by Moscow standards (less than an hour). Along the way I got a good look at Russian architecture including housing near the airport that looked very much like Maine where I'm from, as well as communist style housing, traditional buildings and churches [including St. Basil's in Red Square], and several of the new buildings that are part of Moscow's big building boom).

Ironically, in the hotel room, the BBC was running a special report on the effects of stock market/financial system collapses on emerging economies — including Russia. The net/net of this broadcast was that collapsing Western economic systems would have little impact on countries such as India (whose economy is far from overcapitalized). But in some countries, such as Russia, over investment in building new infrastructure and office space may cause a credit pinch as bankers call back construction loans (note: this could also slow sales in retail and in the IT sector). The BBC also pointed out that the decrease in the cost of oil and gas would have a big impact on Russia as the country had started to rely more and more heavily on oil sales in the \$160 a barrel range (and now oil sells for about \$100 less than that).

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Just after I left Moscow, the predicted credit crunch arrived — resulting in the suspension of stock trading for two days.

IBM's NEDC Announcement

IBM's New Enterprise Data Center initiative offers strategic guidance for enterprises that wish to improve data center operational efficiency. It builds on the principles of IBM's On Demand computing initiative (announced in November, 2002) — and provides a roadmap that ultimately results in highly-automated, business process-driven IT environments. Enabling NEDC consists of three distinct phases: 1) simplified; 2) shared; and, 3) dynamic. The simplified phase focuses on consolidating and virtualizing IT resources. The shared phase concentrates on automating management services and deploying service-oriented infrastructure. And the dynamic phase exploits this consolidated/virtualized infrastructure to realize business goals through the use of compute-intensive processes such as business analytics.

The audience for IBM's NEDC presentations consisted of about 100 people — pretty evenly split between business managers and IT managers. This mix always makes it difficult to find a common ground for presentations — but the NEDC discussion is just as much business-centric as it is technical — so both audiences found the NEDC messages easy to understand.

One of the questions I like to ask audiences of this size is “how many of you have actually consolidated and virtualized your information systems?” And the Moscow response: only about 10% of the hands in the audience went up. Now this is no surprise to me — in the Middle East I regularly ask IT audiences this same question and only 3% of the hands in some very large (300+ people) audiences go up. But this response should be noted by IT research analysts and reporters who cover IT trends, as well as marketers who are trying to drive their messages into emerging growth economies.

Resource consolidation and virtualization offer several benefits — the most prominent of which are reduced management costs; reduced operational costs (particularly around energy use); and reduced acquisition costs. When audiences demonstrate little knowledge of consolidation/virtualization techniques — and when there are few deployments of either technique/technology, red flags should go up for reporters, IT analysts, and marketing types. Here's why:

- Lack of consolidation/virtualization adoption means the audience is not feeling the same cost of resource management pain Western buyers are suffering. In North America and Western Europe, cost of management is very high — and this is why enterprises in these geographies have rushed to adopt consolidation and virtualization. Management costs in Central Europe are comparatively far less — and management costs in the Middle East (due to the large influx of Egyptian and Indian technical labor) is also comparatively low. IT analysts need to understand these sorts of economic and employment dynamics when espousing knowledge about evolving economies. Reporters need to understand that some IT analysts know very little about IT buying patterns in emerging geographies (and start relying

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on informed opinion — such as that provided by Clabby Analytics [yes, I know, shameless...]). And marketing people need to understand that no one size fits all — in IT management.

- Lack of consolidation/virtualization adoption also signals that enterprises in particular geographies are feeling no pain when it comes to some operational costs, including those related to energy conservation. While U.S. and Western Europe rushed to adopt consolidation/virtualization technologies to lower costs related to power consumption those costs are highly-variable and geographically dependent. Brazil, for instance, uses bio-fuel, nuclear power, hydroelectric power — and has recently located huge oil deposits off its coast. Reducing power costs, accordingly, is significantly less of a play in Brazil than in the U.S. or Western Europe. The Middle East obviously does not worry tremendously about power consumption costs. For IT analysts, what this means is that not everyone experiences the same pain when it comes to the cost or availability of power. For reporters, this means that not every green message put forward by vendors or IT analysts plays well in every part of the world. And for marketing managers, reducing power costs (such as those that can be achieved by consolidating and virtualizing servers or building more efficient data centers) will not always be a major driver of IT decisions in every geography.

The bottom line is that the audience listened closely to the IBM NEDC initiative — and probably found some of it useful. But to serve most of this audience, IBM needs to do a lot of basic blocking and tackling, and should accordingly still focus on selling On Demand computing concepts. IBM needs to help guide its customers to aggressively adopt consolidation and virtualization in the near term — and then deploy service-oriented architecture afterwards. Messages about operational and power savings will likely fall on deaf ears in Moscow (at least in the near term given the economic downturn). But ultimately, to get its Muscovite customers to progress toward more advanced on demand computing and NEDC, IBM will need to focus more strongly on getting them to take the first step — the consolidation/virtualization of IT resources.

A Closer Look at Power Use

A great example of tuning marketing messages to meet the needs of emerging economies is to look more closely at the previously mentioned power consumption issue. *Clabby Analytics* has seen *power allocation* become a major issue in at least three emerging economies. On this trip I learned that certain areas of Moscow have maxed-out their power grid — so getting additional power there has become extremely costly and time consuming. I have seen this same phenomenon in China and India, and power allocation is even becoming a major problem in developed nations (rumor has it that New York City is reaching the upper limits of its power grid).

So here are some observations for marketers when it comes to delivering their messages to emerging economies:

- Not all geographies care about “green”. Target green messages for Europe (where carbon limits are being put in place) and America (where, due to energy costs, green is finally making it on the corporate agenda).

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- For emerging economies, look closely at power distribution. A message that will likely be more effective in energy rich nations would likely revolve around lowering energy consumption in the data center to allow for more computing growth in the future (not to reduce carbon footprints).
- Management costs vary hugely by geography, so don't steer your sales force to focus on reducing management expenses in economies where those costs are low. Learn from this lesson that a professor in China gave me: "in China we have a responsibility to employ our people as we move to a capitalist economy. Taking out people through automation is not necessarily a good or viable option".

Summary Observations

Just to be clear, *Clabby Analytics* is a huge fan of IBM's On Demand computing. Ultimate efficiency (and thereby profitability) in business is delivered through the efficient flow of business processes across an enterprise and its departments, its customers, and its supply chain partners. On Demand computing puts in place an architecture that will ultimately allow for the transparent, efficient flow of business processes through an organization. NEDC is built with On Demand principles — and it expands them by helping customers get IT operations under control, better automate management (by automating enterprise "service flows") and transparently and dynamically drive business value over underlying IT infrastructure. IBM's NEDC message can provide strategic direction for all IT departments — but for the present it is particularly applicable in more developed countries. (Note: IBM needs to help emerging growth countries understand NEDC principles in order to stem bad data center designs and practices before they become instantiated. Just know that many emerging growth countries are not yet ready to receive the higher level NEDC service management and business-driven value messages at this time).

In addition to NEDC, IBM also recently announced the availability of its new System z10BC (Business Class). *Clabby Analytics* already covered this announcement in last week's Pund-IT Review — the z10BC mainframe should be an ideal system environment for Russian IT managers who are looking to consolidate and virtualize existing computing environments (such as x86 server farms), as well as for handling new Java/Linux workloads. The System z10BC can also help IT managers get power consumption levels under control (a System z burns between 10-12% of the energy an x86 server farm burns). For IT environments where power supply on the grid has been maxed-out, IBM's System z10BC represents a means to live within the power restrictions of a maxed-out grid. One final point intrigued me about the Moscow visit. After my presentation, some students approached me with questions about cloud computing and software as a service (SaaS). *Clabby Analytics* is actively encouraging government entities in the Middle East to consider cloud computing and SaaS for delivering computing to their citizens. And companies such as Google and Microsoft are starting to get more heavily involved in this model of computing. Cloud/SaaS will become an important design practice in the future — I was thrilled to see that next generation IT managers are already looking at and asking questions about these technologies.

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Clabby Analytics is an independent technology research and analysis organization that specializes in information infrastructure and business process integration/management. Other research and analysis conducted by Clabby Analytics can be found at: www.clabbyanalytics.com.