Innovating IT defense to boost "offense" in the era of digital transformation

For companies to maintain sustainable growth in a rapidly changing environment, they must become flexible entities that respond speedily to changing needs and advance their digital transformation. There is a tendency for businesses to focus only on "offensive IT" to increase competitiveness and create new value, but what about their "IT defense," a fundamental component that supports the realization of growth? IBM Japan (hereafter IBM), which has been providing long-term support to numerous companies by stewarding their IT operations, and Spinnaker Support, a leading global provider of third-party support and managed services for organizations that run SAP or Oracle, recently spoke to us about how to optimize "IT defense" in the digital transformation era.

Speedy, flexible business correspondence required — in Japan and elsewhere

What do you think about recent changes in the state of business for corporations? Can you compare the situation in Japan and overseas?

Mr. Mathew Stava (hereafter Matt) From what we see, the changes in business landscape in Japan and the rest of the world are similar. Across the globe, many companies have begun the move to the cloud and the transition to digital transformation in order to sustain growth.

Against this backdrop, companies must adapt promptly to changes in business needs, and therefore it is likely that speedy, flexible IT support is required. Our company is no exception. We are already progressing down our own digital transformation journey, already embracing the need to migrate to flexible, easily supported systems and more manageable applications and platforms.

Mr. Vivek Mahajan (hereafter Vivek) In terms of technology, we can say that the tendency for companies to utilize the cloud to transform their infrastructure is the biggest driving force in becoming more rapid and flexible in the digital transformation era. As if to accelerate such change, companies appear to be shifting the rights to introduce new IT technologies from IT departments — where such decisions are conventionally made — to their business departments. In addition, as changes and competitiveness in the business world continue to intensify, companies simply must offer new value continuously.

Such changes are not dissimilar in Japan and overseas. And in terms of actively advancing digital transformation, Japan is not in any way behind other countries.

Another driving force is the rise of artificial

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intelligence and cognitive technology. These areas have gained popularity at a rate that we never could have predicted five years ago. Japan has also made progress in advanced initiatives regarding how to combine the latest analytics technology with vast amounts of unstructured data in order to gain knowledge that leads to the sustainable growth of companies.

Mr. Kohsei Watanabe (hereafter Watanabe)
Another major factor inducing market change is the spread of smartphones. This, together with the spread of cloud technology, has become a new driving force that has allowed companies

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such as Google, Apple, Facebook, Amazon, and Uber to experience rapid growth. They have also completely changed our lifestyles.

Another important factor driving market change is that the definitions of and boundaries between traditional industries and supply chains are becoming more obscure. The walls dividing traditional industries and sectors are being broken down. For example, distribution companies are now offering financial services. The use of various technologies is allowing new economic spheres, business models, and supply chains to emerge and alter existing industries and business models.

That being said, even though companies are utilizing technology in their attempts to innovate in the digital transformation era, there is a limit to how much a single company can use its own resources alone. That is because we need reconstructed business models that respond to the changing times quickly and flexibly while ensuring smooth external cooperation that goes beyond existing industries, sectors, and supply chains. Companies that cannot keep up with this pace will likely not survive against future competition in the market.

Key to sustainable growth and competitiveness is vast amounts of data cultivated by legacy systems

When promoting digital transformation, "IT defense," in other words core systems such as legacy systems is a critical issue.

Matt Technology is causing a fundamental change that will inevitably lead to a drastic transformation in business models. A change in the role of IT departments in companies is all but mandatory, and there must be a shift from a defensive to a more offensive IT strategy in order for companies to enhance their competitiveness.

It goes without saying that legacy systems, which must be maintained and operated, will remain in companies for the foreseeable future. Therefore, these systems of record must be maintained with a highly cost-effective mechanism, while internal resources need to be redistributed to promote digital transformation using the cloud.

The challenge is changing the skill set of your company's human resources. Especially young engineers who want to develop their careers in new areas such as digital transformation and cloud technology. This can create a lack of technical experts to maintain and operate the conventional, defensive systems. While it is necessary to shift to new areas of technology to promote innovation, there is a limit to the resources that companies are able to secure for the maintenance of their legacy systems.

Vivek Information technology defense and offense

should not be considered separate activities, but rather as one whole. "IT defense," in other words core systems such as legacy systems, are a collection of large amounts of assets and data that have accumulated through past business activities.

If links to such legacy systems are not designed properly, the whole will not work no matter how many peripheral systems are designed around the core. The basis of everything is data.

Meanwhile, the IT budget available to companies will not suddenly double tomorrow. Companies must skillfully balance amounts invested into legacy bases while securely and continuously operating the systems within, and securing resources for "offensive IT" in order to rapidly and flexibly develop a system that responds to emerging needs.

In other words, it is crucial that our strategy aims to balance the maintenance and operation of conventional legacy systems through improved efficiency, automation, and cost-effectiveness with more IT offense that accelerates digital transformation.

Watanabe The point is, sustainable growth and competitiveness in the future stem from the "vast amounts of data cultivated by our legacy systems." By applying analytics technology to this data, we can develop a cloud-based system of engagement (SoE) that creates awareness and discovery of new linkages. This will allow us to utilize new insight quickly, and to generate new business

opportunities and heighten competitiveness. In addition, by combining the data obtained from all our contact points in a hybrid-like manner, we can further demonstrate our strengths.

The operation of our legacy systems, however, is a heavy load, a project that will take some time to modernize. That is why, in terms of defensive activities, we need to improve efficiency

by automating as much as possible so we can dedicate more resources to our offensive activities. How we combine and utilize the large amounts of valuable data is of critical importance in the future.

We need to strategically promote both offense and defense holistically. In other words, we need to think about how we can effectively utilize our legacy systems and data with the latest technology.

How to defend while focusing on future "offense"

There are many companies and IT departments that have placed their resources in defense and may not be able to focus on tactics that are more offensive. Is there a solution to overcome this predicament?

Matt It is important for companies to first evaluate their current position and then decide on their direction. If that direction can be visualized, Spinnaker Support, together with IBM, can offer support by devising a roadmap for what needs to be done next, and to bring the company to where they want to be.

As I mentioned, for transformation to occur, one must first gain a solid footing. We have prepared a scheme for businesses oriented towards digital transformation that can be applied to projects so that business moves forward.

Watanabe As I already highlighted, the maintenance and operation of legacy systems is a big issue for companies. Generally speaking, it is not uncommon for businesses to face overlapping investment when migrating to a new system, a project that may take a long time.

Japanese companies are extremely strict when it comes to evaluating the quality of their systems. But in terms of hardware and software, new versions and functions have been added based on vendor-led ideas, and the timing of these releases has dictated by these vendors. The optimal life cycle of a system at a company and the vendor's timing were often quite different so it was another issue for them to get more burden for themselves

Our solution is to offer a system that matches the customer's optimal life cycle. This enables our customers to use all their legacy system hardware, operation systems, middleware, and applications in the way they want while keeping costs down so that they can focus on a more offensive IT approach.

Vivek This solution is regarded as a breakthrough in terms of tackling the issue of combined defensive and offensive IT strategy.

For example, let's say you have an environment where on-premise systems combine IBM hardware with hardware provided by other vendors. When migrating to the cloud, this company might wonder

which systems should be transferred, and in which order? As a "services integrator," IBM can provide an end-to-end solution "as a service," from migration to the operation and maintenance of legacy systems, in a way that best suits the customer.

Every customer, whether in Japan or elsewhere, wants to operate a secure, stable system. I think by combining the strengths and know-how of IBM and Spinnaker Support, we can create large amounts of new value.

Matt Our collaboration with IBM can help customers achieve faster the future image they have conceived. In addition to this, we can help customers visualize and evaluate their future needs.

I hear that IBM and Spinnaker Support are working together to offer full-scale third-party maintenance services in Japan. What kind of support do you offer specifically?

Watanabe Our collaboration combines the global track record of Spinnaker Support in tackling defensive IT-related issues such as overlapping investment with both IBM's vast experience and know-how in supporting companies with operation and maintenance.

IBM does not only provide support through systems integration, but also outsourcing and managed services, we also manage fully the development, operation and maintenance of corporate information technology.

Through this collaboration, Japan is leading the way globally in providing this type of full-scale service. IBM has vast experience and know-how as a systems integrator and understands the systems and structures of a myriad of companies, to provide the robust IT operation and management. We can use this knowledge to support customers' system operation and maintenance on a daily basis.

Matt We have a solid track record of providing back-end support to approximately 1,100 customers worldwide. Through this new partnership with IBM, we have been able to solve the overarching issue of "defensive IT" and can quickly and flexibly support companies in moving to the cloud and advancing their digital

transformation.

IBM will act as the contact point for the maintenance and operation of entire systems while working comprehensively with Spinnaker Support.

Watanabe Spinnaker Support has amassed vast knowledge and information on operation, maintenance and related issues by working with companies such as SAP and Oracle.

By combining the strengths of IBM and Spinnaker Support, we can provide more proactive maintenance and operation. We will provide solutions that are optimal for your system environment and will not cause disruptions to your system and business. This is the fundamental idea behind the collaboration.

Matt The financial and other industries will make the transition from legacy systems to cloud over two or three years. In such cases, we can not only maintain and operate existing systems that continue to be used but can also provide comprehensive support that includes system operation and maintenance of new areas such as big data and analytics.

Through this collaboration with IBM, we expect to be able to offer solutions to companies in a wide range of areas that enable digital transformation.

Japanese companies placing importance on systems need third-party maintenance providers

Tell us about the unique value and advantage that IBM and Spinnaker Support can offer.

Watanabe The products and services used within the systems of companies are not only developed by IBM. Under such circumstances, IBM has gained plenty of outsourcing experience with companies like SAP and Oracle.

SAP has set the year 2025 as a deadline for support for their ERP software and are urging customers to shift to the new version. While many vendors are providing support, the reality of this "2025 problem," as it is sometimes called, is that there are not enough resources to support a shift in the market.

Also, there are many companies that think such a transition will involve a large amount of testing and will costs both time and money. They struggle to see the business value in the transition. IBM can maintain appropriately the existing versions companies are using while cooperating with Spinnaker Support.

Particularly in Japan, where the long lifespan of anything is valued, system life cycles are getting longer than ever. We think that is precisely why third-party maintenance is a new, necessary, essential option that should be offered to Japanese companies.

Vivek When working with external partners, there has been a strong tendency for many Japanese companies to outsource comprehensively, including everything from system development to operation.

With this collaboration, we can offer solutions that realize further cost optimization for the operation of whole legacy systems developed by companies. In a market like Japan where there is a strong demand for service quality, we can help optimize the costs of IT defense while supporting companies in the shift to a more offensive strategy, thereby strengthening our support to advance digital transformation.

Finally, could you comment on the future prospects of the company.

Watanabe The corporate IT environment will move increasingly towards a multivendor environment. In other words, customers are expecting that they can execute system development, maintenance, operation, and migration to the cloud at a reasonable cost without being bound to a specific vendor.

If this is the case, then customers will require trustworthy "service" integration. The value provided by this, IBM believes, will become a matter of course in the IT industry, and we want to pave the way for this trend.

As corporate IT environments become increasingly complex, opportunities for IBM to deliver value will also increase. I truly hope that the number of companies taking advantage of the collaboration between IBM and Spinnaker Support continues to expand.