

International Truck drives growth and business value with an optimized IT strategy.

Overview

■ **Business Challenge**

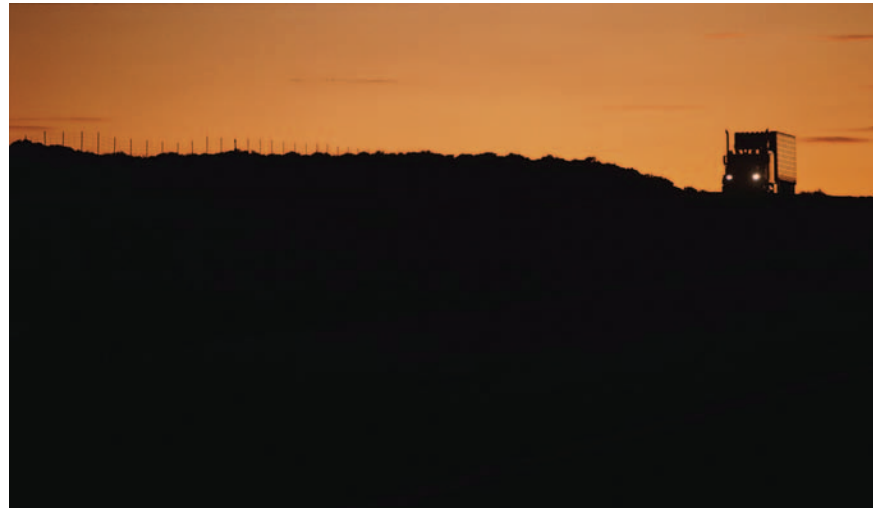
While cost control is essential in the global truck and engine market, great products are what make customers buy. To keep its resources focused on product development and overseas growth, International Truck and Engine needed a higher degree of flexibility in the way its IT resources were allocated and managed.

■ **Solution**

International entered into a flexible, collaborative offshore outsourcing relationship with IBM under which both companies work jointly toward—and plan dynamically for—International's global expansion goals.

■ **Key Benefits**

- *Improved ability to support innovation initiatives and growth into new global markets*
- *Estimated 50 percent reduction in application support costs*



A unit of Navistar International, International Truck and Engine Corporation is a leading producer of mid-range diesel engines, medium trucks, heavy trucks, severe service vehicles and a provider of parts and service sold under the International brand. The company's products, parts and services are sold through a network of nearly 1,000 dealer outlets in the United States, Canada, Brazil, and Mexico and more than 60 dealers in 90 countries throughout the world.

A century ago, International Harvester, the company that became today's Navistar International, was revolutionizing agriculture with breakthrough technologies that made it a world leader. Today, International Truck and Engine (<http://www.internationaldelivers.com>), the main operating company of Navistar International, is leaving a similar mark in the global truck and engine market. A major part of the company's revitalization has been its successful effort to bring fresh, bold ideas into its product line.

“Because of the flexibility our relationship with IBM provides, our IT organization is now better aligned with the business, and our skill sets are aligned in a way that gets us to the next level.”

— Jeff Jaworski, Director of Enterprise Applications, International Truck and Engine

Supporting global expansion through flexible sourcing strategies

Business Benefits

- Improved ability to support innovation initiatives and growth into new global markets
- Estimated 50 percent reduction in application development costs through improved methodologies and collaboration with IBM development resources
- Significant reduction in annual IT expenditures
- Improved ability to comply with Sarbanes-Oxley

A pithy example of this push was seen a few years ago when it worked with IBM to embed advanced telematics technology into the design of its new trucks that enables fleet managers to perform predictive maintenance on their trucks. Through the solution, International was not only able to deliver more value to its customers, but also gained a new revenue stream from the resulting service offering. This example illustrates how in today's truck and engine market, competitive advantage is conferred on companies that are always looking to bring more value to customers through innovation.

While technology is a critical part of the story, the larger message is the importance of focusing resources on where they matter most. To thrive in a hyper-competitive global marketplace, global manufacturers like International have to strike a balance between the need to minimize costs and the need to invest in new products and services—like telematics—that will sustain their growth going forward. International realized that in order to successfully achieve this balance, it needed to do more with less.

Driving toward value

To Jeff Jaworski, Director of Enterprise Applications, it was imperative that International align the skill sets of its IT staff to better meet a host of emerging technical and business challenges. “We sat down and listed all the things that an IT organization needed to be good at, and from those we identified the half dozen that were essential for us to do internally in order to be a better, more effective provider of IT services,” says Jaworski. “Our vision called for in-house skills that directly supported the strategic side of the business—like architects, project managers and business analysts—and for us to rely on a trusted provider to address our non-core technical needs like support.”

While trust was key, Jaworski based his selection on two additional criteria. For one, International needed a provider whose geographic presence matched its global manufacturing footprint. However, the critical attribute—and the hardest to find—was an ability to work collaboratively and flexibly with International in meeting its evolving needs. IBM met all three. Under the letter of its agreement with IBM, International outsources roughly 70 percent of its help desk and Tier 2 support requirements to IBM (through IBM Global Technology Services), as well as a substantial portion of its application development work (through IBM Global Business Services). But that's only scratching the surface of the story, explains Jaworski. “Our relationship with IBM is really a framework for working collaboratively and constructively to address issues and solve problems,” says Jaworski. “Because IBM understands our business and what we're trying to do, it's able to work within the spirit of that framework to help us succeed.”

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By design, International's relationship with IBM allows for a high degree of flexibility in the way resources are allocated and how projects are managed. In the area of support, for example, IBM can trim or augment resources at its own discretion, provided it meets established goals and service levels. Unlike more rigid arrangements, the agreement gives IBM a powerful incentive to optimize its staffing resources—minimizing idle time and maximizing productivity—with International as the ultimate beneficiary. This relationship works because it focuses on the bigger strategic picture, and because IBM has a shared stake in International's long-term success and a key role in its growth strategy.

Smoothing startup

The highlight of International's long-term strategy is a five-year plan to double revenues, with global expansion envisioned as one of the key drivers. As International starts up new facilities overseas, its key challenge will be to put in place the processes and systems needed to make them work, while at the same time maintaining tight control over its IT expenditures. That's where IBM's process expertise is proving valuable. To strike this balance, International plans to leverage IBM's deep knowledge of its processes and systems to get factories up and running successfully and efficiently. "When we go into new countries, the fact that IBM understands how an International plant works—what systems we use and how our processes work—means IBM can be our eyes and ears at that facility, wherever it is," explains Jaworski. "The fact that I don't have to put a lot of people on airplanes and send them around the world is very attractive."

Another important outgrowth of International's close collaboration with IBM has been a fundamental improvement in the company's approach to application development. Although International had named application development as one of its core competencies, it viewed its relationship with IBM as a conduit for adopting better practices that would ultimately save the company money and improve developer productivity. Examples of these practices include a "deliverables" approach to development that is heavy on metrics, backed up by more rigorous reviewing and documentation procedures. Working side by side with developers from IBM Global Business Services, International's staff now follow a more structured and disciplined methodology that has improved the overall quality of its development activities as well as the productivity of its in-house development staff. What's more, this disciplined and documented approach to development has also vastly improved the company's ability to comply with the reporting requirements of Sarbanes-Oxley.

Key Components

Services

- IBM Global Business Services
 - IBM Global Technology Services
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Transformation at a glance

The flexibility and collaboration built into International Truck and Engine's global sourcing strategy enabled a vast improvement in the efficiency of its IT resources. This further enables International to channel its resources into its product development, which will drive revenue growth and increase competitiveness.

Alignment job

Measured against the goal of doing more with less, International's off-shoring strategy has proven highly successful. The company's support of its ERP applications is just one shining example of how its new support model has freed up critical resources to support its overseas growth. Before, the support of International's ERP systems across four plants required 23 people. Under the new model, the company was able to cut this number by nearly two thirds and cut costs by half—even though it expanded the number of plants covered by the system. By replicating this in other areas of the company, International has been able to reduce its overall IT spending significantly.

Jaworski sees another critical benefit as the streamlining of skill sets required to support the company's new, more core-focused development strategy.

“Because of the flexibility our relationship with IBM provides, our IT organization is now better aligned with the business, and our skill sets are aligned in a way that gets us to the next level,” says Jaworski. “We are now much better positioned to channel our resources into the innovation efforts that have—and will continue to—set us apart from the competition.”

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