Opportunities in Challenging Times

Steve Robinson
Vice President
IBM Rational Software

What customers are saying…

CFO

Corporate Strategy

Programmers

Lines of Business

Project Managers

Auditors

Tough times ahead

Sequoia Capital: "RIP: Good Times"

- Survival of Quickest: Cut Deep and Fast

- Engineering: Decrease Headcount for Next Version

- Product: What Features are Absolutely Necessary?

- Spend Every Dollar As If It Were Your Last

- Get Cash Flow Positive (Cash is King)

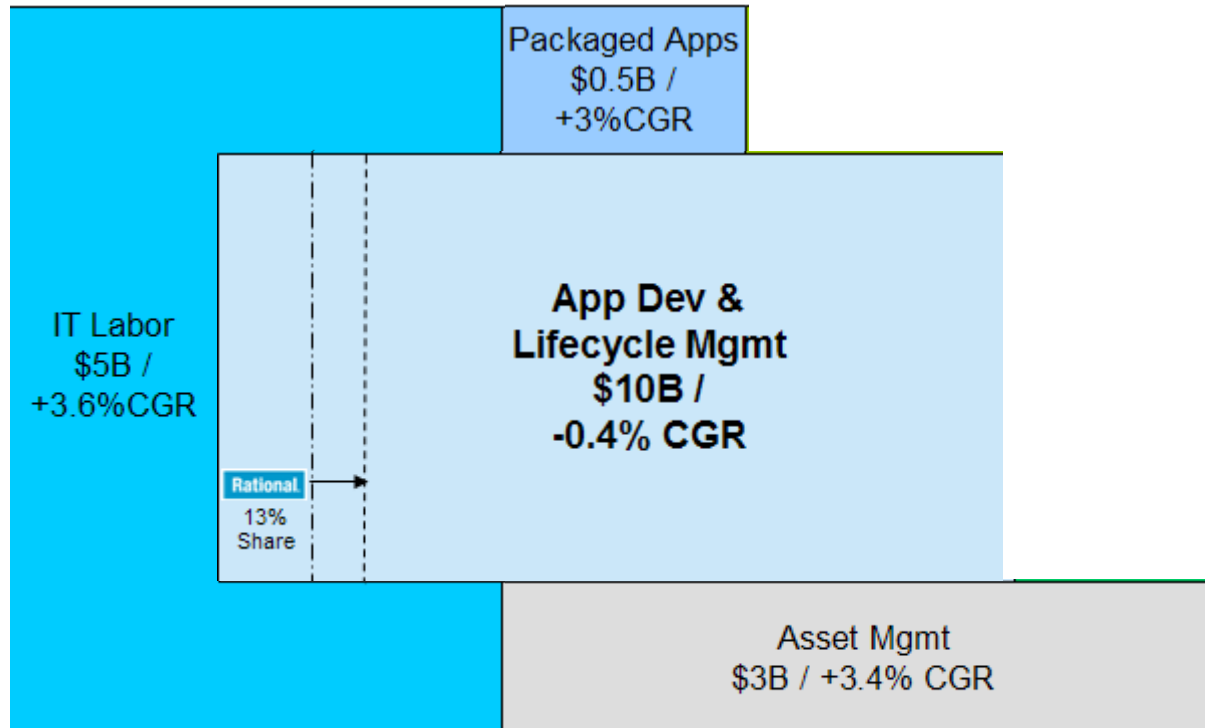- Focus on Quality

- Lower Risk

- The Recovery Will Be Long

Survival of the quickest
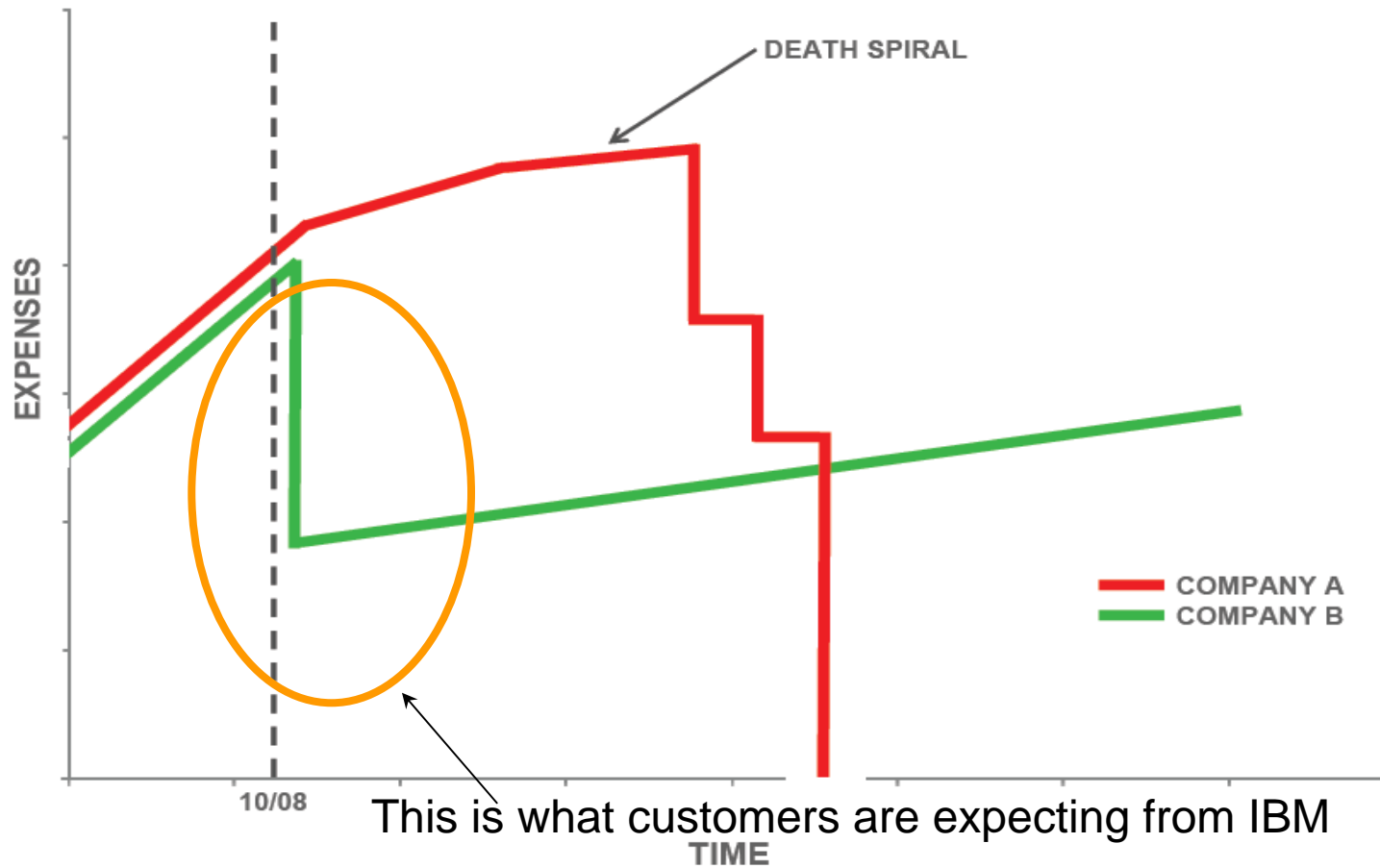
"No one ever saved their way out of a downturn....it takes innovation..."

Craig Barrett, CEO Intel Corporation

Current Rational opportunity

Packaged Apps
$0.5B /
+3%CGR

IT Labor
$5B /
+3.6%CGR

App Dev &
Lifecycle Mgmt
$10B /
-0.4% CGR

Rational
13% Share

Asset Mgmt
$3B / +3.4% CGR
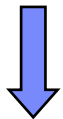
*All numbers use Plan Rates

The focus for solutions delivery has shifted

Efficiency………Operational Stability………Innovation

1. Reducing Labour Rates

2. Process Maturity and Consistency

3. Rigorous Governance and Management

Competitive Necessity

4. Asset and Service Reuse

5. Increasing Levels of Automation

6. Flexible Sourcing – component level

7. Delivering Capabilities not resources

8. Software as a Service

Competitive Advantage

SwissRe

Swiss Re

Basic principles for process design & Benefits

Design Principles
- ITIL, SOX and IT Governance compliant (audit proof)
- evolutionary (not revolutionary), pragmatic and easy to apply in organisation
- main role is component change & release manager (component = application or infrastructure)
- ensures segregation of duties for deployment to guarantee clear handover

Benefit
- Global IT will speak with one voice and language (common terminology)
- Process is delivered as a framework (audit trail)
  - lifecycle of a change is traceable
  - various checkpoints incorporated of sub-processes (testing, development, etc)
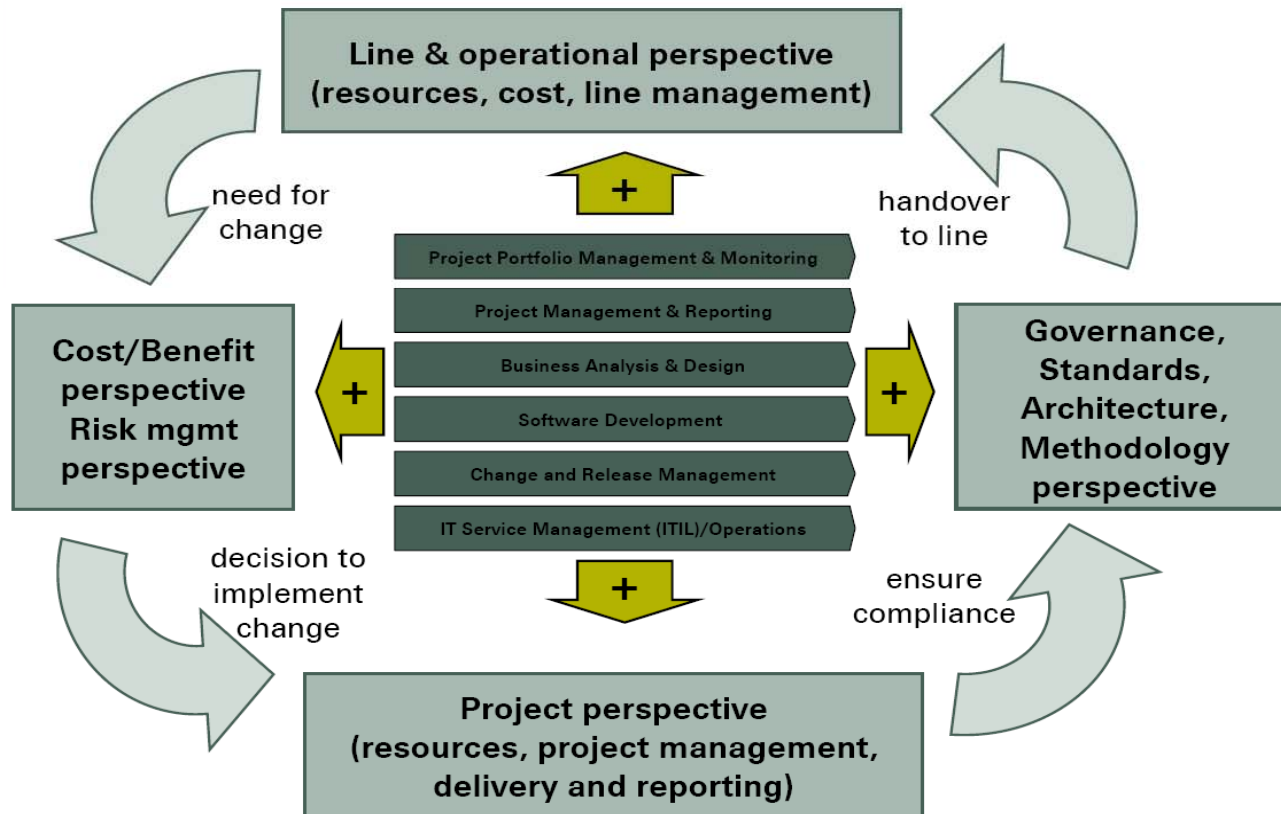
Swiss Re E2ECM Process
Heiner Waldhier & Jo Angele
February 2006

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SwissRe

Change cycle: diverse and conflicting needs – today we serve them all in an additive approach

Swiss Re

Line & operational perspective (resources, cost, line management)

need for change

handover to line

Project Portfolio Management & Monitoring

Project Management & Reporting

Business Analysis & Design

Software Development

Change and Release Management

IT Service Management (ITIL)/Operations

Cost/Benefit perspective Risk mgmt perspective

Governance, Standards, Architecture, Methodology perspective

decision to implement change

ensure compliance

Project perspective (resources, project management, delivery and reporting)

SwissRe Integration of Change Related Processes 02/2006 Johanna Angele

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HSBC Services development model
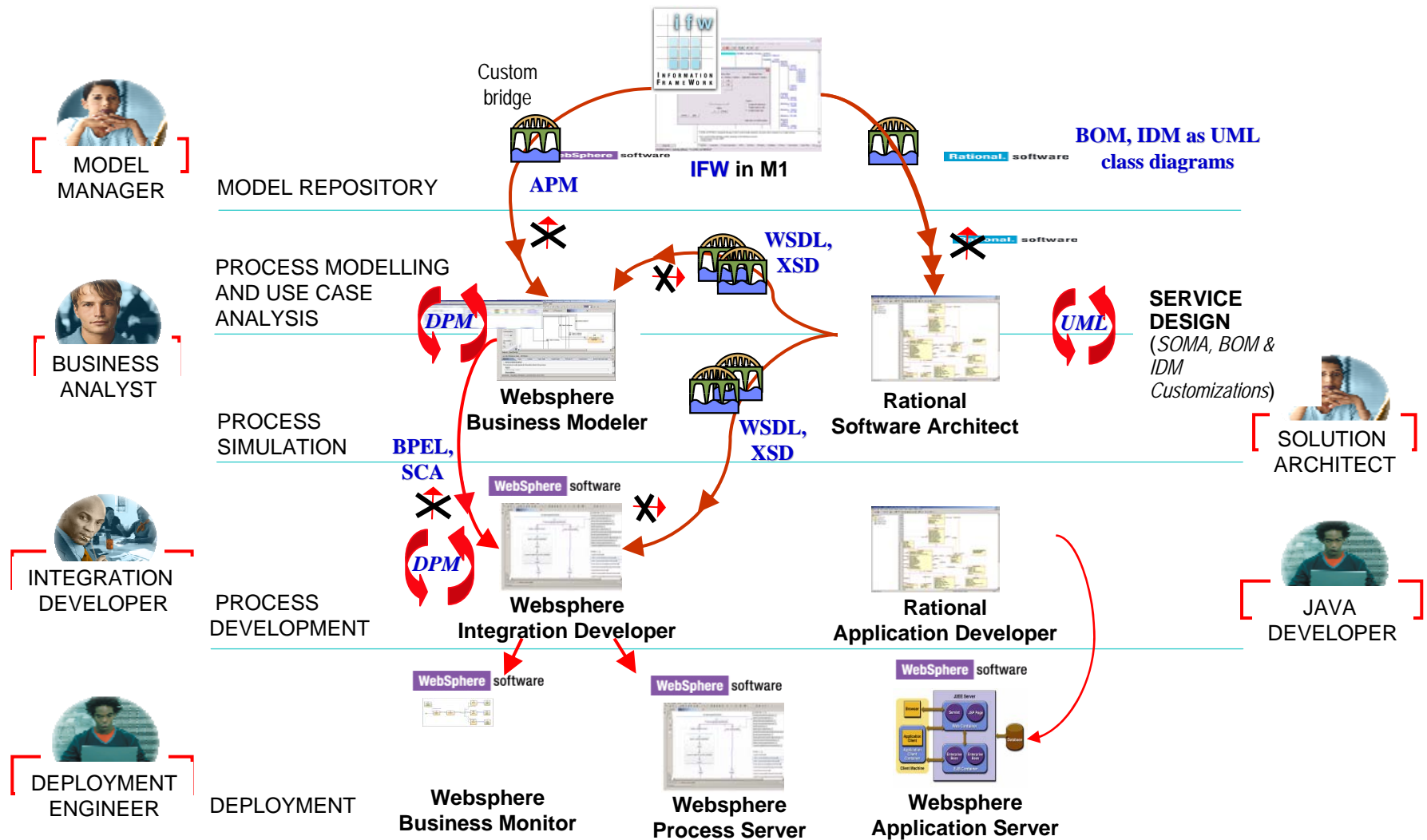
The shift from IDE to ALM
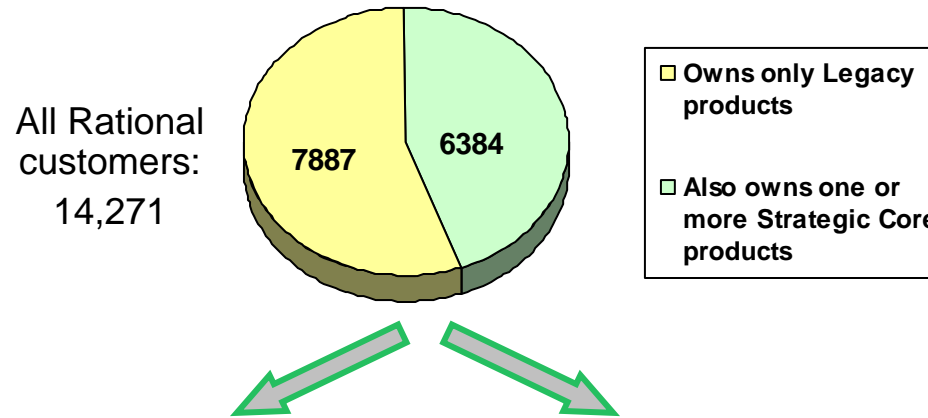
Short Term *Development Efficiency* **Realize savings in <120 days**
• Build and release management
• Test automation
• Agile project methodologies
Medium Term *Operational Control* **Realize savings < 9 months**
• Cost avoidance
• Globally distributed development
Longer Term *Business Value* **Realize savings < 18 months**
• Legacy application modernization
• Effective asset management and reuse
• Requirements management

Significant growth potential exists within our client base
70% of our customers own less than 30% of our lifecycle portfolio

All Rational customers: 14,271

7887   6384

- ☐ **Owns only Legacy products**
- ☐ **Also owns one or more Strategic Core products**

Upper-bound Cross-sell opportunity:

	# Customers	Revenue Opportunity*
Cross-sell one new deal per customer for all customers	14,271	$369M

Using average deal size - 4qt rolling average: $25.9k

Lower-bound Cross-sell opportunity:

Cross-sell one new Strategic Core offering to…	# Customers	Revenue Opportunity*
…**Each customer** with at least one** Strategic Core product	6,384	$165M
…**20% of customers** with at least one Strategic Core product	1,277	$33M

Using average deal size - 4qt rolling average: $25.9k

****Our largest/corporate account customers own 12+ Strategic Core products**

Strategic Core: BuildForge, CC, CQ, EGL Cobol, RAD, RQM,RFT, RPT,RAM, RRC, RSAR, RTC, RTLM, RSA, RSM, RSD, Tara, Test Mgr, Vega, Watchfire

Business and product innovation today require a significant investment in **software**

- For businesses and institutions everywhere, there have never been so many *new possibilities*

- Imagine the amount of *software* necessary to:
  - Deliver a green world
  - Take advantage of information base explosion
  - Communicate with a trillion devices
  - Drive on-going product differentiation
  - Seize new global market opportunities

- Leaders everywhere are deploying *increasingly intelligent* software, systems and products

- Accelerating innovation and enabling effective change is highly dependent on the ability to *manage effective software delivery*

Let's build a smarter planet

Rational expands into smarter products
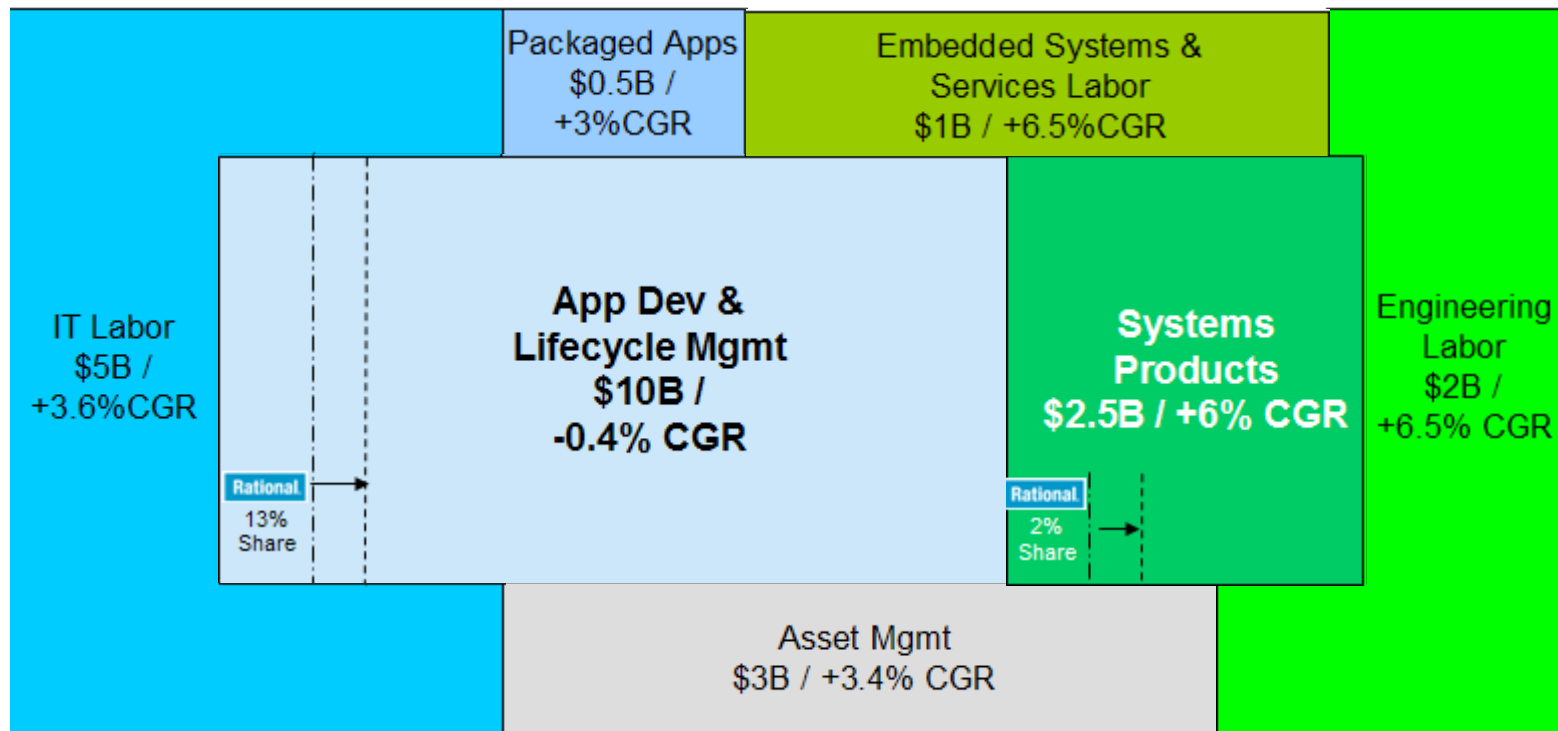
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Hydraulic hybrid delivery vehicles
Eaton Corporation and UPS

"The suite of Rational tools, including Rhapsody, DOORS, ClearCase and ClearQuest, provides Eaton an integrated software framework that allows us to deliver innovative products more quickly and efficiently."

What's Smart?

- Innovative technology for urban delivery trucks in stop-and-go traffic
- Smart software to optimize energy usage and reduce greenhouse gases

Smarter Business Outcomes

- 60-70% increase in fuel economy, according to EPA
- 40% reduction in CO_2 emissions

How Rational Software Enables Smarter Products

- Software modeling to optimize system performance
- Automatic generation of in-vehicle software code

Mobile access to medical images
Merge Healthcare

"We rely on Synergy and Change to manage the complexity of the software and to ensure that our global development teams operate as one, for the best result to our customers. This software from IBM is part of our livelihood; it's our DNA."

What's Smart?

- Provides medical professionals access to complex medical images on mobile devices
- Helps facilitate prompt access to medical imaging data– anytime or anywhere*

Smarter Business Outcomes

- Reduced hospital operations costs
- Reliable, secure, scalable delivery of medical images and reports

How Rational Software Enables Smarter Products

- Collaboration across globally distributed development teams
- Change management across the end-to-end software lifecycle

*Product not yet released

The innovation wave is going mainstream

Selling in this new environment

Lessons Learned:

1. Current client relationships – our most valued asset

2. New buying behaviors emerging

3. Provocative value propositions essential

4. One-year cost savings mandatory

5. Approval and sign-off processes have changed

"Barn's burnt down…now I can see the moon"

Mizuta Masahide