



Driving Innovation in a Multi-Cloud Enabled World: What the Broadcom VMware Transaction Means for Customers

Q4 2022

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Published: December 2022

Introduction

As macroeconomic headwinds continue to shape the business landscape and provide tangible challenges for organizations as they look to accelerate their digital transformation journeys, one element remains a constant focus for IT leaders: reducing IT complexity.

The transition to the cloud over the last decade has helped enable digital transformation for many organizations, driving innovation and new services at an unprecedented pace. However, for many organizations, the cloud has increased IT complexity, and cloud adoption is still not pervasive in many highly regulated industries, notably finance and healthcare. Adding to this complexity are customer expectations and regulations from governments on how to manage and protect data. Against this backdrop, many senior leaders have acknowledged that adopting a purely public cloud-driven model from just one hyperscaler is not the answer. Rather, a hybrid multi-cloud strategy makes more sense.

Organizations will be looking to select vendors that are investing and innovating in infrastructure software across a broad portfolio — including multi-cloud and cloud-native capabilities — providing greater flexibility and choices, while delivering new solutions to help connect, scale and protect their IT infrastructure. Vendors making these strategic investments will enable their customers to modernize and architect their IT infrastructure while ensuring there will be large-scale, secure and reliable, flexible solutions.

One vendor that fits this description and should be high on your list as you plan your IT strategy is VMware. With the announced acquisition of VMware by Broadcom, we believe that following the completion of the transaction, the new combined organization will be well positioned to deliver customers a broad vision encompassing mainframe, hybrid multi-cloud and security solutions.

In addition, enterprises will be looking for their strategic vendors to foster an ecosystem that will enable partners to grow their businesses with relevant, expanded offerings. Based on Broadcom and VMware's long track records of performance and ongoing commitments to innovation, we believe that the combined company will meet this enterprise need.



Broadcom's Stated Vision for Hybrid Multi-Cloud with VMware

Broadcom has provided much more insight into its plans for the VMware business post-closing than many expected. The post-closing Broadcom software business will operate under the VMware name and the company has outlined a holistic vision for the software business where Broadcom will support VMware by making it part of its broader, diversified infrastructure software portfolio. Importantly, Broadcom is positioned to invest in and accelerate VMware's growth and momentum in the multi-cloud ecosystem.

We envision a Broadcom-owned VMware will see more investment in software development, and specifically in the hybrid multi-cloud domain. We see the enhanced software portfolio combining the existing mainframe and security portfolio with the core VMware assets as delivering a wide range of opportunities for innovation and collaboration that will unlock solutions for customers that are not possible within the existing corporate structures.

The Growing Need for Multi-Cloud

When we say hybrid and multi-cloud, we infer that the reference architecture encompasses both public and private components with an orchestration and management fabric that extends across domains. We then go further and bring into play multiple providers of the public cloud instantiations, again ideally, with a common management and orchestration layer. The perfect deployment of a hybrid multi-cloud architecture frees up developers and allows workloads to be deployed anywhere, and enables operations teams to leverage the same tooling regardless of workload destination.

The desire for data residency, availability, security, and regulatory compliance is driving both the necessity and success of the hybrid multi-cloud architecture. For a variety of reasons, including regulatory compliance requirements, local requirements, or threat posture, IT leaders must choose between vendors of public cloud services, and increasingly look to place cloud-native applications within their own data centers. However, as organizations make these workload location decisions, the overriding operational concern is the consistency of the management and orchestration layer.

As organizations move further into their digital transformation journeys and continue to navigate the current business and regulatory environments, their cloud infrastructure needs and challenges are changing. Here are a few we've identified.

Increasingly complex and diverse business needs. Complex, diverse needs are the name of the game. As the need to innovate at scale and support a diverse ecosystem of partners and clients continues to drive many businesses, it also necessitates different application infrastructures. Whether this is at the data layer or the UX/UI layer, developers are self-selecting technology that best fits the business. Additionally, more applications allow for citizen developers with low code/no code functionality and, while in theory, this decreases complexity, it adds a layer that must be tracked and managed by IT departments.

Workload Efficiency. As workloads grow and scale, they need to be efficiently distributed across cloud environments, whether this is within the same cloud provider to ensure workload resilience, or spread across multiple cloud and edge environments to ensure reduced latency.

Vendor Neutrality. As the demands of digital transformation drive increased innovation across the technology landscape, many options have emerged. Specialist CPU, GPU, ASIC, and accelerator hardware have been developed to address these requirements. This diversity of compute has driven cloud providers to offer a variety of options, including Infrastructure-as-a-Service, which is key, as enterprises want flexibility to access vendor-specific capabilities without compromise or potential of lock-in.

Compliance. Compliance remains a major challenge for organizations globally, with compliance requirements varying by industries, geographies, and regulatory jurisdictions. Keeping up is a massive undertaking. As a result, the technology choices designed to address varied customer and compliance requirements are driving diverse compute and storage options, all of which highlight the importance of choice and flexibility.

Risk Mitigation. As the geopolitical landscape continues to shift and the world digitizes, the threat surface area for organizations is expanding. The diversity of cloud infrastructure and the security technologies surrounding cloud architectures are becoming board-level discussions. Organizations need to mitigate the risk of service disruption and cyber-attacks when they choose all layers of their tech stack and their providers as a result.

What the Broadcom VMware Transaction Means for Customers

While the Broadcom-VMware transaction has naysayers, we remain bullish. We see the benefits of fiscal prudence and a focus on core IP innovations as accelerating the growth of the VMware portfolio.

We predict that a combined VMware and Broadcom will be better positioned to deliver a strong, flexible, sustainable infrastructure software platform for Broadcom and VMware customers. The combined company will have both the software engineering talent and the market reach to deliver solutions that enable its customers to build, run, manage, connect, deliver, and protect their applications — from everywhere.

While Broadcom has yet to share more specifics on product roadmaps at this stage in the regulatory review and post-closing planning discussion process, we envision that the combined company will be able to not only drive core innovation within the existing products, but also drive synergies and integrations to unlock nascent opportunities for customers.

While some technology media are emphasizing uncertainty for VMware and Broadcom customers in headlines to drive clicks and views, we believe that there are in fact good things ahead. We recommend customers focus on Broadcom's commentary and its track record of innovation, IP leadership, and pure research and development indicators, such as patent awards.

Conclusions and Looking Ahead

Transactions involving long-standing, highly regarded companies are often inflexion points in their timeline of innovation. The sheer scale of the Broadcom-VMware combination has sent shockwaves through the IT landscape.

When the transaction closes, expected before the end of October 2023, we believe that it will be an inflexion point in the trajectory of the tech sector and for all the right reasons. Post-closing, we see the combined company as being able to further drive innovation, supported by increased relevance and a breadth of offerings across its combined customer base. We believe that Broadcom will be able to unlock and accelerate innovation in VMware's core solutions portfolio and serve as a strong steward for VMware's vision of becoming the market-leading provider of management and orchestration software to power the deployment of hybrid multi-cloud architectures.

By combining Broadcom's complementary software portfolio with VMware solutions, the combined company will provide organizations with an enhanced offering of critical infrastructure solutions. We believe the combined organization will support customers in accelerating innovation and addressing the most challenging demands of a hybrid multi-cloud IT infrastructure.

Customers of both companies will have more options and flexibility to build, run, manage, connect and protect applications at scale across diverse and distributed environments, from the data center to the public cloud and beyond to the edge. We remain positive of the benefits from this transaction and we look forward to what's ahead.

