



Application Global Delivery Center (GDC) Supporting the State of Michigan

MISA Luncheon

April 14, 2009



Michigan Delivery Center Announcement

- ◆ State of Michigan and IBM have launched a “Delivery Center” at Lansing Michigan
- ◆ Center is first of its kind in US
- ◆ Center has created both public and media interest

LSJ.com

January 13, 2009

Breaking news: IBM bringing jobs to E. Lansing

... 100 jobs to East Lansing by June and could create 1500 direct and indirect jobs in 5 years, said state officials. ...

MICHIGAN STATE

<http://news.msu.edu/story/5813/>

EAST LANSING, Mich. — Big Blue has found a fertile spot to grow in the land of green and white, with IBM's decision to locate an application development center on the campus of Michigan State University.

The first of its kind for the company in the United States, the IBM facility is the product of an agreement to expand MSU's recruiting, research and educational partnerships with the information technology giant. IBM already is a top employer of MSU graduates.

Application Services Delivery Center

- ◆ Build an Application Services Delivery Center based on:
 - Bringing new jobs to the State of Michigan
 - A shared Application Development and Management services model
 - A mature application delivery model at a competitive price
 - Best practices such as ITIL, CMMI maturity and Six Sigma discipline to the State as part of the delivery model
 - A collaborative approach between IBM and State to determine which work will be most suited to the center based on:
 - Value to the state
 - IBM competencies
 - Aligning DIT people with the most strategic level of State work
 - The Center can be focused on more tactical types of engagements to complement State strategy

Why State of Michigan was selected?

- ◆ Leverage the talents of the SoM, residents and University communities
- ◆ Economic viability within Michigan: room for growth and government support
- ◆ Partnership with Michigan State University to provide unique training and career opportunities for students
- ◆ SoM DIT has a vision based on excellence consistent with IBM's model
- ◆ SoM has a centralized, shared services model already in place

Michigan Application Services Delivery Center

MSU named home to IBM Global Delivery Center

IBM supports creation of state technology corridor

EAST LANSING, Mich., and ARMONK, N.Y., January 13, 2009 — The State of Michigan and IBM in close partnership with Michigan State University, today announced the creation of a Global Delivery Center for Application Services to be located on the MSU campus in East Lansing.

Location:

**600 Crescent Road
East Lansing, MI 48823-5762**



Development Center Strategic Benefits

◆ Cost Effective Delivery

- Efficiencies and Productivity Gains through:
 - Critical mass of skills around key technologies
 - Consistent deployment of best practices – process implementation and adherence
 - Development and use of shared services
 - “Managed” work vs Staff Augmentation

◆ Speed

- Existing experienced team --- significantly reduced ramp time
- Leverage of existing tools/infrastructure

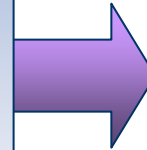
◆ Quality and Productivity Consistent with SoM Innovation Goals

- Optimize environment for skill/career development
- Disciplined methodologies and repeatable best practices: Six Sigma, CMMI, ITIL, testing competence and other continuous improvement disciplines

The Next Piece of the Puzzle is Yours

Infrastructure

- ◆ Standard processes (ITIL)
- ◆ Enterprise Architecture
- ◆ Michigan 1 - Standardized technology and products
- ◆ Shared networks
- ◆ Data center consolidation
- ◆ Security
- ◆ Email
- ◆ Active Directory
- ◆ Storage / Back-ups



Applications

- ◆ SUITE
- ◆ Centers of Excellence
 - FileNet, SQL Server Support
- ◆ Demand Management
- ◆ Project Management
- ◆ Application Modernization
- ◆ Application Portfolio Management
- ◆ Identity Management
- ◆ Geo-spatial tools and imagery
- ◆ Shared services

Goal: An Agile Environment

How to Optimize Your Application Portfolio and Align It to Business Priorities

Component Business Model™

	Consumer Relationship	Customer Relationship	Manufacturing	Supply Chain & Distribution	Business Administration
Strategy	Category/Brand Strategy	Customer Relationship Strategy	Manufacturing Strategy	Supply Chain Strategy	Corporate Strategy
	Category/Brand Planning	Customer Relationship Planning	Supplier Relationship Management	Supply Chain Planning	Corporate Planning
Tactics	Brand P/L Management	Assessing Customer Satisfaction	Production and Material Planning	Distribution Optimization	Business Performance Management
	Marketing Entry and Demand	Customer Insights	Manufacturing Oversight	Inbound Logistics	Customer Service Analytics
	Marketing Development & Lead Effectiveness	Account Management	Supplier Control	Outbound Logistics	Operational and Process Change
Execution	Product Innovation	Product Management	Value Added Services	Inventory/Pkg. Products	Production Control
	Concept/Product Testing	Customer Access Strategy	Product Development	Order Management	Distribution Center Operations
	Product Development	Product Marketing Execution	Product Management	Retail Marketing Execution	Plant Inventory Management
	Product Delivery	Customer Directory	Manufacturing Procurement	Manufacturing Procurement	Ex-Works Inventory Management

What are my priorities?
Which processes are strategic?
Which are core (differentiating)?

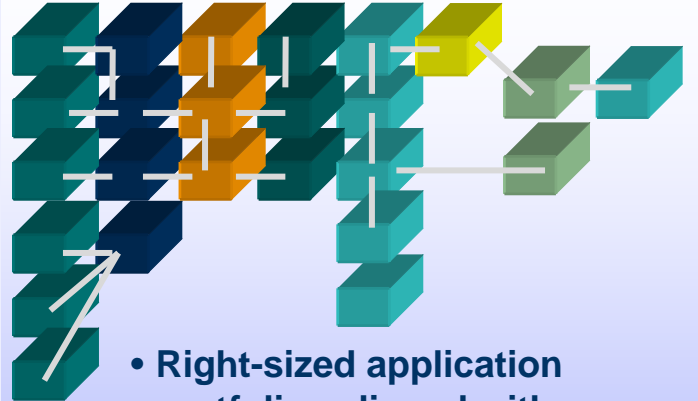
Alignment of business and IT

Current Application Portfolio



What applications support what processes?
What needs to change?

Desired End State



- Right-sized application portfolios aligned with business processes
- Service delivery aligned with budget and business priorities
- Costs aligned to business or IT usage metrics

Agency Demands Increase as Push to Decrease Costs Intensifies

Agencies tell us: “We need to reduce costs, increase productivity and support business growth, but...”

Support Growth and Productivity

Build and deploy new products, services, processes

Inhibitors

- Expensive to develop and deploy changes into existing applications
- Slow in time-to-market of new products and services
- Limited sources of capital

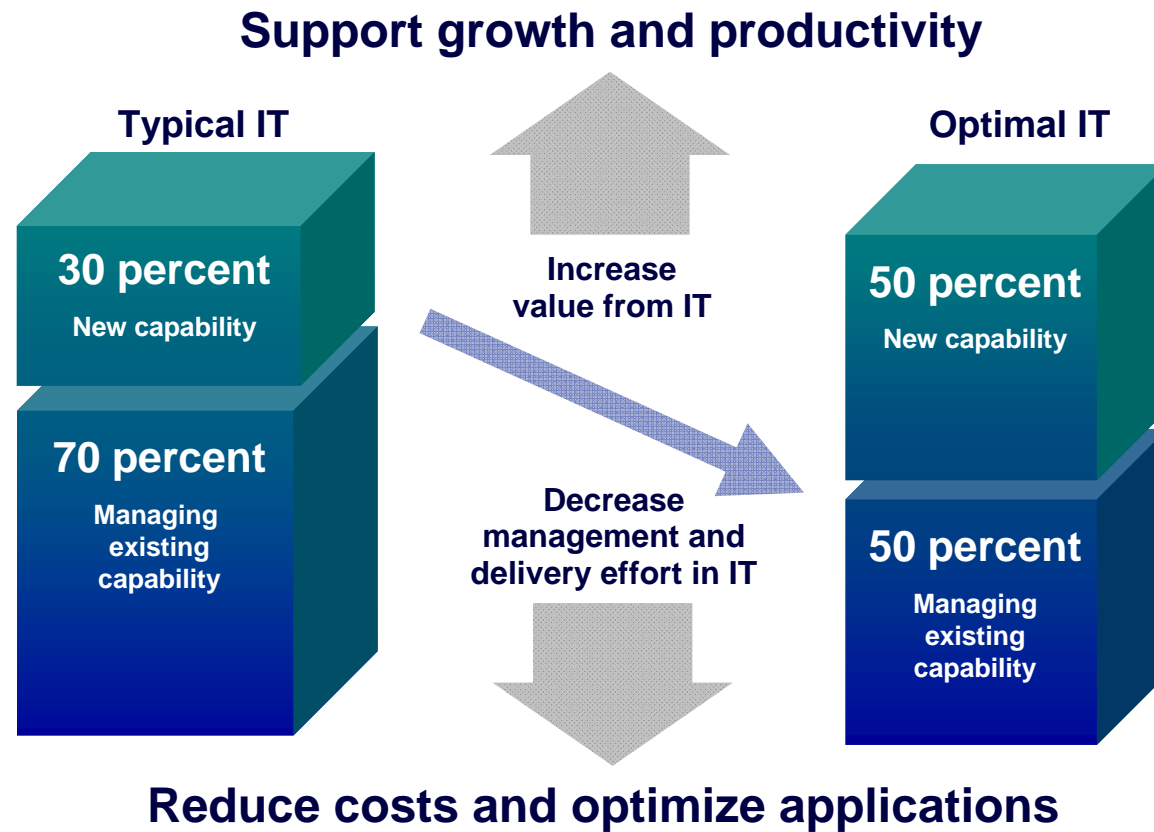
Reduce Costs and Optimize Applications

Decrease fixed costs, increase variable costs

Inhibitors

- High fixed application maintenance costs as proportion of application development
- Application maintenance spend not aligned to business needs
- High fixed infrastructure cost
 - Application outages and production defects

How to Increase Business Capability, Decrease Costs, and Maximize Returns



Critical Elements of Application Portfolio Management

- ◆ Understanding current application portfolio
- ◆ Understanding application enhancement, development and maintenance costs
- ◆ Understanding current true “end to end” costs for each application (network, office automation, hosting, etc.)
- ◆ Understanding current agency priorities
- ◆ Align, transform and manage application portfolio
- ◆ Evaluating sourcing strategies (state staff versus contractors)

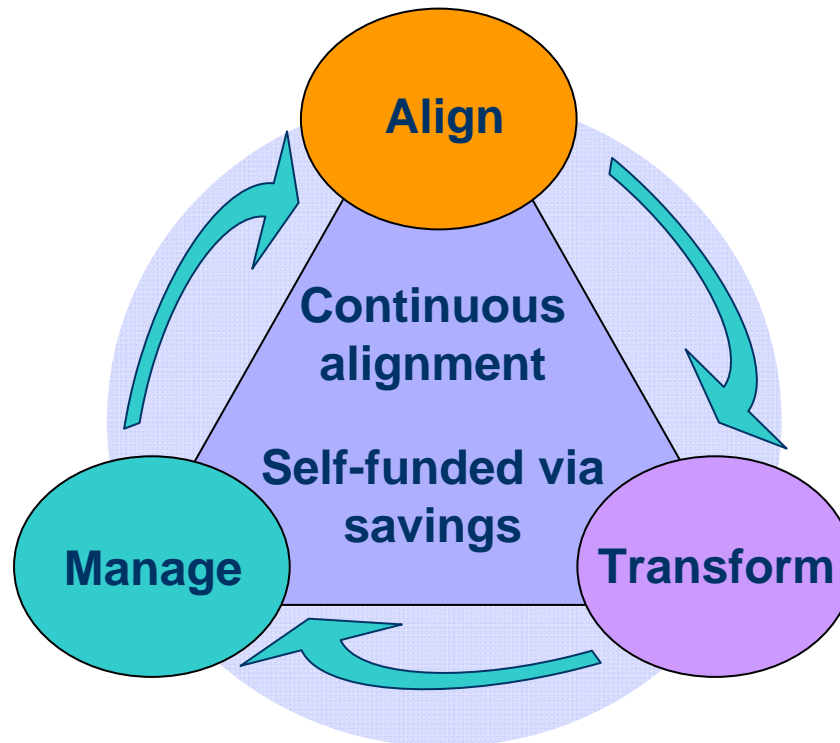
Application Portfolio Approach Uses an End-to-end Process for Continuous Alignment and Transformation

Application Portfolio Services

Business Productivity

Align applications to business priorities to help increase business productivity and effectiveness

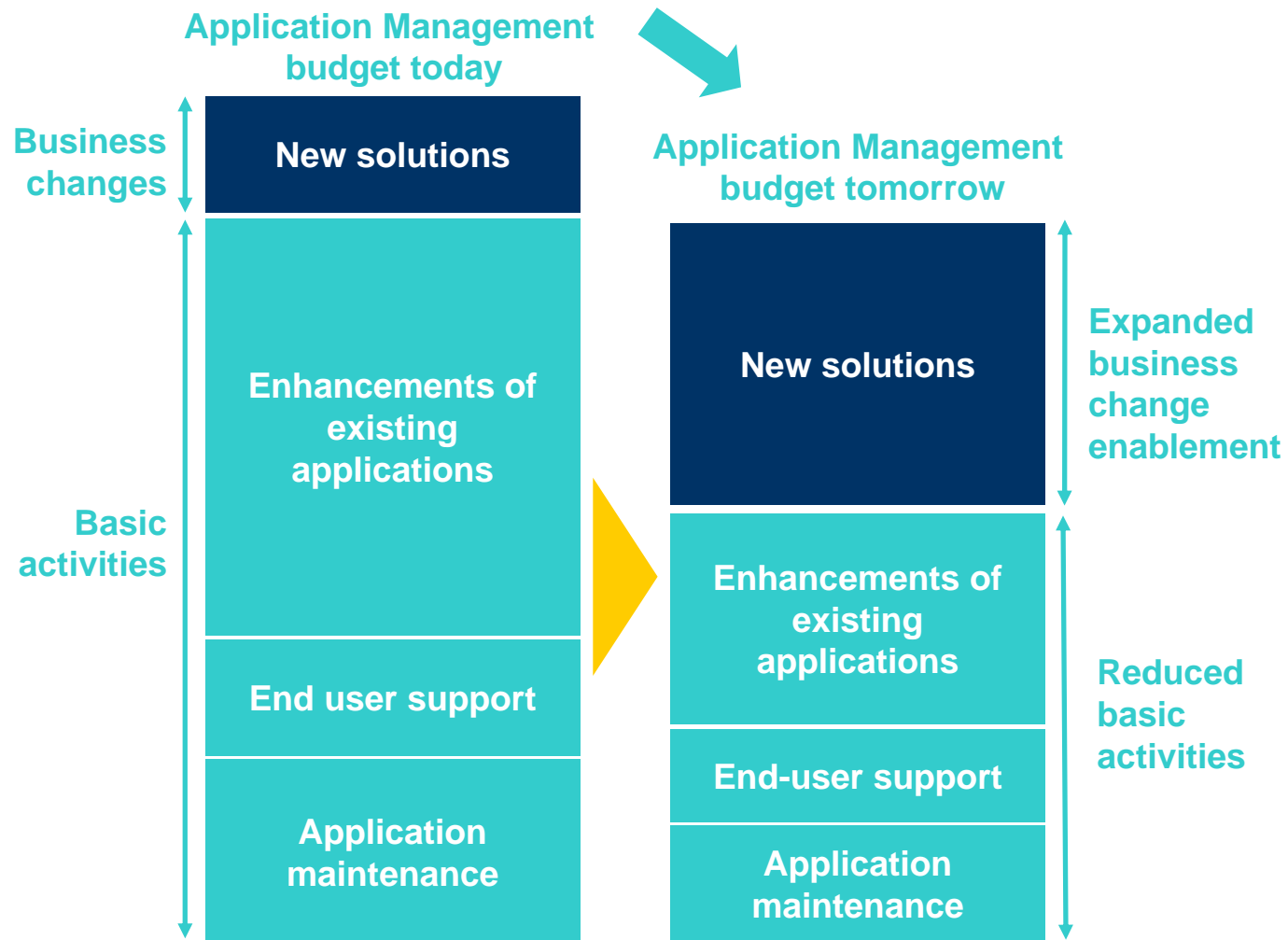
Optimization
Optimize application management using efficient methods and metrics-based performance



Growth and Innovation
Transform business applications, leveraging new technology

What do you gain?

*The ability to manage applications cost-effectively;
enable flexibility and growth*



Bottom Line...

Our success depends on our ability to:

- Continue to reduce our application operating expenditures while growing our investments in new solutions (innovative technologies) to continue to transform government services to our citizens and to our businesses.

Another Tool in our Toolbox...

Application Global Delivery Center (GDC) Brings New Opportunities to Our State

- Michigan's IT workforce
- Application development and maintenance
- Partnerships



Service Delivery

GDC can augment delivery for...

- ◆ Teams needing help to handle support of existing applications
- ◆ Teams needing to free up key resources for New Business Initiatives from daily maintenance work
- ◆ Support to Rewrite or Modernize existing applications
- ◆ Create Skill Competencies built around FileNet, ETL, Oracle etc.
- ◆ Migration work across platforms, technologies pending in absence of team and skill
 - Power Builder to SOA
 - COBOL to Web Based
 - Oracle upgrade
 - FileNet upgrade

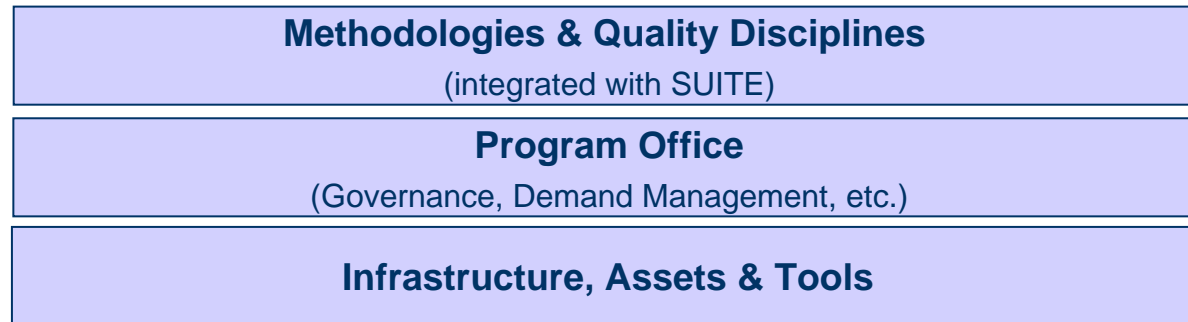
Legacy and New Technology

Critical step is striking a balance for how to proceed

- ◆ Identify projects and role for GDC
 - Michigan Business One Stop —————> Maintenance
 - New Business One Stop apps for DELEG & MDA
 - PowerBuilder Support
 - Cobol Support
 - Others?

Processes

GDC will follow our processes



Fitting the Pieces Together

Here's how a partnership with GDC will work

- ◆ MDIT: Identify potential candidates
- ◆ MDIT: Complete Statement of Work
- ◆ IBM: Perform due Diligence
- ◆ IBM: Provide a proposal including costs

*Now it's up to us to figure out how to best
tap this new opportunity*