DIGITAL TRANSFORMATION AS A SERVICE

How two like-minded companies shared a journey to a new digital world

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MOVING UP, MOVING OUT

Among the many office buildings that line the streets of the Filipino capital Manila, one is more remarkable than it looks. As the datacentre that has served JG Summit Holdings for the last ten years, it has been at the heart of the IT infrastructure of this well-known Philippines-based conglomerate, hosting applications that underpin the many different business units, in industries as diverse as CPG, airlines, petrochemicals, and banking.

Yet if it seems quiet these days, it is because it is emptying fast.

Three years ago, Lance Gokongwei, CEO of JG Summit declared his intention to embark on an ambitious plan of digital transformation, a key part of which involves moving every major digital asset to the cloud.

So the decommissioning of the physical datacentre in favour of a hybrid public/

private cloud infrastructure will not only liberate a significant piece of real estate – it will also liberate the company to compete more effectively in the demanding, unpredictable and customer-focused world of the future.

"Moving every major digital asset to the cloud"

AN INESCAPABLE NEED FOR CHANGE

Like many other conglomerate groups, JG Summit has always recognized the importance of IT. But in recent years it has accelerated ahead of the pack. In a 2019 statement, Lance Y. Gokongwei, President and CEO, JG Summit Holdings, said, "Our objective is to embed digitization into our core business strategy across units, subsidiaries, and affiliates. It will enable us to address evolving business requirements, facilitate easy and secure collaboration among employees and offer better service to our end customers"

For JG Summit, it is a vital strategic investment, so the appointment of Carlos G Santos as CIO in 2018 was very timely. The new CIO agreed with the need for change: "It was clear that much of the infrastructure was at end of life. The decision was either to replace, renew and do it all again – or to step back and re-assess entirely." He was also pleased to note that the senior leadership team at JG Summit shared the same vision: "When I spoke to our chairman, Mr James Go, it was clear that

he thought now was the time to commit to digital transformation. The whole team was behind the vision: and I was fortunate enough to be chosen as the person to oversee it."

He explained how the move would enable JG Summit to be more customer-focused: "Customers want things their way – and they will not wait for you, they will not adjust to you. If we are building platforms that affect any of our customers, the key is speed. We needed to become more agile and that meant wholescale digital transformation"

JG Summit had the vision, they had the leadership team in place: now all they needed was a partner with the experience and technical expertise to turn the vision into reality and transform the company's entire IT infrastructure.

"The key is speed"

Something's got to give

In 2019, the existing IT infrastructure was on its last legs. Although it had been state of the art when installed, it became less effective with each passing year: the hardware was unscalable, the applications were non-standardized and multi-instanced, and there was little effective ownership or accountability in operations.

In essence, it had grown organically and become unwieldy. It was oversized to handle peak loads resulting in suboptimal usage and performance. Multiple platforms and software versions had appeared over time, spread across distributed data centres. This meant that support teams were disconnected with no effective governance model – and there was poor synergy between vendors and business units.

There was nothing unusual in this. Like many organizations, JG Summit had over time created an infrastructure that was expensive to feed and difficult to maintain.

The only way from here was up...

OVER TO YOU, SIR CALOI

Carlos Santos is known as "Caloi" to friends and colleagues alike. This informality is in keeping with his personable nature. Caloi believes firmly in the power of partnerships and in choosing people that he can trust to do the job.

His view is that partnerships are essential on three levels, which he describes as 'the three Cs'. First, he explains, they bring capability: external partners bring a wide range of skills and have experience with many technologies. Second, they offer capacity: with a limited team of direct staffers, there was a clear need to bring in the numbers needed to do the job. Third, there is a cost dimension. An external partner is not necessarily cheaper, but the flexibility enables costs to be more precisely calculated and the right budget provision to be made.

As a company, JG Summit had no existing relationship with Infosys before they took part in the tender process in August 2019. They were of course known and respected for work on other projects, but one of the aspects that clinched the deal was the rapport that Caloi saw emerging between the teams. "I sensed a shared entrepreneurial mindset. You have to start with the idea that 'We can do it', and I felt from the outset that there was a confidence and an enthusiasm to succeed with the Infosys team. Anyone can bring along impressive numbers: I wanted to work with people who wanted to succeed and people who I felt I could trust. And I saw that in Infosys."

CIO – custodian of the future

There were three key areas that Caloi felt he had to base his approach around:

Architecture: "You cannot invest in anything non-strategic. It needs to be carefully planned for the long term. We cannot be left with spaghetti."

Security: "It is a huge issue and it is changing all the time. I am very deliberate about my responsibility to maintain the highest levels of security."

Support structure: "A project may be finished, but it is not done. You need to create an operational structure to update, evolve, maintain and support it and that means the right people. There are plenty of initiators in this world. The job of the CIO is to look into the future and make sure these things will continue to work long into the future – and repay our investment."

COPING WITH COVID

2020 had barely begun when the coronavirus pandemic suddenly changed everything. Its relevance to the story of JG Summit's digital transformation journey is twofold.

First, it demonstrated the resilience of the partnership. Despite changed working conditions, milestones have been reached. It also underlined the way both organizations placed an importance on the quality of life of the people they employed.

With travel restrictions imminent, many Infosys consultants were understandably keen to return to their families and in July 2020 many of them who travelled into the Philippines were flown back to their homes. Their work would continue remotely, in close collaboration with the core Infosys team that remained in place in Manila. Caloi recalls how the pandemic simultaneously made life more difficult yet also made the team more determined to succeed: "I am a people person so, as an individual, I found the new working conditions strange. But we also recognized that something bigger than business was

going on. The way we pulled together, and the way the Infosys team adapted to remote working was inspiring."

Caloi was also realistic about the situation: "If there is one thing you cannot deal with, it is uncertainty. So we set out a 'worst-case' schedule and began working to that. I had faith in our ability to deliver, but I also knew it was better to be less optimistic with our timelines. It is easier to adjust when things improve than when they get worse."

It was against this backdrop that the team began the datacenter migration work – mainly working remotely, but determined to deliver the digital transformation benefits that JG Summit needed.

Doing it for the people

JG Summit has a pervasive impact on daily life in the Philippines. The conglomerate is proud to note that it touches the lives of the vast majority of the Filipino people – and it is aware of its responsibilities as well as its power. The roots of the organization stretch back to the early days of John

Gokongwei Jr trading in the streets of Cebu City when he had to support his family after his father's death. JG Summit is not an organization that operates from an ivory tower – it is a community-focused brand whose presence is felt on the ground and amongst the Filipino people.

Infosys too has strong roots in its own Indian communities, having started as a group of eight consultants in 1981. It has grown quickly, showing the same innovation and drive that has characterised JG Summit, but continues to invest in community-based projects and educational initiatives that make it as valuable to the Indian population as it is to shareholders.

The two companies come from a similar background and share many values. That they have combined to form such an effective strategic and working relationship should be no surprise.

KEEP CALM AND CARRY ON

However, when the pandemic hit, Infosys had already been hard at work for four months. There were three key parts to the overall project, and there was already evidence of progress.

Infosys took over as managed services provider in mid-2019. While this may not be the most glamorous part of the JG Summit journey, it was essential to have everyday operations managed and to have processes and tools in place that would facilitate the forthcoming project. Digital transformation was coming, but we had to keep the business running while it happened.

The aim was to ensure visibility, accountability, and predictability. Everyone in the support chain could see and understand what was happening, which helped ensure that the appropriate teams took responsibility and met their respective SLAs. This in turn helped with predictability: there were to be no gaps, no weaknesses and no nasty surprises.

The implementation of SolarWinds and ServiceNow further transformed the ability to monitor and manage system and network performance, while also reducing security risks. It provided insights into infrastructure management to the managed services team via a real-time dashboard and monitored 99% of network connections.

TIME TO MOVE HOUSE

The most fundamental part of the project was to move from the on-premise datacentre to a hybrid cloud approach.

Microsoft was chosen as the public cloud partner, with its Azure platform offering significant improvements with 99.9% availability at server cluster level. This was supplemented by a private cloud capability, which was necessary for key banking applications. They could now be scaled and managed much more easily, whilst still complying with the strict regulatory conditions that apply to financial applications of this kind.

By replacing the complete infrastructure layer with cloud, we had removed limitations on future scalability and now we were all set to move key applications into the new environment. This was the third key part of the project: the strategic upgrade of the group's SAP ERP system to S4/HANA.

Initially, in order to keep the business units running smoothly, the older ECC applications were simply 'lifted and shifted'

to the cloud. But as soon as possible, each "instance" of SAP was upgraded to S4/HANA. The first two to be moved were SAP workloads for the media group business unit (Summit Media Group) and the real estate business unit (Robinsons Land Corporation/RLC). Once these were successfully completed, the team set its sights on the most challenging migration: Universal Robina Corporation, the company's consumer packaged goods unit. This would be the biggest SAP migration to the cloud of any Philippines-based company.

By May 2020 it was complete and URC enjoyed higher availability, full disaster recovery, and performance improvements of at least 10-20% due to faster hardware set-up in Azure. As the SAP workloads continued to roll out, costs were optimized across the company by eliminating duplicate tasks, reducing license fees, and creating synergies between various support segments.

Key project dates

August 2019
Infosys named as partner

September 2019
Start managed services

February 2020
First implementations of S4/HANA

July 2020
Solar Winds, ServiceNow

May 2020
URC s4/HANA

Feb 2021
Non-SAP private cloud work

Dec 2021
Projected decommissioning of on-premise datacenter

WHAT DOES SUCCESS LOOK LIKE?

Digital transformation is clearly a huge, long-term undertaking and it will take many years to feel its full effect. However, the main aim of the Infosys engagement was to manage the impending problem of the infrastructure and to replace it with a modern, cloud-based infrastructure that would give the company the agility it needed to compete in the digital age. There are clear indications that this is being achieved.

First, the decommissioning of the datacenters is releasing prime real estate assets. This is estimated to reduce the total cost of ownership of the IT infrastructure by 25-30%, and it will also allow JG Summit to repurpose the real-estate. Second, the scalability and speed to market of the new environment is clear. In the Microsoft Azure environment, a VM can be provisioned almost instantly, whereas this would previously have required a 2-3 month cycle for hardware procurement and deployment. Third, we are working towards the use of AI (artificial intelligence) to drive proactive monitoring and operations control. We are confident that JG Summit will enjoy productivity improvements of 30-40% over a 5-year period.

December 2021 is currently set as the final date for decommissioning of the last datacentre and with it, the conclusion of that part of the project. But of course Caloi does not see this as the end: "We now have a much stronger infrastructure which will reinforce the competitiveness and agility of all our business units. But this would not be possible without the strong partnerships that have helped us effect that transformation and indeed continue to manage our new infrastructure into the future. We hope to leverage our strategic partnership and Infosys' vast array of capabilities in turning JG Summit's Digital Transformation vision into reality. We are confident that our shared values and excellent working relationship will bring us more success."

The pros and cons of conglomerates

Large, multi-industry conglomerates are a characteristic feature of SE Asian economies, although a recent study by Bain showed that the most successful were those that were family-owned because they have "the ability to take a long-term perspective."

Caloi is the beneficiary of the long-term patience and vision of JG Summit's owning family. He is trusted to deliver in the long-term and is well on the way to achieving every objective set out. But he also notes another benefit felt by conglomerates compared to single-industry companies: "Digital transformation is a massive undertaking for any organization. It is perhaps more complex for us, given our size and heterogeneity. But one of our advantages is that we do it once and then reap the benefits many times over. With a fully digitised infrastructure in place, and with everyone on board with the digital vision, we are simultaneously giving a huge digital competitive edge to each of our business units."

We did it for them, we can do it for you

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