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Dell + EMC = Driving Digital Transformation and the 3rd Platform

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Dell. EMC. Call it the tech merger of the year – or maybe the decade? With more than US\$74 billion in annual revenue, the combined company Dell Technologies, will employ 140,000 people and promises to revolutionize the technology industry – and not just because the combined entity is a private company, not answerable to any shareholder or the stock markets



Tom Burns, Senior Vice President and General Manager of Dell Networking & Enterprise Infrastructure, at the NetEvents Global Press & Analyst Summit held recently in California

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What will the future hold for Dell Technologies and its many customers? That's the question addressed by Tom Burns, Senior Vice President and General Manager of Dell Networking & Enterprise Infrastructure, at the NetEvents Global Press & Analyst Summit held recently in California.

Mr. Burns explained that the merger brings together an incredible base of intellectual property and technology; "The foundation of the infrastructure between Dell and EMC, our compute, storage and networking capabilities provide the basis of a platform that enables companies to deliver the services, the applications and the capabilities that they need to move forward" – and will drive digital transformation, preparing for the rise of what IDC calls "the 3rd Platform." One of EMC's key assets for enabling that future is VMware, Mr. Burns said, adding that VMware gives Dell the company that is "Number one in software

virtualization and orchestration and is building even further assets, with its NSX capability around security and network virtualization.”

With the acquisition, Dell also added Virtustream, a provider of cloud management software, and RSA Security. “In Dell Technologies, you have all of this intellectual property,” said Mr. Burns. “We will continue to move forward with Dell, our traditional brand, primarily focused on our commercial business. Dell EMC will focus on our datacenter capabilities, particularly in the large enterprise, but will also deliver those assets and capabilities to the commercial market. He continued, “The service provider we believe is a huge opportunity for us and a continued growing capability that we have, and we will help service providers enable their capabilities. We’ll continue to show our investments in R&D. Dell EMC combined spends US\$2.5 billion per year in research and development.”

White Glove Treatment for the Fortune 2000

Mr. Burns said that Dell will learn from EMC’s traditional focus on very large customers. “When we think of EMC, we think of white glove treatment. We think of the focus on the Fortune 2000, incredible capabilities in storage, but also the spinout of the innovation around VMware and some of the assets that they’ve developed and invested in. We take that and we combine it with one of the most powerful supply chains in the world, with Dell - Technological innovations that we can bring together.”

Dell Technologies is thinking big – very big – said Mr. Burns. “While other companies are shrinking and spinning out, we at Dell EMC believe size is important. Scalability is important. Michael S. Dell started his company around the democratization of IT. How do we lower the cost of technology to get it into the hands of our users, our companies, our customers and our partners to enable them to make a difference, to better their business, to better their environment? This is what we’re focused on.”

“So we believe that we can help. Between the scalability, supply chain, and performance in innovation of the two companies, combined with the EMC assets around white glove services, the two brands together will allow our customers to enable a new IT at a lower cost,” he said. “It’s something that has been embedded in Dell forever and now will be expanded to the new Dell technologies.”

While Dell sold part of its services business to NTT Data in March 2016, that was a group largely focused on the healthcare vertical. After the EMC merger, there are still 30,000 services employees at Dell, and “this gives us the white glove services capability, including managed services coming from EMC,” said Mr. Burns. “It’s a substantial piece of our revenue and represents roughly a third of the number of employees.”

Market Imperatives for New IT Thinking

“There are IT imperatives that we have to think about,” said Mr. Burns. “If we look at the last 15 years in the IT industry, you’ve got pretty much an IT team that has been IT-centric - systems of record, traditional applications, transaction reporting

and the initial part of the internet, which happened several years ago. For example, we heard from an end-user that this IT department won't necessarily allow him to use his mobile clients in the way that he wants, to do storage backup in the way that he wants. We hear this challenge from IT departments frequently.” “The point is that with the consumerization of IT, with the capabilities that have been provided to them in their mobile devices, the times have changed dramatically. Companies must become more business-centric. The function of IT is to enable business applications to create competitive differentiation. IT is challenged based upon all the things that are occurring around cloud, around the explosion of devices, around the Internet of everything. Instead of looking at traditional transactional reporting, you have streams of data and analytics that are occurring every moment. We think about the explosion of connected devices, the internet of everything, the number of connected things on security applications, on transactional information, this data needs to be collected on a real-time basis, not put into a datacenter and stored and looked at on kind of a behind-the-scenes basis.”

Money is also tight, said Mr. Burns, and IT budgets are not increasing, or at least, not increasing quickly enough. “CIOs and IT departments are challenged because they want to face all those business needs and requirements but the CEOs and their boards are not necessarily giving them more money. It's an estimate that traditional spending in 2015 in the IT area - and this is just in infrastructure, the datacentre and applications; so excluding mobile devices, services, telco - was estimated to be about \$2.7 trillion. Now if we look at the traditional IT that we spoke to, something that IDC called the 2nd Platform, how do companies move forward to more of a cloud-native environment?”

Mr. Burns continued, “Customers need to optimize those assets; they need to work with a strategic partner that is able to provide both traditional IT and also future-ready IT. What I mean by that is that the products and services that Dell Technologies can provide have the capability to help customers optimize their current infrastructure and applications. With that saving investments would be more cloud native, more customer-focused, more employee-focused, and have the capability to deliver information and analytics on a real-time basis.”

Welcome to the 3rd Platform

Mr. Burns explained about what IDC calls the 2nd Platform - traditional computing, compared to the 3rd Platform - cloud-native computing.

“When we think of a traditional datacenter, you think of compute, storage and networking as three silos. The way storage operates, it's a separate system or box for storing, for backup, not necessarily delivering information on a real-time basis. The same is the case with compute. Networking is not really focusing on the latency and performance needed to provide real analytics and the security that's needed. These are three building blocks that traditional Oracle or SAP or some of the standard applications will probably continue to run on for many years.”

He added, “By contrast, yes, over the next three, five and ten years, companies

will continue to have to run certain applications on a traditional infrastructure. However, looking forward, the paradigm begins to shift. This is the whole concept around software-defined networks and software-defined data centers. How do we enable more capabilities, more changes, more configuration-management capabilities in a software fashion rather than a hardware fashion?" "So we've seen virtualization of compute occurring over the last 15 years. We now are a parent company to the company that helped enable that, VMware. We've seen a change in the area also of storage. Where it's not just about external storage, it's also about internal storage - those things that we may not have to store in the back for a long period of time, for whatever regulatory reasons or vertical reasons, but things that we need to have backup but then immediate access to, needs to get closer to our compute and to our networking."

"We are taking the intelligence of the hardware and the infrastructure and moving it up to a software layer so that people can make the network changes on a real-time basis. We believe that this is a co-existing IT. The 2nd Platform would be your traditional IT; servers, storage, networking. The transformation is occurring where that siloed approach of server, storage and networking is now becoming the 3rd Platform. It is a platform which enables more focus on applications, more focus on services; a platform which could be managed with a common set of tools, where the use of command-line interfaces or physical changes are required less."

Networks Tie It All Together

Mr. Burns explained that Dell announced its open networking initiative about two years ago. "We were the first branded OEM to disaggregate the hardware and software. If we look at the traditional IT from the networking perspective, this has been a proprietary stack. If you look at software-defined networking, this has been the laggard. There are many reasons for that. Some of them are business reasons of companies having very significant gross margins and wanting to protect that. Some of this is also down to technology."

"But what we saw is that the technology was commoditizing, merchant silicon was becoming available, and third-party software was being developed," he added. "So, as Dell has done in its history with personal computers and with the transformation of mainframe to x86, we took the leap and said, why shouldn't we offer our customers great hardware with the choice of software. This would give them more agility, more capability and the flexibility to make the choices that they need based upon the networking requirements they must have."

He quickly added that flexibility doesn't necessarily include everything. "We couldn't offer all 1,000 networking protocols that we're very familiar with, but we know, in my case as we visit customers, of those 1,000 protocols probably fewer than 10% are actually being used. So why not allow companies to just have the 10% and give them that choice in networking."

Lots of Flexibility and Investment Protection

"In Dell EMC networking, the thing that we can provide that no other networking

company in the industry can provide is great infrastructure protection,” said Mr. Burns. “When we made this change in open networking two years ago, we changed our developments strategy to enable all of our datacenter switching to allow this capability to run third-party software. With that capability, we can have customers trial software-defined, perhaps a pure Linux environment, a connected fabric environment, whatever they so choose, either with our operating software or one of our partners, some of which are indicated here.”

“If customers want to go back to traditional networking, they simply download a software license and move on with the 1,000 protocols that they need - or 100, or 200. They do not rip and replace the switch,” Mr. Burns continued. “That being said, if they buy a Dell EMC switch today, from a traditional standpoint, between our operating software which fully interacts with almost all hypervisors, almost all controllers, and gives great REST APIs for scripting and programming, they can actually swap out to a third-party software when they're ready to move to software-defined, without ripping and replacing the switch.”

The Cloud Is For Everyone, Not Only Startups

“We've seen a lot of companies that believe the public cloud was the answer to everything,” Mr. Burns explained. “Put everything into public cloud, particularly cloud start-ups, companies such as Uber. They're actually now coming back to the decision that the actual cost of running in the public cloud, as you scale out, scale up and increase the level of applications and the numbers of users, is not as cost-effective as you need. In certain cases, you've lost the ability to manage flexibility when it comes to the public cloud.”

The answer? Private and hybrid clouds. “We see many companies coming back and repatriating to a private cloud or on-premise certain applications and certain capabilities,” he said. “We have the ability to help customers enable the hybrid cloud. Let's be clear, our strategy and our belief - what we communicate to our customers and partners - is that hybrid cloud is the most appropriate for the majority of cases. If it's on-premise we have the Dell EMC infrastructure, VMware for orchestration, and the relationships with Microsoft and Red Hat in the open stack environment. We're now also off-premise and have partnerships with companies such as Amazon, plus our own assets such as Virtustream, VMware cloud, vCloudAir. We can help customers enable both on and off premise capabilities.”

The Mobile Story: Infrastructure

Mr. Burns explained, “Dell Technologies has one of the largest mobile end-user client businesses in the world today, with our end-user client business selling PCs and tablets. We have said publicly that we are not going to get into the mobile phone business. Dell was in that market many years ago and made a decision to get out.”

However, Mr. Burns added, the company is starting to build IoT gateways that will connect or allow connection to many mobile devices or mobile assets or devices that are exploding across the world. “We will play a very important role on the

underlying infrastructure and software. But we won't necessarily enter into every piece of the puzzle from the mobility standpoint. I don't see us getting into personal mobile devices. Even some, other than the client, of the home market." The opportunity is infrastructure: "What we want to know is, how do these devices connect back? Either to a gateway, an aggregation area, the datacenter and then get back to the appropriate users and people that need that information and so forth. Now very specifically to networking, if the question is around wireless networking and the connectivity there, we had very strong partnerships with Aerohive Networks, we continue to support our W series [wireless access points]. We believe that much of the wired and wireless will be managed in the future, particularly for medium and small enterprises. That's why we're putting a very strong focus in the service provider and telco space, to help them enable that. We will do that either through our own underlying infrastructure or with partner technologies."

The Final Answer: Digital Transformation

"So why did we do the merger with EMC? We did it because we believe that companies are going through a huge digital transformation," Mr. Burns concluded. "They need to move from traditional IT and start to put some of their investment and focus towards modern applications, modern capabilities and connectivity. We believe that scalability and size is important because, with the size of our supply chain, our purchasing power, our logistics capability, and our worldwide presence with over thousands of partners around the world, we can drive the cost of technology down while enabling our customers to modernize their IT. We can do this both off-prem and on-prem. That's why we did it."

To see the video, please link here: <https://youtu.be/2UJb0ILQIZo>