



IBM Software Group

Innovation that Matters And the Role of Flexible, Open Software

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Agenda

- **Innovation that Matters**

- ▶ Global CEO focus on Innovation
- ▶ Opportunities for Innovation

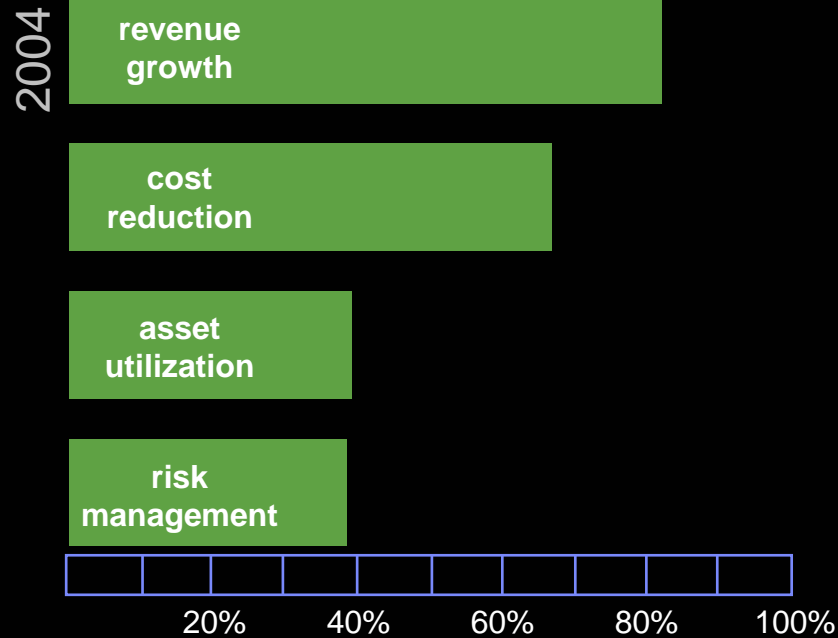
- **Enabling Innovation – the role of Middleware**

- ▶ IT requirements for successful business innovation
- ▶ IBM's middleware strategy & leadership initiatives

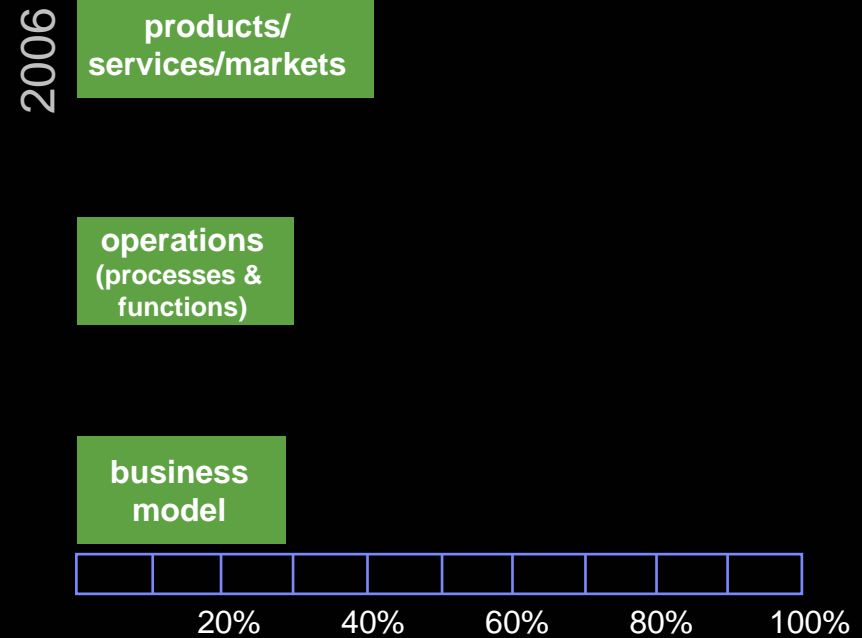
Enterprise pressures and opportunities

In IBM's interviews with hundreds of CEOs, they said:

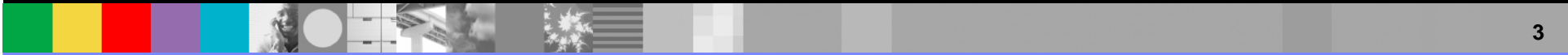
they must achieve...



and want to innovate their...



IBM Global CEO Study 2004, multiple answers permitted
 IBM Global CEO Study 2006, point allocations



Leveling the global playing field



Enterprise pressures and opportunities

commoditization pressures

new/increased competition

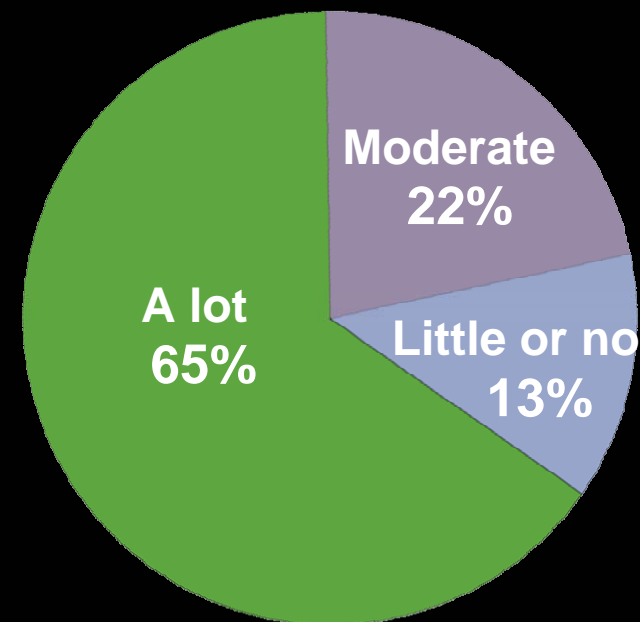
global market opportunities

adjacent market opportunities

global volatility & disruption

competing business models

CEOs: Extent of fundamental change needed over next two years



It's time to take advantage of....

smart objects

the connectedness of everything

supercomputing for everyone

information put to work

collaboration & co-creation

the marketplace for expertise

the virtual corporation



It's time to innovate

products

services

business processes

business models

management and culture

policy and society



78% of CEOs believe integrating business and technology is fundamental for innovation

Integrating business insight and technology is key to “staying ahead of the curve”

Source: 2006 IBM Global CEO Survey



products

How are you capitalizing on the new tools of innovation — and combinations of those tools — to **differentiate your products**?

And how are your competitors doing so?

Are your products **smart**? Do they talk to each other?

How do they provide you **additional data** about your customers' purchase, use and disposal of your products?

HONDA has become the first car manufacturer to equip vehicles in the United States and Canada with an in-car navigation system that uses an advanced speech recognition interface and text-to-speech capabilities. The system allows drivers to simply say city and street names in their natural voice to receive turn-by-turn voice guidance to their destination.



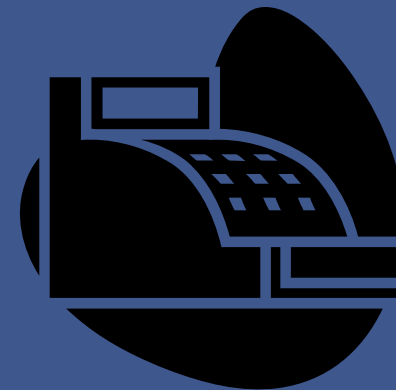
services

How can new business and technical capabilities **deliver higher value** to your customers?

What can **personalization, real-time analytics, self-service, and network-enabled services** do to differentiate your company?

Is your **customer care** as responsive and as cost-efficient as it could be?

BOULANGER, a French electronics retailer, needed to distribute new information daily about products and offers to its stores and consumers. It can now update Internet, store, and catalog systems simultaneously, making it easy to create cross-selling and up-selling opportunities.



business processes

How can you conceive of, implement, integrate and manage your **processes for competitive differentiation**?

Is your **supply chain** the most productive and efficient in the industry?

Does your **CRM system** produce the highest customer satisfaction?

Is your **product development** achieving the best time-to-market?

Are your **finance and accounting** costs the most effective?

AAA CAROLINAS had to expand its business, lower costs and improve customer service to compete in a national market. The AAA affiliate embraced an IBM-based service-oriented architecture solution that enables it to cross-reference customer data and create cross-promotional marketing campaigns. This helped result in a 60% customer acquisition and retention spike.



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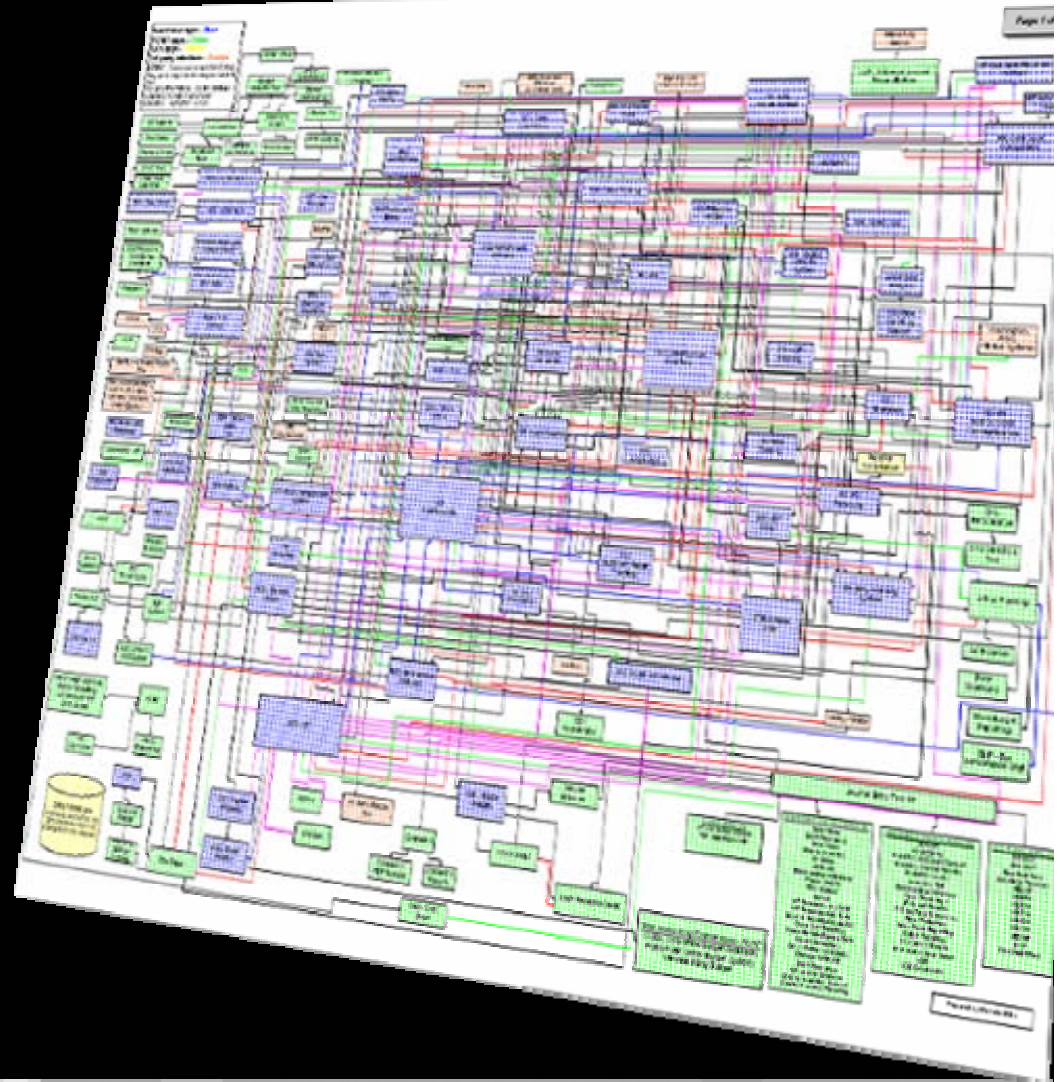
Aligning IT with Business for Innovation

A change in approach is required to enable Innovation . . .

<i>Function-oriented</i>	<i>Process-oriented</i>
Build for permanence	Build to change
One long development cycle	Incremental development cycles
Application silos	Orchestrated solutions that work together
Tightly coupled	Loosely coupled
Applications structured using components and objects	Applications structured using services
Known implementation	Implementation abstraction
Large, long-term IT investment	Small, short-term IT investment

But Complexity Makes Change Difficult

- Complex infrastructures already built with no integration roadmap
- Lack of business process standards
- Businesses have thousands of existing applications
- Existing applications are extended every year and new applications are added



Connecting People, Process, and Information ... *with Flexibility ?*



IBM Software Strategy:

Enabling Innovation & On Demand Business

- **On Demand Businesses Characteristics:**
 - ▶ Processes are connected from end-to-end
 - ▶ Able to adapt dynamically to opportunities and threats

- **An On Demand Business Software Platform must:**
 - ▶ **Be Open:** Supporting heterogeneous environments via open standards and a Services Oriented Architecture
 - ▶ **Integrate:** Connect existing & new applications, information, and people in a way that enables rapid change
 - ▶ **Transform:** Modeling, tools, patterns and accelerators that enable business process transformation
 - ▶ **Manage:** Monitoring, provisioning, administration and security that optimizes operations

Open Computing: The only practical approach

Goals of openness:

- Flexibility
- Resilience
- Avoid vendor lock-in
- Maximize freedom of action

Open standards:

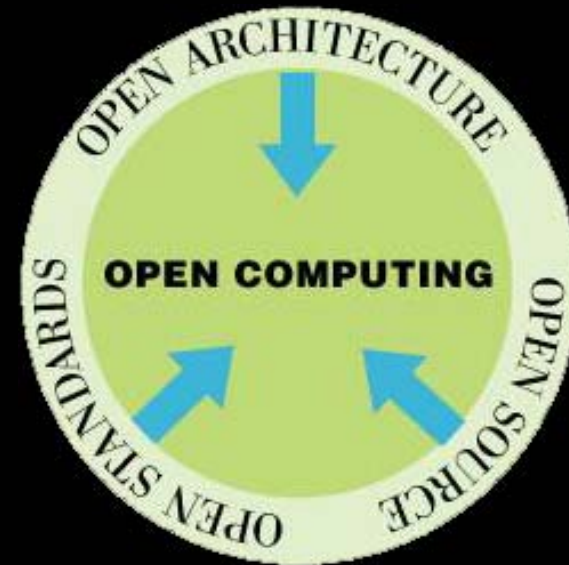
- Promoting interoperability by using open published specifications for API's, protocols and data and file formats

Open architecture (SOA):

- Building loosely coupled, flexible, reconfigurable solutions

Open source software:

- Promotes standards
- Leverages community development and collaborative innovation



"Among all the large vendors I deal with – I give IBM the credit for really 'getting it' on Open Source"

- Mark Driver, Gartner, at the Gartner Open Source Summit, December 2005

Gartner

What is a Service Oriented Architecture and Why is it Important?

... a service?

A **repeatable business task** – e.g.,
check customer credit;
open new account



... service oriented
architecture (SOA)?

An IT **architectural style** that supports
integrating your
business as linked
services

"SOA impacts every aspect of IT and business."

SOA Delivers Business Value ... Today

Flexibility, growth, reuse, decreased cost



- 97% of customers justified their SOA project on cost
- 100% saw increased business flexibility
- 51% saw revenue growth

Source: *The Business Value of SOA, 2006*
 Institute for Business Value Study

- ### Top 5 Results From SOA Projects
1. Improved Customer Satisfaction
 CNH (New Holland & Kobelco)
 2. Business Operational Savings
 TransFonD
 3. Increased Competitiveness
 Pacorini
 4. IT Cost Improvement
 Grohe
 5. Reduction in Business Cycle Time
 Storebrand Group

Source: *2006 IBM SOA Technology Study of 137 Companies*

Customer Realizing Value Across Multiple Industries

Half of the world's 30 biggest electronics companies

8 of the world's 10 biggest banks

9 of the world's 10 biggest telcos

80 SMB references

10 of the world's 10 biggest auto manufacturers

More than 2,500 SOA Business Partners

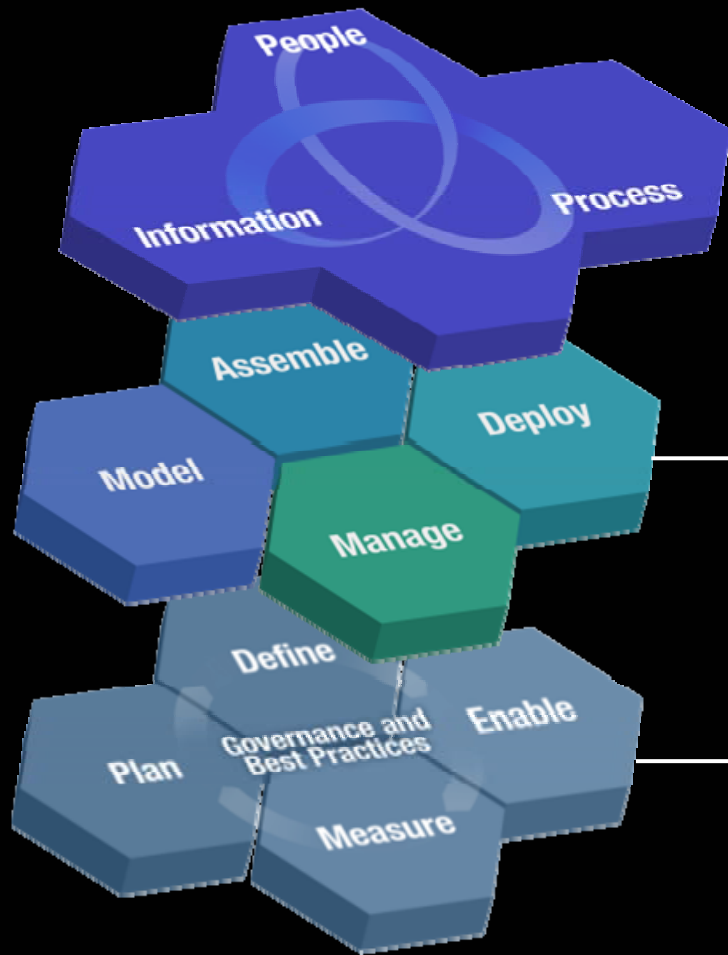
4 of the world's 10 biggest retailers

80% of the biggest US health plans



8 of the world's 10 biggest insurers

Building Out IBM's SOA Capabilities



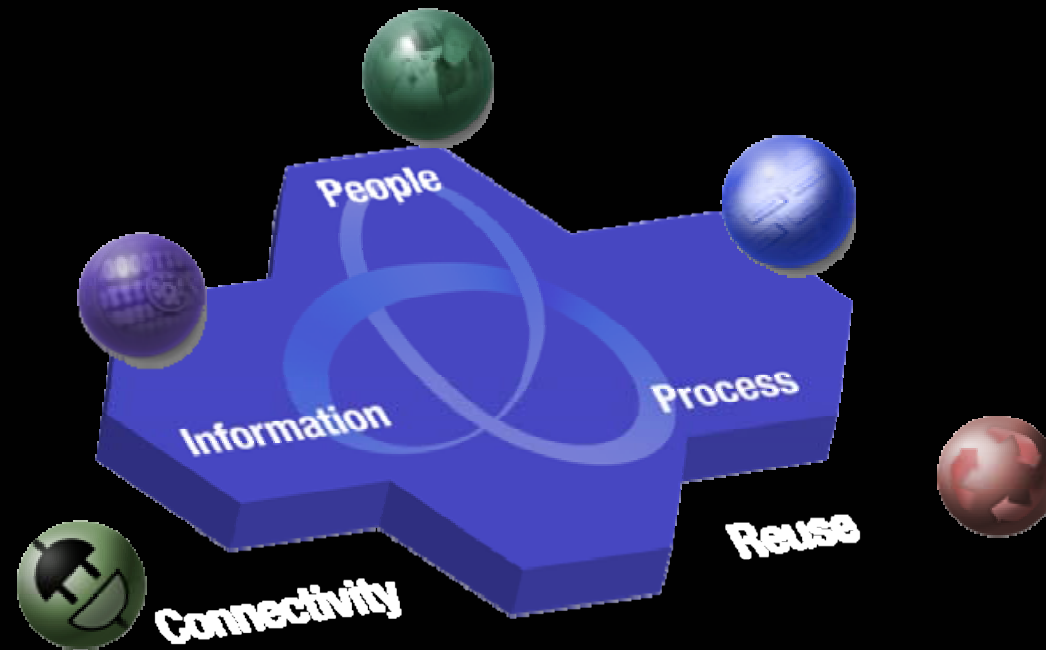
- **Building upon** Entry Points
- Industry-specific though **business services**
- Increasing focus on **Business Process Management enabled by SOA**

Extending **Infrastructure and Management in Support of SOA**

SOA Governance is tightly associated with **Service Lifecycle Management**



Begin with Basic: Customers Started with SOA Entry Points *Both IT Focused and Business Centric*



"Technology is certainly key to a successful SOA integration, [but] it is the coalescence of the people, process and information [with] business insight and emerging best practices for overall organizational change through SOA."



Customer Success via SOA Entry Points

Distinct but interrelated projects with proven value

What is it?

Customer

Value



People

integration and consolidation of applications and data centers into a shared services model.



Increasing people's productivity and reducing financial close from 10 to 4 days with reusable services



Process

Achieve business process innovation through treating tasks as modular services



Information reaches decision makers 70% faster by enabling LOBs to orchestrate modular services



Information

Provide trusted information in business context by treating it as a service



Automated 80% of manual research process for underwriting. Offer as service to industry



Reuse

Service-enable existing assets and fill portfolio gaps with new reusable services



Reusable code shortens development time making applications accessible to wide base



Connectivity

Connect systems, users, and business channels based on open standards



Significantly reduced time/cost required to integrate older applications with new SAP modules



Key Components of the SWG Strategy

Delivering Business Value through a Next Generation Open Software Platform

Open Computing
for Innovation and Freedom

Service Oriented Architecture
for Flexibility and Reuse

People Productivity

to make people more productive in the context of what they do every day

Business Process Management

to monitor and rapidly deploy innovative business models with flexible, optimized processes.

Information On Demand

to get the right information to the right people, manage risk and create new insight.

IT Service Management

for effective and Efficient Delivery of IT Services in Support of Business Goals

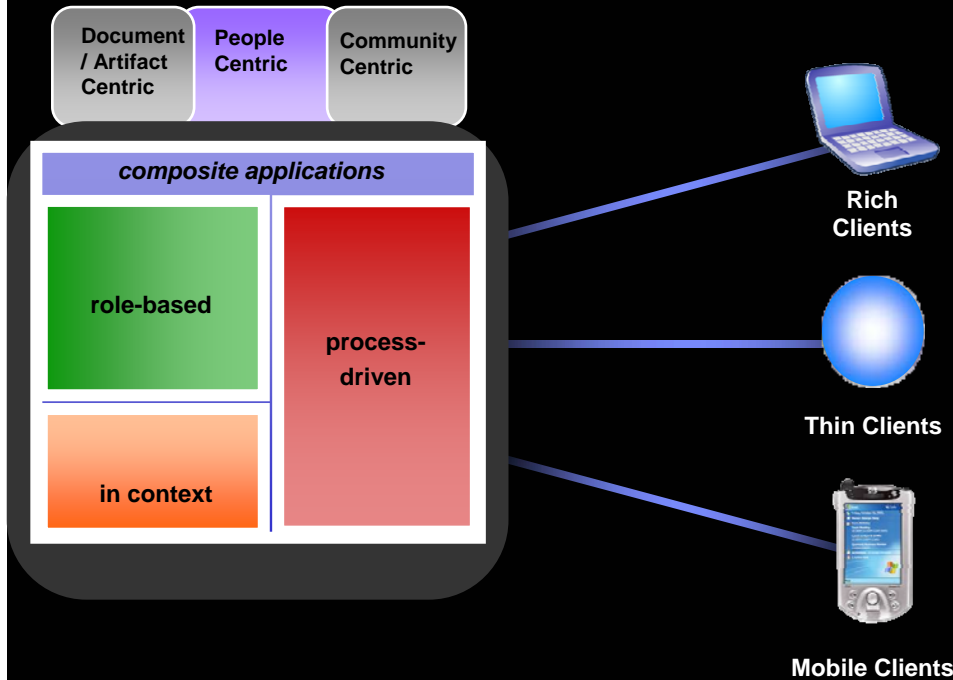
Business Driven Development

to govern the business process of software and systems development



People Productivity

Connecting people to business processes and information



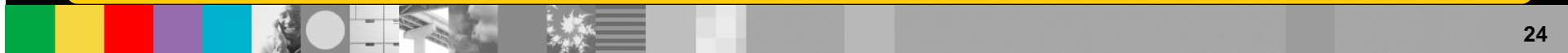
Key Capabilities

- *Mail, calendaring and collaborative applications*
- *Composite applications, front end integration & client services*
- *Collaborative document management and team services*
- *Unified communications services*
- *Social software services*

Customer Value

- *Increase revenue by enabling fast responsiveness through delivery of appropriate knowledge and information*
- *Improve productivity and effectiveness by enabling better decision making*
- *Reduce the costs and time-to-market of new initiatives by leveraging existing investments and skills while incrementally adding collaborative capabilities*

Helping people innovate, translate innovation into value and effectively work together



DaimlerChrysler: People Productivity

Business Challenge: Respond Dynamically to Consumer & Logistical Changes

Actions & Benefits:



Created a **standards-based** infrastructure & application framework based on SOA for developing / deploying / running apps & integrating processes end-to-end.

Building a “**proactive infrastructure**” for flexibility and responsiveness



Reduced development cycle times and app lifecycle costs reduce installation cost nearly 50% and operations cost 30%

DAIMLERCHRYSLER



“The IBM solution provides a flexible, efficient means to break down silos across DaimlerChrysler, giving us the foundation to become a nimbler, more responsive company.”

*-- Dr. Seshu Bhagavathula,
Director Technology Strategy*

Capabilities used: WebSphere Portal, WebSphere Application Server, MQ Workflow, DB2, IGS



Business Process Management

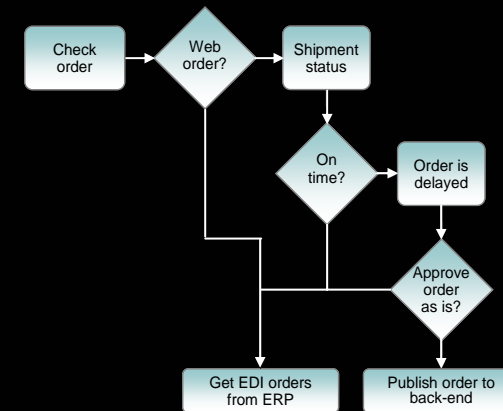
Designing a Process Centric Approach to Continuous Innovation

Key Capabilities

- *Model, simulate and optimize business processes with advanced software technologies from IBM and Partners*
- *Industry-specific expertise and best practices*

Customer Value

- *A flexible, readily adaptable business environment that provides ongoing performance enhancements and optimizations*
- *Innovative business models deployed quickly with flexible and optimized processes.*
- *Monitor & manage performance to drive improvement*
- *Better anticipate disruptions in day-to-day business operations and quickly take a direct, proactive approach to improve results*
- *Understand goals from strategy to operations, align measures, and coordinate actions across business and IT*



“SOA, done right, enables the creation of a common language shared by IT and the broader business stakeholder community..”

- Neil Ward-Dutton



Harley Davidson: Business Process Management

Business Challenge: Creating Financial Programs quickly in support of Marketing directions

Actions & Benefits:



Enable existing systems to integrate and exchange data to increase financing options to dealers and customer

Improve loan processing and flexibility by **uncoupling hard-wired integrations as services** using WebSphere Process Server



Financial Programs that relate to Marketing Promotions can be done **faster and cheaper**



Information On Demand *Moving From a Project-Based to a Flexible Architecture*

Key Capabilities

- **Accelerate Business Value**
 - Master Data Management
 - Financial Analytics
 - Information Warehousing
 - Industry Models
- **Integrate Business Content**
 - Quality Services
 - Information Services
 - Federation Services
 - Metadata Services
- **Manage Content**
 - Content Mgmt. & Integration
 - Discovery Services
- **Optimize Data Centers**
 - Data Storage, Warehouses, Tools...

1,000+ Clients

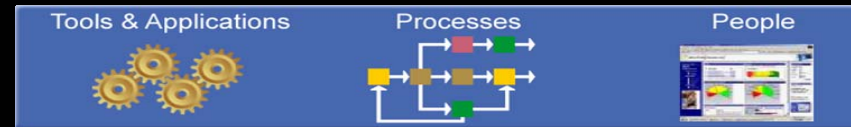
5,000+ Clients

13,000+ Clients

450,000+ Clients

Customer Value

- *Getting the right information to the right people or processes at the right time to take the proper action*
- *Integrating, analyzing and optimizing all information to manage risk and create new business insight*



No Other Vendor Delivers the Breadth and Depth of Capabilities

Information On Demand
Optimize, Virtualize, Integrate, Accelerate



Data Servers & Content Repositories

Taikang Life: Information on Demand

Business Challenge: Provide a real-time view of the organization

Actions & Benefits:



Uniting the business with **Information Integration**

Single data architecture providing a **unified federated view of corporate data** across the company



Improved strategic decision making

Increased productivity

Faster development

Enhanced **customer service** and business development opportunities

Capabilities used: WebSphere Information Integrator, WebSphere Application Server, DB2, Informix Dynamic Server, IBM iSeries Server

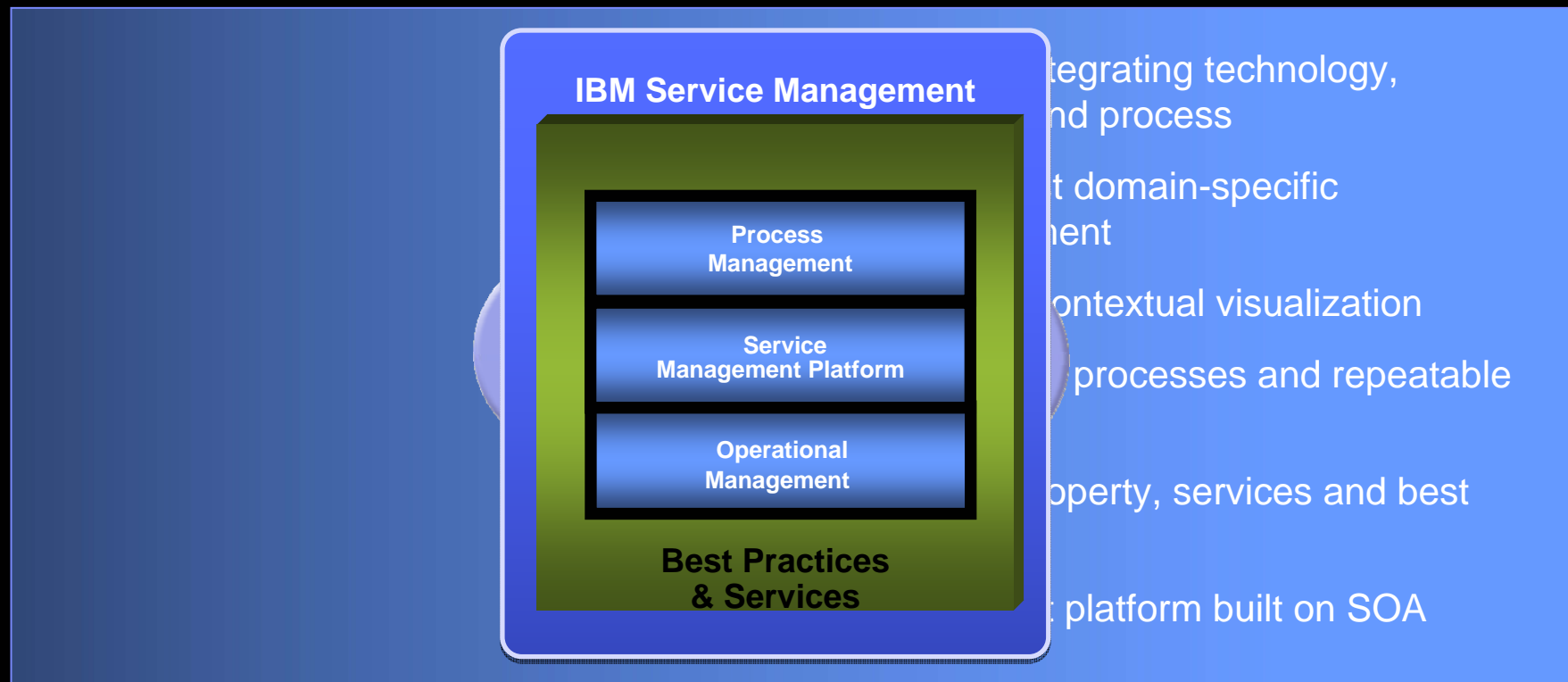
IBM Service Management

Service Excellence, Operational Efficiency & Effectiveness, and Business Growth



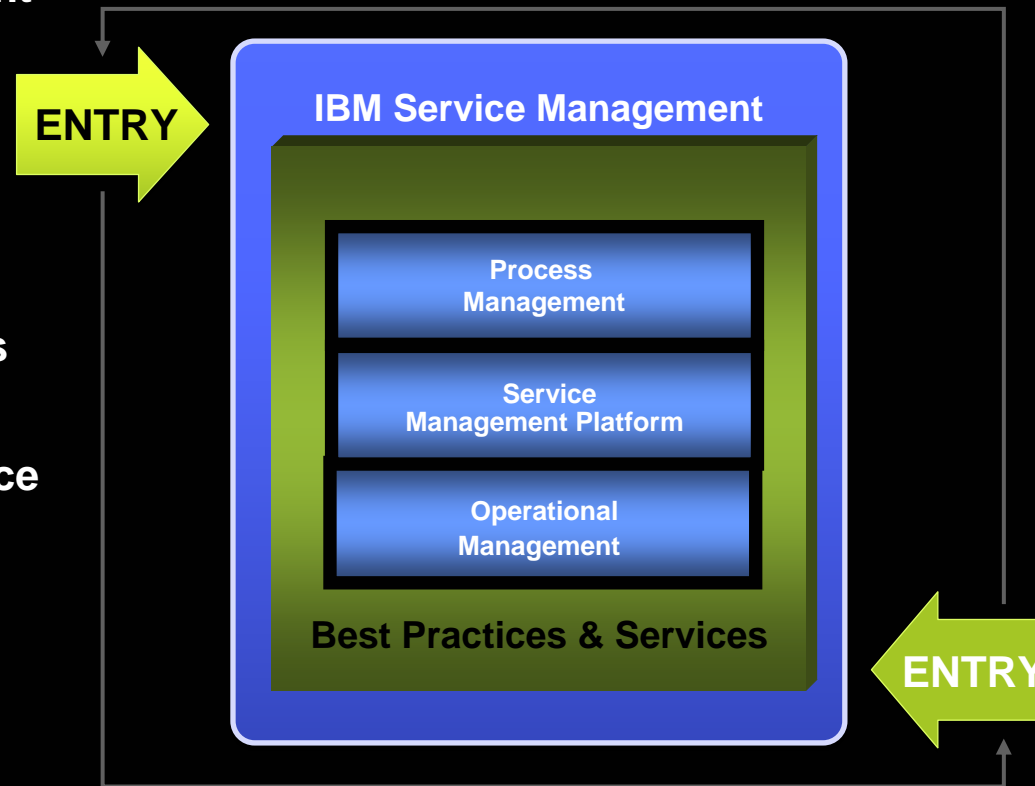
Customer Value

- *Increased operational efficiencies and effectiveness for service management*
- *Enforcement & auditing of IT processes*
- *Improved productivity with role-aligned portals integrating processes and tasks*
- *Increased performance of your business-critical applications*



Flexible Approach to Fit Your Unique Service Management Needs

- Service Management Design and Implementation Services
- Innovation Workshops
- Services Readiness Assessment
- Risk and Compliance Services
- SOA Security Services and Assessments



- Process Managers
- IBM Tivoli Unified Process
- Service Management Assessment Tool
- ITSM Platform and Operations Management Products
- Information and Lifecycle Management

Ornis: IBM Service Management

Business Challenge: Profitable Services Growth with Efficiency

Actions & Benefits:



Using ITIL-enabling IBM software, to improve the automation and integration of processes based on ITIL recommendations

Increased staff productivity

by automatically correlating event data and using self-managing autonomic capabilities to handle problems with minimal intervention



Enabled staff to proactively resolve problems before they impact customers



Strengthened growth by more than 20% with SLA reporting service

Increased IT availability to 99.9%

Achieved top-rating in outsourcing benchmark for availability

Capabilities used: IBM Tivoli Enterprise Console, IBM Tivoli Monitoring, IBM Tivoli NetView, IBM Tivoli Service Level Advisor



Business Driven Development

Enabling organizations to govern the business process of software and systems development



Key Capabilities

- Harvest, create, test and assemble service assets
- Define requirements, codify business process and enforce standards
- Standardize, automate and integrate business processes and the underlying infrastructure
- Align business models and processes with strategic objectives

Customer Value

- Reduce cost
- Focus development projects on biggest/fastest ROI areas
- Integrate legacy systems and data with new systems
- Reduce cost of application maintenance
- Decrease time to market
- Improve communication between Business and IT
- Clear requirements = less re-work
- Improve quality and customer satisfaction
- Fewer communication errors

Reuse Examples: Business Driven Development

Business Challenge: Leverage existing assets to improve business agility

Sysdat & Gautzsch



Reused existing RPG service based function to integrate with Amazon.de sales portal

Online in 3 weeks. **ROI in < 3 months.**

WebSphere Business Integration Express, Partner Gateway

Acesita



Integrates mySAP and existing backend applications with **reusable service data**

Real-time views of critical cost and profit information
better decisions

IBM BCS, WebSphere MQ and Message Broker

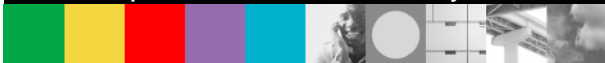
Mainsoft & Comtec



Reuse **.NET applications in open standards-based SOA** with IBM Business Partner Mainsoft Solutions

5x faster than rewriting the code from scratch

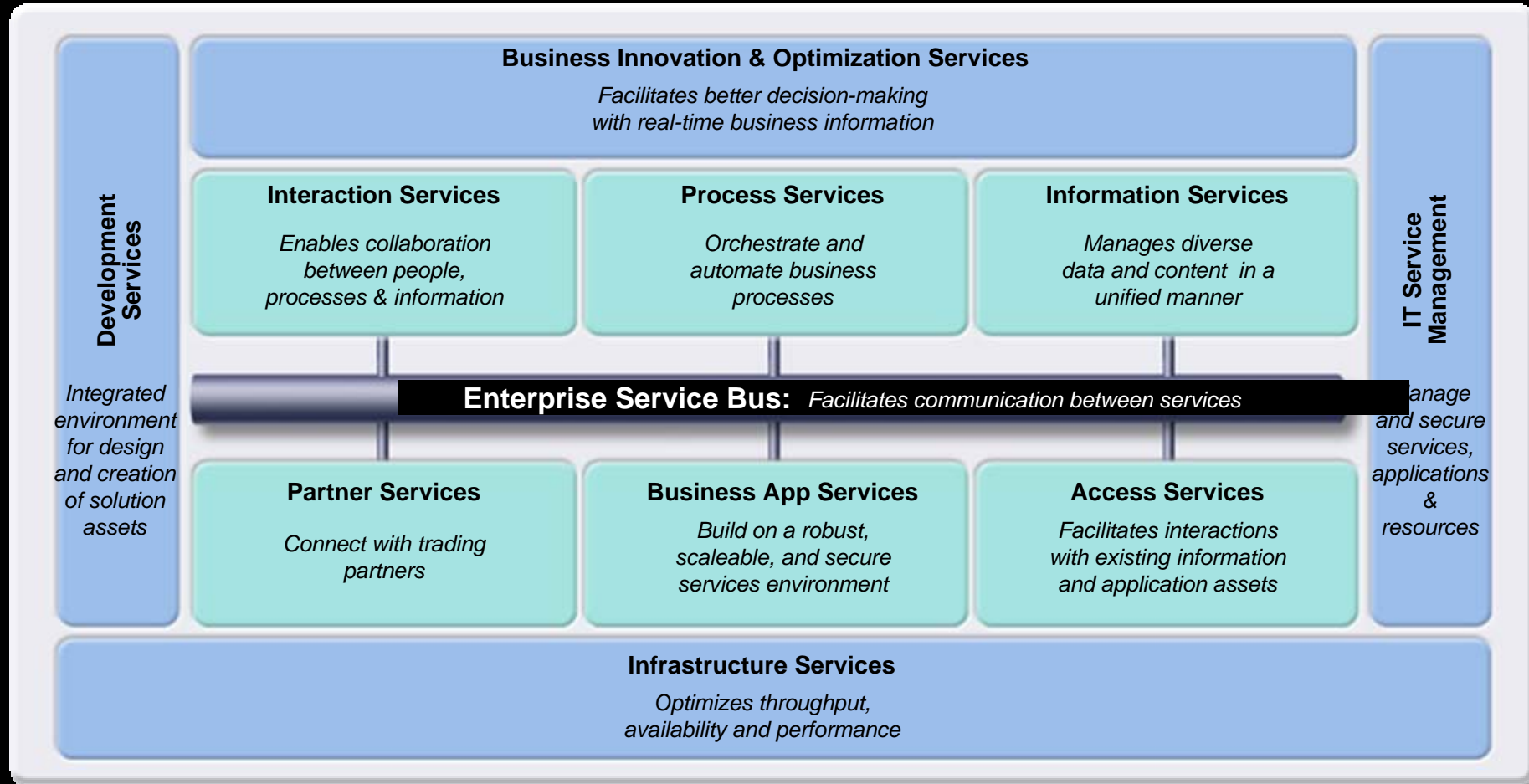
Mainsoft Visual MainWin, WebSphere Application Server



IBM Software Reference Architecture

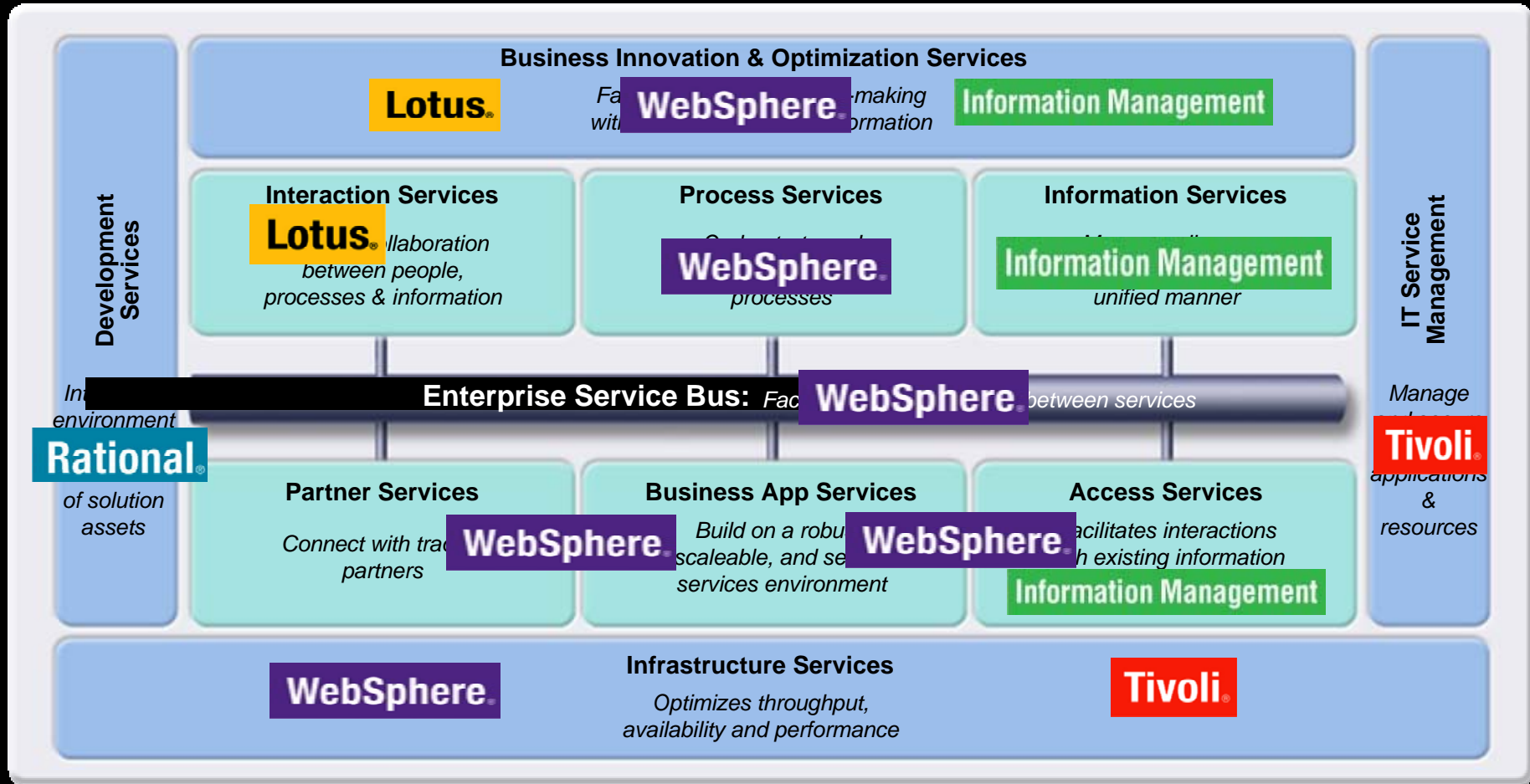
(a.k.a. SOA Reference Architecture, Integration Reference Architecture)

Robust Middleware Capabilities Connected in an Open, Flexible Manner



Each of the IBM Software Brands Play Key Roles in Delivering the Platform...

Robust Middleware Capabilities Connected in an Open, Flexible Manner



IBM Business Partners

- 60,000 + ISVs Worldwide
- 16,500 Reseller Partners
- 2,375 Systems Integrators

- 1,500 Web Integrators
- 400 Service Providers
- 100 Strategic ISV Alliances

IBM Software Business Partner Value Proposition

Industry Leading Products

Best-of-breed Incentives

World-class Enablement and Technical Support

Substantial Sales Investments

Proven GTM Programs

IBM's Software Success

WebSphere®

- 103,000 + WebSphere customers
- 1.1 + million WebSphere developers

Information Management

- Over 450,000 Information Management customers
- 13,000 Business Partners; 40,000 ISV applications

Lotus®

- Over 122 million Lotus Notes client licenses sold
- Over 15 million business instant messaging users
- 2.5 million Workplace software users

Rational®

- 600,000+ users of Rational Software
- More than 18 million Eclipse downloads

Tivoli®

- 22,000 Tivoli Service Management customers
- 60 million user licenses of Tivoli Access Manager

IBM ranked #1 or #2 in all middleware segments

what makes you * special?

Your products?
Your services?
Your financial strength?
Your customer base?
Your supply chain?
Your management systems?
Your business model?
Your history?
Your brand?
Your expertise?

How will innovation matter for you?
And how can we help?

THANK
YOU