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The Deloitte On Cloud Podcast

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Title: IBM's Nick Otto discuses how hybrid cloud and Generative AI can help optimize cloud value

Description: In this episode, Nick Otto, head of global strategic partnerships at IBM, discusses how hybrid, open architectures, augmented with Generative AI, can help organizations optimize cloud value and get better insights that enable more effective decision-making. According to Nick, value isn't optimized by mandates to move to cloud, or to transform in a certain way. Instead, optimization can be achieved by building a flexible, open, sustainable solution that can scale with the organization.

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David Linthicum:
Hey, welcome back to the On Cloud podcast. Today on the show I'm joined by Nick Otto, head of strategic partnerships at IBM. Nick, welcome to the show.

Nick Otto:
Thanks, David. I'm excited to be here.

David Linthicum:
As someone who is on the outside looking in to IBM, I just see a lot of changes going on, a lot of movement, a lot of stuff coming out of IBM at a rate I haven't seen in a long period of time. What are you doing in that mix of things that's going? And what is changing at IBM that most excites you right now?

Nick Otto:
Yeah. I think you're spot on. The amount of change and the pace of change at IBM, as well as across the enterprise, right now is just incredibly exciting. I've been at IBM for about 20 years. I've spent time in our consulting business. I've spent time in corporate strategy. I've been in software, hardware, pretty much every part of the business. I think right now, sitting in ecosystem, as you said, leading our strategic partners, which are some of our largest technology partners that we have across the company, the rate and pace of change is incredibly exciting, and it's really all directed at trying to help our clients transform faster. I think that that's really the forcing function right now. It's how do we accelerate transformation at our customers, and how do we keep up and, in some cases, hopefully leapfrog that speed and bring them transformation faster than they can even accept it?

David Linthicum:
So, what are you doing personally at IBM to make that happen? What's a day in the life of Nick like?

Nick Otto:
Working across our strategic partners, we've got seven strategic partners today in my portfolio. From my point of view, it's how do we partner even closer with those technology leaders, with IBM technology, IBM services, IBM capabilities, and look at client needs and figure out how we can wire those capabilities up together to help our clients transform faster? That includes services relationships across the board. Taking those capabilities and figuring out other patterns where we can help accelerate transformation is really my day-to-day working across those different technology partners.

David Linthicum:

We seem to, as an industry, be moving to this ubiquitous computing kind of model. I wrote about this in my book, but everybody else is kind of jumping on the bandwagon here. We're not getting to a single platform that's going to be the answer to solve all of the problems, but it's going to a hybrid solution, the ability to leverage on-premise systems, edge computing, Generative AI-based systems, public cloud-based systems, all these sorts of things in whatever bespoke configuration that we need to apply directly to the business. So, that gets into kind of the notion of an ecosystem as part of a hybrid cloud. Tell us a bit about that. What's new at IBM in terms of promoting an ecosystem? Are you guys approaching hybrid cloud computing? And where is the future taking us right now?

Nick Otto:
Great question and really spot on. I think what's exciting around that entire notion is IBM strategy has been consistent for really the last four, almost five years now, with our two priorities to help clients transform being hybrid cloud and AI. I think this year really seen the convergence of those two come together, which has been exciting, but I think to your point, what we're seeing and really where we're investing time and energy is really the doubling down on hybrid cloud. I think if you were to rewind a few years back, there was probably a notion of hybrid cloud is kind of a good step along the way as you're transitioning everything to cloud native. We've been pretty consistent around our narrative, exactly as you said, that we believe there's different types of compute for different types of needs.

We believe there's different places you're going to want to store data, on-prem, cloud, and the combination all in between. We really want to work with our clients to make sure that they have an open trusted approach to manage, like you said, that disparate infrastructure that's disparate bydesign. That hybrid by design approach is really where we're continuing to take our clients today. Obviously, we started a lot of this mission with our Red Hat acquisition several years back now, but really, you've just seen that continue with our technology offerings and services offerings to help clients land compute and keep compute where they want it, keep their data where it needs to belong, and then accelerate transformation all along the way with an open trusted approach.

David Linthicum:
It seems to be more an adoption model, the ability to look at what technologies need to be arranged in a certain way to provide the most optimized solutions. So, this doesn't seem to be about moving to whatever is the new shiny platform anymore. It's about leveraging whatever platform makes sense for the particular workload and dataset that we have, and the ability to kind of do so in a way where we're looking at the optimization in terms of our ability to bring value back to the business, kinds of core metrics versus getting value points because we're pushing everything that we can onto a public cloud or a private cloud or a different proprietary technology. It's a matter of really looking at what works and what doesn't work and making sure we leverage what works. So, getting into the challenges of this, what do you see working out there and what's not working?

Nick Otto:
I think you're spot on. I think what's working is exactly as you said, is when clients are intentionally thinking about this. One of the variables to kind of add into the mix that you just talked through there is: What do you have today? And how can I leverage what I have today to actually get to a transformed state faster? And taking into account all of the different criteria when I look across my hybrid cloud estate, and I think there're examples where you get to the edge where you have latency concerns, where a cloud solution would not provide the needs at the edge. You have security concerns all along the way. You have data residency concerns. In the new world of GenAI and all the focus around GenAI, you're going to want to be able to draw inferences across a wide set of data that might be on-prem or might be in multiple clouds.

I think what we're seeing as really a successful approach with our clients and partners today is when they do have a thoughtful, intentional approach around that, looking at what they have today, looking at the outcomes they're looking for, and then trying to figure out: How do I navigate my existing infrastructure and any new infrastructure changes that I might want to evolve towards, and get those insights as quickly, as efficiently, and as most productively as possible? I think where we have seen quite a few challenges, and this is on both sides, where we have clients who say, "Hey, I've got big on-prem datacenters. I'm going to keep those," or we've got clients that say, "I'm going to shift everything to the cloud because we're on a cloud mandate to move everything to cloud native."

Those kinds of mandate-driven approaches, whatever direction they may be, is where we're seeing clients really struggle, where they get far more thoughtful and purposeful around where workloads should reside, and then design that into their future plan is where we're seeing the most success today. From a technology perspective, we're right there with them, obviously, to support them with containerization needs, optimization needs, looking across that kind of disparate infrastructure. But those are two thoughts on each side.

David Linthicum:
It seems like if anybody has this all-or-nothing approach to architecture, and I ran into this a lot certainly in the early days of cloud of, "We're cloud-only," or, "We were never going to do cloud, and now we're cloud native only and we're not going to do anything else." That's always a recipe for disaster. That doesn't mean that we will build something that won't work, but it won't return the maximized value back to the business, which really is the game that we're playing these days.

In other words, everything works. I can put together a configuration of technology that will typically work and solve the problem, but in many instances it will solve the problem for ten times as much money as something that can solve the problem for ten times less money and therefore return more value back to the business and, by the way, have something that's more optimized for the particular enterprise problem domain that I'm trying to solve. It seems like that seems to be the game these days. Do people understand that? Do we know that we're going for a value metric versus going for just configuring technology for technology's sake?

Nick Otto:
I think they're getting there. I definitely don't think that the full community has reached that point yet, but more and more, and I think a lot of this has come through failed missions down whatever path they may have gone, and really this kind of return to—right to your point. Whatever transformation I'm going to drive has to drive value for my organization. Now what's the infrastructure that I have and need to build underneath that to get to that value statement?

And again, getting far more thoughtful and intentional around how am I going to approach that, as opposed to the mandate-driven approach that we've both seen prior, is definitely happening. I think probably this year I've seen the most customers reaching that point, whether it's through failed prior approaches or new leadership, or just the mandate to really focus on value from pretty much every company out there. There's a lot more lights turning on that that's going to be the optimal approach.

David Linthicum:
Then also thinking of the optimal approach, you guys have made a tremendous investment into open technology, not just open source, but the ability to have technology that has more flexibility and agility than other technology out there. What are some of the benefits of having an open approach? Why should enterprises look at that as a potential solution that's going to provide this optimization of value metric that we just talked about?

Nick Otto:
I think this continues to kind of be the gift that keeps giving. The work that we do from a hybrid cloud, multi-cloud, and open perspective, everything we've been talking about here, and the churn and the change that continues in this space, as you look forward certain new types of compute will come out. New cloud offerings will be released. New edge products will continue to come out. The only thing that I think we can be certain of is whatever the infrastructure is today will not be the infrastructure of the future. So, as we're working with customers and helping clients transform, a huge focus for us is to help them optimize where they are today, but provide them the flexibility and the portability to adjust as the world adjusts with them, to continue to drive that value over time. So, the hybrid element is one, being able to move your workloads wherever that infrastructure changes over time.

The open piece I think continues to be this space for innovation, allowing open communities to continue to drive value into our products and let that live in whatever infrastructure may exist. Then I think the other piece that we see consistently with both the hybrid and the open component is it builds an incredible layer of trust. If you're able to really think through the trust and security across these hybrid environments and allow yourself to evolve with the environments as they evolve, and doing that in a secure, trusted way, you're setting yourself up not just for success today, but success in the future.

David Linthicum:
Yeah, and you have an active role and active participation in the improvements and the innovation of the platform. So, speak to that point. What are some of the innovations that are occurring in the open spaces right now that you guys are working on? What are some of the things that we're likely to see in the years coming up?

Nick Otto:
Great question. We continue to see innovation happening, back to the very first point, at a pace that we've never seen before. The innovations that we're seeing most valuable for clients right now, of course the hybrid cloud space that we've been talking [about]. How do we really maximize that flexibility and portability over time to allow a client to provide this flexibility? A lot more innovation coming in that space. Then I think the other bucket where the vast majority of our investment and focus and where a lot of our clients are going as well is all around AI and automation. We've had the information dialogue around making sure you have that portability, flexibility, openness, trust, et cetera. But the number one application we're seeing clients want to figure out on top of that infrastructure is, one: How do I get insights, better insights, faster insights?

Then two: what do I do with those insights? So, our automation platforms, the work that we're doing around open automation, are all focused around leveraging those hybrid infrastructures to get insights faster and then make better decisions with them. Everything we're doing across IBM software, and of course our Red Hat community as well, is taking open approaches to make sure we get the best products in the fastest way into the hands of our clients and partners.

David Linthicum:
Great response. I think coming up we have a tremendous amount of Generative AI technology that's in the pipeline, certainly from my clients and the industry in general. Everybody is looking for a strategy around this technology. So, if we talk about hybrid cloud computing and a hybrid cloud strategy, how do we combine that with a Generative AI strategy? Where do they come together? How do enterprises put this together to, again, maximize the value and maximize what enterprises can accomplish?

Nick Otto:
I think, as I mentioned earlier, this convergence of hybrid cloud and AI, I think many could have predicted it, but the speed at which it's happened this year is at a rate and pace that I had not predicted. When we're talking to clients today, everyone is looking at developing what their Generative AI strategy is, but they want to do it faster than ever before. They want to do it built on a foundation of trust. They want to do it at the optimal price point. As we look across all those pieces, kind of similar to our overall hybrid cloud dialogue earlier, there's an approach that says get all of the data that you could possibly glean insights from, dump that into a cloud, and then let's start running big models and seeing what we can learn from that. Many companies are taking that approach, and I think what we're quickly learning is that's too expensive. That takes too much time. And that's not taking optimal advantage of your current estate and your current infrastructure.

So, what we're seeing a lot of our clients do is really look at a hybrid approach to how they want to drive Generative AI. They have multiple clouds that they're going to keep their data in, have compute capabilities and multiple models from a foundation model perspective that's going to fall across various clouds. They're going to have on-prem data to meet cost, performance, latency concerns, and they're not going to want to move that data, maybe for security reasons or data residency reasons. What we are finding is the client wants to be able to take all of those capabilities, insights, across the board, across all of the different places it may reside from a hybrid cloud perspective, and then pull it together to drive optimal insights. That's really been our approach around Generative AI, is multi-model, hybrid.

We of course have our own models which we've launched, working with a lot of our partners, back to that open dialogue, very closely with the hyperscalers, very closely with everyone in this space to make sure that we can pull together all of the various insights coming from, again, the very disparate community of insights. And how do I pull that together? How do I tune it? How do I make sure I have governance around it? How do I make sure

that I can glean the insights wherever the data was residing? Then back to the initial point. Drive better outcomes and drive value from my organization, which is where a lot of the automation discussion comes in as well.

David Linthicum:
What I love about this is we're keeping our architectural options open. In other words, we're not closing anything off. It's not the ability to push it toward one platform or the other, push it to a public cloud or to an on-premise system, but the ability to utilize both as it allows us to optimize our solutions and ability to keep our options open as we move forward. I think that's going to be key to making Generative AI work. It's absolutely going to be very expensive. We can't throw everything into a single model and expect us to have some sort of value proposition that comes back from that configuration.

You have to understand that this is going to be the "it depends" thing, and the different ways in which we use it for the different use cases. Different patterns of leveraging data is going to change a lot, and we have to look at the use cases and figure out the most optimized solution to make that happen, and again, keeping our options open. I think open approaches, hybrid cloud computing, those are exactly the strategies that I think enterprises have to keep in the back of their mind. So, what tips do you have for companies that want to start down this path?

Nick Otto:
When I step back, I think we all learned a tremendous amount in 2023. When I think through key lessons that I've seen being the most valuable to date, and again, just like the infrastructure evolution or GenAI evolution, learnings are continually evolving as well. I think the three points that would pop out to me is, one, back to the dialogue we were just on. One GenAI solution will not rule them all. That continues to be reinforced with clients that I work with, and that's why we work very closely with a long list of partners in this space, including many of the partners that I have in my portfolio. I think that that just goes back to the fact that I think the future of AI will continue to be shaped by an open community with partnering across the board. And building upon that, I think when I look at the power of partnering in general, and this is specific to AI but it goes far beyond, I think we're all seeing that we're working in an environment today and a market today where no one on their own is successful.

We really have an opportunity to pull the best solutions across the ecosystem, pull them together, drive collective success, and this is all around the transformation that we've been through at IBM over the last couple of years, redoing how we approach the ecosystem. Then I think the final piece in kind of building upon this is one of the elements I think when you look at GenAI, when you look at hybrid cloud, there's a lot of thoughts around what's complementary versus what's competitive. I think what's really important for a company to think about is as you're cultivating the partnerships that you want to have in the GenAI space, that you're making sure that you provide a long list of options. How are those pieces going to come together?

I think many of our partners' GenAI capabilities are extraordinarily complementary to what we have from a WatsonX perspective, and we continue to build upon that. We've already put out announcements around this, but Salesforce for example, working with IBM Watson.ai, you're able to tune models and then dump that into the bring your own model approach. AWS, we launched our WatsonX capabilities the same day we launched them on IBM infrastructure on the AWS environments as well. So, that openness and I think that flexibility is going to continue to be incredibly important as we move forward. That gets to my last point. I guess there was more than three.

I really think it's important that everyone realizes, and I think this has been a huge learning. We have seen an incredible sprint around Generative AI, everyone getting board direction that we need a GenAI strategy. We need to do something with GenAI fast. I think what I'm seeing is Generative AI will not be a sprint. We need to continue to work with customers to get them the insights that they want faster than they've ever gotten them before, but ensure that we're doing that in a way that's scalable, sustainable, and able to evolve over time, which hopefully reinforces the fact of why the entire ecosystem is going to be so important, and exactly as you said, a singular approach will not be the right approach.

David Linthicum:
I think in many instances it's going to be the single technology decision that enterprises are going to make in the near future. They're going to make or break the company and people have to consider it that way. So, in other words, if you're going to be disruptive or become a disruptor, that's really something that's going to be determined, I think, within the next two to five years within your particular industry, and your ability to weaponize this technology as something that's going to take your business to the next level requires a strategy, and also requires flexibility on the backend systems. This is what I love about what you're saying. We're not pushing everybody to a single solution pattern or a single platform. We're pushing everybody to a flexible platform that's able to adapt to the exact requirements that they need. So, where can we find more about yourself, your technology, your company on the web?

Nick Otto:
Absolutely—and perfectly said by the way. You summarized that far better than I was able to. So, lots of information, lots of announcements coming in this space from us over the coming weeks and months here, into 2024. We have great information available on our website. Then in terms of me, I think LinkedIn is usually the best place to find me. I look forward to connecting.

David Linthicum:
I work closely with the alliance team, and I love keeping up with you guys. It's some great progress that you've made over the last few years, so keep up the good work. So, if you enjoyed this podcast, make sure to like us, rate us, and subscribe. You can also check out our past episodes, including those hosted by my good friend, Mike Kavis. Find out more at DeloitteCloudPodcast.com, all one word. If you'd like to contact me directly, you can e-mail me at dlinthicum@deloitte.com. So, until next time, best of luck with your cloud journey, and stay safe. Cheers, guys. Bye.

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