Katie Bambrick, Vice-President, Application Management
Services, IBM Canada, October 17, 2002

1   KATIE BAMBRICK PRESENTATION

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3   IBM CANADA

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5   Strategies for Public Sector Transformation 2002

6   Yeah, my rough night. So first of all, I have to

7   thank you for rolling out the sunshine because it's not

8   quite as nice in Toronto. My rough night. I saw the

9   Rolling Stones last night in Toronto and I'm telling

10   you today I feel old. So be nice to me. Not quite as

11   old as Keith and Mick, but I ended up not hitting my

12   pillow until about one o'clock and then the alarm went

13   off at five to hit a seven o'clock flight this morning,

14   so I don't know about you guys, but I can't do that

15   very often anymore. I used to be able to do it, but I

16   can't anymore.

17   I joined IBM about two years ago specifically to

18   focus on an area of the business that is, well, the

19   area of the business, the Application Management

20   Services, and I want to talk to you today about

21   leveraging different sourcing models to help you

22   through your transformation. By the way, it's an

23   interesting topic, solutions for transformation,

24   because you can get, I'm sure if you had twenty

25   speakers here, you'd have twenty different definitions

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1   of what transformation actually means. And I will tell

2   you that we are in an industry that is in a constant

3   state of transformation.

4   I have been in the applications business about

5   twenty-three years. So now you know why I can't handle

6   a night out. And specifically around application

7   outsourcing for the last dozen, and I would tell you

8   that the one thing that remains constant through that

9   dozen years is the fact that it is continually

10 changing. Sourcing models have changed over the years.

11 I'll walk you through some of the traditional

12 outsourcing models and tell you how we can't stay in

13 those outsourcing models, how the models have to move

14 and transform, and help you transform your business,

15 and how the models have to be able to be mapped to your

16 business objectives.

17   Now in the traditional outsourcing models were

18 basically, how do we drive some cost efficiency out of

19 the IT organization, where now the sourcing models have

20 to be mapped to your business objectives and we have to

21 be in a partnership with you to understand how your

22 business is changing, and continually evolve our model

23 around that.

24   A quick definition of what we call application

25 management services, and I should say quick, anybody's

1 that actually listened to me knows that I can't do this

2 definition very quickly, because it's not an off the

3 shelf product, it's not an off the shelf service. The

4 idea of building a long-term annuity relationship with

5 your client is about understanding their business

6 challenges and then building a solution that's specific

7 to the requirements that -- that your clients have. So

8 what that means is, you need to take the time to

9 understand the business challenges, you need to

10 understand how to build a solution that's mapped to

11 their solution, and it can be a combination of

12 infrastructure, middle ware, front end ware, etcetera,

13 but again, mapped to where the business is going to go.

14 And I'll walk you through some examples of the

15 different business models and how they are evolving and

16 where I believe we're heading in this industry.

17   It's a pretty exciting time to be in this industry

18 by the way. The application part of the business is

19 what will allow businesses to evolve and to change and

20 what will allow businesses to be competitive in the

21 marketplace is that application front end and the

22 application -- and the ability to apply these

23 applications appropriately.

24   So again, the main message on this chart is that

25 each of our -- each of our -- well, we'll do this in

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1 real numbers. We have about a hundred and ninety-seven

2 relationships in Canada and I will tell you we have

3 about a hundred and ninety-seven solutions that we've

4 built for our clients. No two are the same. Some them

5 are designed around driving out cost efficiencies, so

6 we've taken on the management of their application and

7 we have, you know, specific service level agreements to

8 drive out cost efficiencies. But then we have the

9 spectrum of, well, we'll use real examples, Air Canada,

10 where we run their whole application shop and it is --

11 and I will tell you, there is a history here. We've

12 been with -- in a relationship with Air Canada for

13 about nine years. We entered into a brand new

14 relationship at the beginning of last year, so almost a

15 year ago now. And the relationship has changed

16 considerably. For the first seven years, that was a

17 traditional, what we would call a traditional

18 outsourcing relationship, where it was based on a

19 number of people that are required to actually deliver

20 service for Air Canada, so you would call that a one to

21 one mapping of a number of bodies to provide support.

22 And we really did run that way for a number of years.

23 We brought in some technological advancements and

24 changes and so on, but the model, the basic business

25 model, was what I would call traditional outsourcing.

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1   The new relationship that we have with Air Canada

2   is all about helping them transform their business.

3   And -- and what that means is, helping them stay ahead

4   of the game in the airline industry. It is bringing

5   thought leadership from what we do with other airlines

6   around the world, and quite frankly, on the application

7   layer, we're going through what we call a year of

8   transformation as well. We're moving from a

9   traditional outsourcing model into one that's based on

10   service level of performance that are mapped to

11   specific business requirements, etcetera. So this year

12   is a year of transforming the application layer, as

13   well as helping Air Canada meet their business

14   objectives. So again, very dynamic.

15   I won't spend a lot of time on this chart and

16   suffice it to say, you know, when forced to try and put

17   some services and terminology around what application

18   management services, we have a spectrum here, we have

19   project based application management through to

20   application management outsourcing where, we actually

21   take on the people as well as the application to out

22   tasking type of work where we take on the applications,

23   but not the people. And then where we are right now,

24   the whole industry is actually in an area where we're

25   moving to in-bound models of delivery to add a number

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1   of dimensions to the way we service our clients.

2   What I mean by an in-bound model is to be able to

3   deliver for multiple clients from a one specific

4   infrastructure -- or one particular location with a

5   common management and technological infrastructure

6   which allows us to drive our more efficiencies and be

7   able to give our clients additional benefits of that

8   shared services. But in some cases, and I'll walk you

9   through a couple of examples, in some cases, and more

10 and more, we're seeing a need to have an industry

11 specific spin on the solutions that we provide, which

12 allows us to bring that thought leadership of

13 particular industries to the table. So we will

14 announce on November 7th the opening of an insurance

15 solution center in Toronto and Waterloo, two centers

16 open that will be focused on delivering solutions,

17 specific solutions, to the insurance industry, and

18 again, that will allow us to help them meet their

19 business objectives. And so the in-bound, if you look

20 at the sourcing and how it's moved over the last dozen

21 years from traditional outsourcing models, there has

22 been a huge number of advancements in the way we can

23 deliver our services and applications for clients. In-

24 bound models is the next continuum. ASPs, you -- I'm

25 sure you have heard, ASP, a lot of buzz around

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1   application service providers, and that ultimate goal

2   is what IBM calls, E-Business on Demand, which is

3   delivering one -- from one to many, it's called, the

4   model is one to many. So one particular solution to

5   many clients. And that changes the game as well,

6   because it changes in the way you actually charge for

7   the service, but again it'll be a business metric. So

8   that's sort of -- and then the last continuum on that

9   is again a service offering that IBM calls, business

10 transformation outsourcing, which is taking over a

11 functional part of an organization for a client and

12 running the whole function, be it HR or payroll or

13 finance, which we have a number of examples.

14   So I've spoken through most of this -- this actual

15 chart already, and basically, again we look at what the

16 client's requirements are, but the thing to think about

17 here is sourcing relationships and transformation

18 doesn't happen overnight. These are relationships that

19 are meant to spend, you know, a number of years on, so

20 what you need to understand is, the model you sign up

21 for day one might not be the model that you land on in

22 year three or year four or year seven. So pick, you

23 know, any -- we have a retail client that we started a

24 seven-year relationship just one year ago, and that was

25 based on a traditional outsourcing on the

1 infrastructure and application management layer, but it

2 was for the seven years we mapped out that there would

3 be some implementation for supply chain management

4 package, as well people thought implementation,

5 etcetera. And their ultimate goal is, by the time we

6 implement Retech (PHONETIC) that they would like to

7 have the Retech portion of their -- their services

8 being based on a different metric and type of -- an ASP

9 type model, so they would like to pay on inventory

10 terms for example, they're a retailer.

11   Now that whole -- that whole situation and how we

12 mapped a solution for that particular client is quite

13 interesting, because we sat down with them, they did

14 have some issues on their infrastructure and their

15 applications that they wanted to drive savings, so we -

16 - we could see that we could bring them savings. But

17 they also had a business objective of being able to

18 double the number of stores that they had and reach out

19 into a number of countries that they weren't already

20 in. So we mapped up a supply chain management value

21 proposition with them as well, so we mapped their

22 business goals of growing with an IT solution, and

23 basically our partnership is a shared partnership, in

24 that, we will share in their success as they grow. So

25 that's basically, you know, it's a win-win situation.

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1 I think the key message here is the models are changing

2 as technology improves and as we mature we have to

3 understand that we're going to change our relationships

4 along the way.

5   This is again, I talked about a little bit of an

6 example of in-bound models. We have a number of in-

7 bound models based on specific technologies. We have a

8 people solve solution center in Edmonton. We've just

9 opened an oracle solution center here in Victoria, and

10 again, that allows us to be very specific about

11 developing relationships with our client -- with our

12 clients. And the next layer of in-bound models will

13 be, as I said, industry specific. We're looking at

14 opening a retail solution center and a public sector

15 solution center as well here.

16   I talked about sourcing relationships, we have an

17 outsourcing relationship with the B.C. Ministry of

18 Health right here based on a, you know, traditional

19 outsourcing model of driving inefficiencies and cost

20 reductions on the outsourcing, but we're also doing a

21 complete outsourcing on their help desk as well. So

22 we've got a couple of different models in there.

23   E-Business on Demand, as I said, is I believe, the

24 future of sourcing and to put a bit of spin on this, it

25 will take us some time to get there. The technology is

 1 in place, but it's a matter of putting all of the

 2 pieces together with clients and to make sure that the

 3 value proposition is mapped. And what this really

 4 means is -- is the client goes away from buying

 5 technology and buying applications and piecing it

 6 together, to buying a service and paying for a service.

 7 And so, basically, they're not worried about what the

 8 hardware platform is, what it runs on, what the

 9 applications are, but they want an end -- they just

10 want the end solution.

11   So I'll walk you through how we have -- we have an

12 energy client in Edmonton, that we have had a

13 traditional outsourcing relationship for the last four

14 years. We run their billing application. And it is a

15 business, what you would call a BPO, but it is their

16 whole billing system. We send out the bills for them

17 etcetera. So we've got a functional outsourcing. Now

18 that relationship though is broken down into, there is

19 an outsourcing component, there's an application

20 outsourcing component, and then there is the billing

21 part. As we re-platform them, because their billing

22 application needs to be replaced this year, as we re-

23 platform them, the value proposition that they would

24 like to see is that they would like to pay by the bill

25 as opposed to pay by the piece of technology and bundle

1   it. And so that is a perfect example of how we're

2   moving to an E-Business on Demand type of relationship.

3   So that's -- I think that's my fifteen minutes

4   anyway. And some examples of some of the clients, as I

5   said, we have a number of client relationships across

6   Canada. Everyone is different and as I said at the

7   beginning, it's a pretty exciting time. Main theme

8   here is look to make sure that as you transform your

9   business and you bring vendors in, that they understand

10 your business so that they can map their solutions to

11 your business results. So what you should be looking

12 for is relationships that allow your business results

13 to be mapped to your solution. Okay.

14

15   (PRESENTATION ENDS)

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