



réalités

McNerney recaps first half performance

Editor's note: This issue of *réalités* will report the highlights of the mid-year senior managers meeting held at the International Training Center in Rockville.

GE Information Services' 85 key business leaders recently received an encouraging mid-year status report.

President Jim McNerney, one day removed from a meeting with GE Chairman Jack Welch and other members of the Corporate Executive Office, told those in attendance that GEIS continues to have the full support of its parent company.

"Yesterday's meeting went very well," he said, "and the message I'm returning with is, 'the business is doing a good job, but we'd like to see GEIS grow at a faster rate.'"

Turning to the financial picture, McNerney

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Jim McNerney

August 1989

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Coordinated reinvestment efforts undertaken by GEIS

GE Information Services has recently taken steps to ensure that its reinvestments in new technology, products and programs enhance its overall industry marketing thrust.

In a July 11 meeting for senior managers, John Sidgmore, Giuliano Venturi, Paul Zoukis and Roger Dyer explained GEIS' reinvestment philosophies for those areas that will drive the business in the 1990s.

Industry reinvestment

"In Telco, we have one major play," said Sidgmore, vice president of North American Sales and Services, "and that's to parlay the expertise and advantage we've built at GTE by reselling the MARK system outside of GTE. The trick is finding a way to do it."

High Technology offers its own set of challenges, according to Sidgmore. "In the longer term, there's an opportunity to build an industry-wide system based on BusinessTalk," he said, "but we're still evaluating that play, and it's clear that substantial changes would have to be made if we decide to pursue it."

In **Automotive**, GEIS is not yet where it would like to be.

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North American revenue helps offset exchange issue

On balance, the first half of 1989 featured a good financial performance by GE Information Services.

According to Steve Waechter, vice president of Finance, GEIS revenue is 2 percent ahead of Operating Plan and 6 percent ahead of last year's mid-year total. What makes this news even better is, GEIS has been hurt by the strong dollar this year, reducing the reported revenue from its international operations.

"The North American Sales and Services team has done a great job this year," said Waechter. "They're 8 percent ahead of a revenue target that we felt was pretty ambitious even at the outset, and 12 percent ahead of 1988's six-month total."

"John (Sidgmore) and his people have helped to ease a bit of the pain we're feeling from lower international revenue."


Asia-Pacific revenue is another bright spot, showing a 25 percent improvement over last year's six-month mark. For the year, ASPAC is 4 percent over plan at this time.

Net income, which has been helped immensely by the funds received as part of the

recent STET alliance, is well ahead of plan.

However, it should be noted that the STET income will simply be added to GEIS' 1989 net income target. "So essentially," said Waechter, "the company views the STET income as a separate, one-time hit, and still expects us to deliver the 1989 income originally targeted."

An area of real pride for GEIS this year is total cost productivity (i.e., sales per employee). "We're 15.2 percent better than last year, and that's a significant improvement," said Waechter. "We can't get complacent, though. We've still got a lot of work to do before we get to where we need to be."

The only area of concern, other than exchange, is plant and equipment (P&E) expenditures. GEIS has already committed 91 percent of its P&E dollars for 1989, "and we're only half-way through the year," said Waechter. "If it's at all possible, I would caution all of you to hold off until 1990 before purchasing equipment, unless in delaying it negatively impacts service quality or top-line growth. I'd also encourage you to make use of our purchasing people — let's use their expertise and not try to go it alone when making a purchase." 



THE NUMBERS

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Global team designing GEIS Work-Out approach

It has been said that, "A rose, is a rose, is a rose."

The same cannot be said for "Work-Out," GE's new company-wide program aimed at reducing bureaucracy and

...almost all GEIS employees will be given the chance to participate...

eliminating unnecessary work for employees. While the same fundamental elements of Work-Out will be implemented across the company, each GE business is being given the opportunity to design its own Work-Out approach.

At GE Information Services, a nine-person design team has been working for the past month to develop a plan that should allow groups of employees to make recommendations that will improve the business.

Co-chaired by vice presidents Steve Waechter and Jack Mulford, the design team represents a cross-section of the business, including representatives from both Asia-Pacific and Europe. Contributing members include Donna Valtri, Bill Brill, Rafael Boza, Mike McDowell, Ade Graham, Geoff Wiggin and John Barber.

Assisting the GEIS design team is Eileen Morgan, a private consultant assigned to work with several GE businesses during the Work-Out process.

Work-Out will be a decade-long practice, and it is anticipated that during that timeframe, almost all GEIS employees will be given the chance to participate.

The first GEIS Work-Out session will be held September 25-27 at the International Training Center in Rockville. Fifty to sixty GEIS employees — including non-headquarters personnel from all over the


world — will take part in the three-day session.

To help provide insight and direction for those employees, GE Vice Chairman Larry Bosidy and Communications and Services Vice President Gene Murphy will attend portions of the first session. In addition, GEIS President Jim McNerney will be available all three days for advice and to make on-the-

WORK-OUT!

spot decisions about recommended improvements for the business.

Several Work-Out sessions will be held each year during the '90s.

Look for more information about Work-Out and the plan developed by the GEIS design team in September's *réalités*. 

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said that although the numbers looked good, the unfavorable exchange rate means GEIS must continue its push to improve top-line productivity in the second half.

"Our financial performance is something we can all be proud of," he said, "but the real story of this business is *change*. Not only have we embraced it — we've made it come alive; made it work *for us*. That's what I'm most proud of."

Industry strategy

With its industry focus approach now taking hold, GEIS' targeted markets are worth approximately \$3 billion. McNerney would like to expand that.

"The bad news is, we use to think our market was worth \$6.5 billion," he said. "The good news is, our share positions in the markets we play are pretty good. But in my opinion, to speak in relevant terms, you have to understand our business at both the ap-

"The message I'm returning with is, 'the business is doing a good job, but we'd like to see GEIS grow at a faster rate.'"

plication and industry level.

"We're now down to the application level in terms of what we want to focus on — and that's something I consider very important because you have to reach that level before you can have an industry strategy."

Never one to claim patience as a virtue, McNerney is anxiously awaiting new proposals from his industry people. "I'm still waiting for action," he

said. "I want them to take charge of the situation."

GEIS' industry strategy, like its technical strategy, is based

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on a central concept: adding significant value to the network-based services area. "The industry itself will drag us into professional services and application software kinds of businesses," said McNerney. "That will help expand the markets we serve."

Competition in the '90s

McNerney said all competitors must be taken seriously, and singled out IBM as one to watch.

"I'm not uncovering some great secret here — obviously IBM is going to be a major competitor," he said. "When it strengthens its organization, IBM will be a dominant player in network-based services and related services. Their I.S. group is sputtering a little bit in the U.S. right now, but they're still making a pretty good showing in Europe."

Reuters, ADP, McDonnell Douglas, AT&T and the RBOCs are some of the other players likely to present tough competition for GEIS.

However...

"There's no one with a dominant power that can prevent us from executing," McNerney said. "If we can add value at the software level, we can remain in front of those guys interested in hardware and pipes."

Looking for the right deals


GEIS' recent joint venture with STET in Italy was a win-win deal for both parties. The obvious question is, why not enter more alliances if the STET deal worked out so well?

"It all depends on the deal," said McNerney. "You've got to remember, the PTTs are consumer marketing companies and we're a high value-added services provider. Those two cultures don't always come together unless the right deal is struck. We *have* that with STET."

GEIS would like to expand in the Asia-Pacific area and in other parts of Europe, but McNerney refuses to rush into anything at this point. "All you have to do is remember our past history to know why these things must be studied very carefully," he said. "However, we will find some good deals and execute them — and I can assure you we'll have GE's support in doing so."

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REINVESTMENT

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The automotive market, which on the surface appears to be rather straightforward, is actually more complex than first thought.

"We've found it exceedingly difficult to carve out a niche

"Compared to our competition, we're building a nuclear weapon."

- Paul Zoukis

market for ourselves in the automotive dealer system arena," said Sidgmore. "In addition, we've been unsuccessful in bringing in an industry manager, or industry marketing manager. That's hurt us as well."

The news is better in **Retail**, where GEIS is further ahead.

"We have the unquestioned lead in the EDI market for Retail," said Sidgmore. "We have to parlay our lead in two ways. First, we must continue to penetrate the market, and second, we have to build adjacent applications that build value into the fundamental EDI business. I'd like to see Retail become the model for what we do with some other industries over time."

The **Petroleum** industry is similar to Retail in many ways, said Sidgmore. While GEIS has a strong hold on the EDI market, it must parlay its position into other applications and build a larger portfolio.

The last industry segment covered by Sidgmore was **Banking and Financial Services**. "Sort of a good news, bad news story," he said. "It's our flagship market, but its growing slower than our other markets and

we've had delays in bringing new products to the market.

"We haven't found the quantum leap in B&FS yet, and at the moment, we have more dollars than good ideas to spend them on. But I feel comfortable we'll find a way to make it work in this area."

Venturi followed Sidgmore with a quick review of **Trade and Transportation**. He said the two major problems to be worked out are 1) re-allocating existing European resources to the proper places, and 2) negotiating with the right people. The European Sales and Services VP said initial steps have already been taken to improve the situation.

Marketing reinvestment

In leading into an overview of the **BusinessTalk and EDI** reinvestment program, Paul Zoukis, vice president of Marketing, said the increasing use of local area networks by clients, as well as the progress of certain competitors in LAN technology, made it necessary for GE to move faster than anticipated in delivering new products to the market. "Fortunately, we had the talent and money to deliver," he said.

Zoukis made it clear that BusinessTalk will not just be rolled out and left alone. "BT is part of a continuum of how we're going to deliver products over time," he said. "Compared to our competition, we're building a *nuclear weapon*. We're building systems that can integrate clients' information requirements."

Before closing, Zoukis made some important points with regard to local area networks.

"We have to define our ability to serve the market at the level the market defines it," he

said. "The challenge for our Marketing people is to find out what connectivity we need at the local level, and to develop a plan for us to take advantage of the opportunities that exist."

New technology investment

Roger Dyer, recently appointed manager of **Distributed Products**, closed the reinvestment discussion with a review of what strides have been taken to build GEIS' new technology platform.

"We've made some initial decisions as a result of the task force Joe Marchese was running," said Dyer. "At this point, we're leaning toward buying something and having people use it, versus creating something ourselves. We will

"Working as a team, we can get (our new technology platform) out there on time and on target..."

- Roger Dyer

have industry target applications, and we're considering the possibility of joint development work with other companies."

Dyer promised to work closely with Zoukis to ensure all efforts are coordinated and able to achieve maximum synergy for the business and clients.

"I think working as a team we can get this thing out there on time and on target — and have it deliver what we want," said Dyer. 