



SPECTRUM

For Employees of GE Information Services Around the World

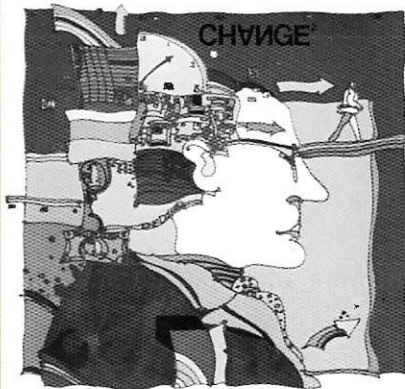
Special Issue, March 1989



Agenda For Tomorrow

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For Customers of GE Information Services Around the World Special Issue, March 1991



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About the cover

The Information Services industry is one of constant change. Advances in technology change the way people do business and they change clients' expectations of their service providers. Change is at once a challenge and an opportunity. In this issue, GE IS President Jim McNerney gives an overview of the market and the 10 key objectives that he and his staff have identified as critical to GE Information Services maintaining competitive advantage in an environment that will see change raised to the power of two.

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GE Information Services

CHANGE²

Agenda For Tomorrow:

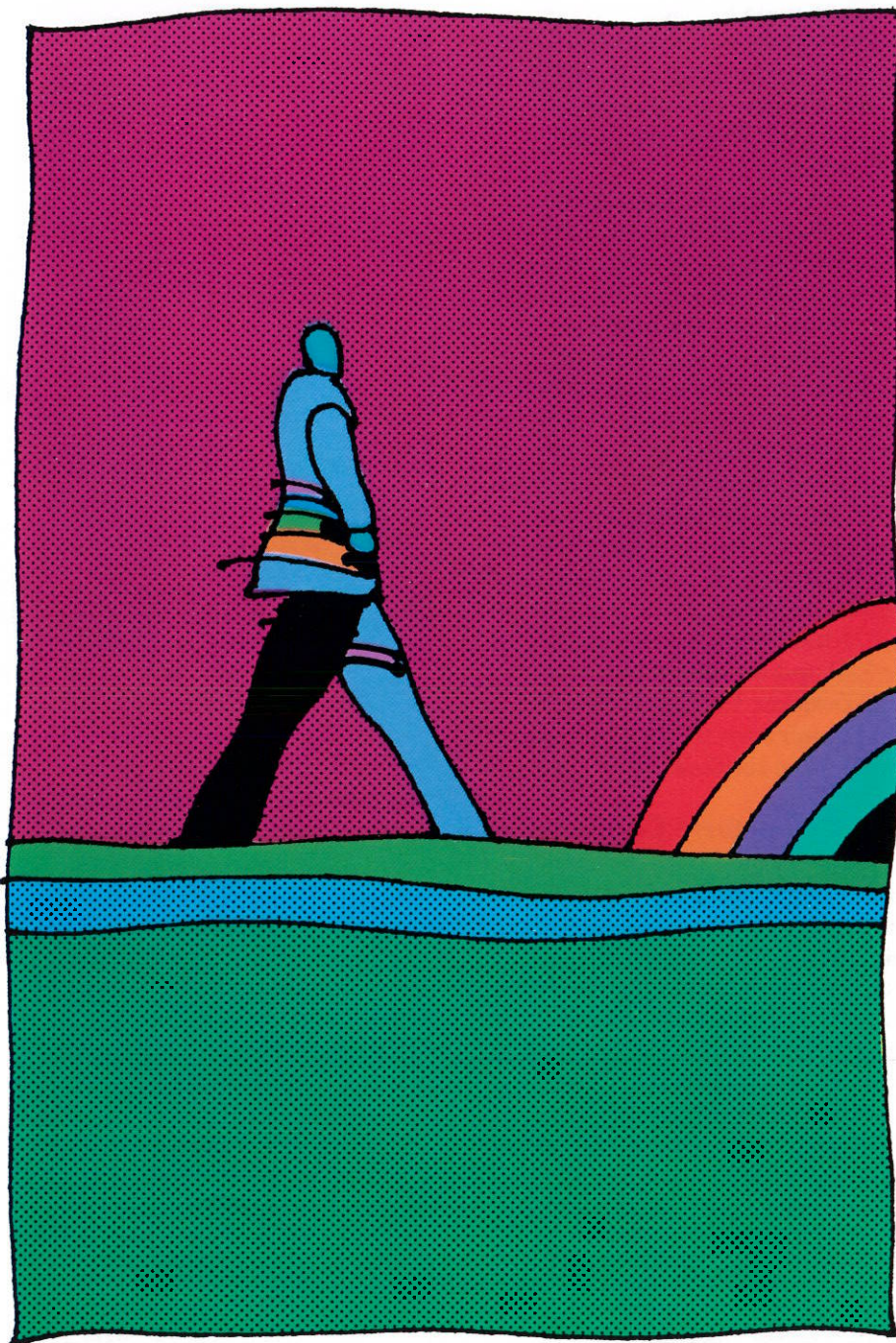
A message from the president

Change is a constant in our business. Advances in technology are coming at a staggering speed and are changing the way people do business. GE Information Services has lived through a lot of change, but the change coming over the next several years will overshadow any we've seen since the advent of the personal computer. In fact, we are going to see change raised to the power of two.

The inverted letters in the CHANGE logo remind us that we are going to have to look at things differently as we move toward the '90s. For GE IS, embracing change means advancing our technology to take advantage of new capabilities available today and those on the horizon. And it means adopting an aggressive marketing plan that will drive top line productivity.

The Market Today

GE IS has spent considerable time over the last eighteen months taking a hard look at the business—identifying the drivers of our success and taking a longer look at what will drive growth over the next five years. Studies by outside consultants, including Booz Allen, as well as our own analysis confirm that we play in an attractive market with high growth potential. Today the network services market is a 6 billion dollar business. And while industry forecasters don't agree on the exact rate of growth, all agree that it will be dramatic.



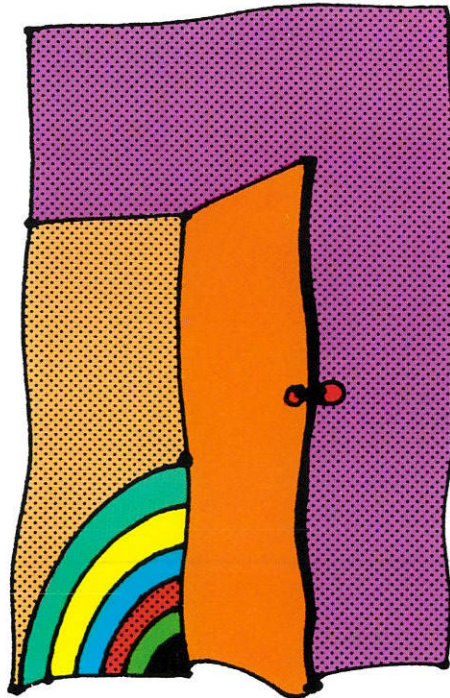
GE IS plays effectively in the major segments of this market, particularly in the small custom segment, our core business, which accounts for 70 percent of our revenue.

In large custom applications, GE IS plays selectively. We have had success in migrating small custom applications into large applications, but profitable as this arena is, we don't have the resources to be a major player. While large custom applications account for 20 percent of current revenue, that revenue is generated from only a few clients—GTE, Apple, Euroclear.

Small standard products account for 10 percent of our business, primarily in EDI, VAN, and E-mail. GE IS has been accorded leadership in EDI and we intend to maintain that position. We simply have to find better ways to sell and implement these services.

The Competitive Environment

Who are our competitors in the information services market? That's difficult to lock in, since we go up against the different players in the various market segments. One thing is certain: IBM comes after us everywhere. And while only \$57 million of Big Blue's \$60 billion revenue comes from network services, IBM wants to penetrate this market, both to expand its services business and to drive up demand for mainframe computers.



EDS is strong in facilities management, particularly in the automotive and banking industries. With its large network reach and strong corporate backing, it's a force to be reckoned with. So is McDonnell Douglas, who reorganized and scaled down its information systems operation in 1987 to become more competitive in this market.

ADP is a niche player, strong in payroll, automotive, and securities. GE IS doesn't come up against them often, but when we do, ADP can be formidable. CSC Infonet,

not a big revenue generator today, could be a major threat tomorrow. With the alliances being formed with European PTTs, Infonet may play a key role when the PTTs make their move.

And what about the PTTs? Right now they are essentially in the transport business with some rudimentary information services, primarily E-mail. But in a deregulated Europe, the PTTs aren't going to fall down to foreign competition. British Telecom has already developed a \$140 million business in value added applications, including financial trading systems and insurance quotations systems.

Tomorrow's Technology

That is the market environment today, but what will it look like tomorrow?

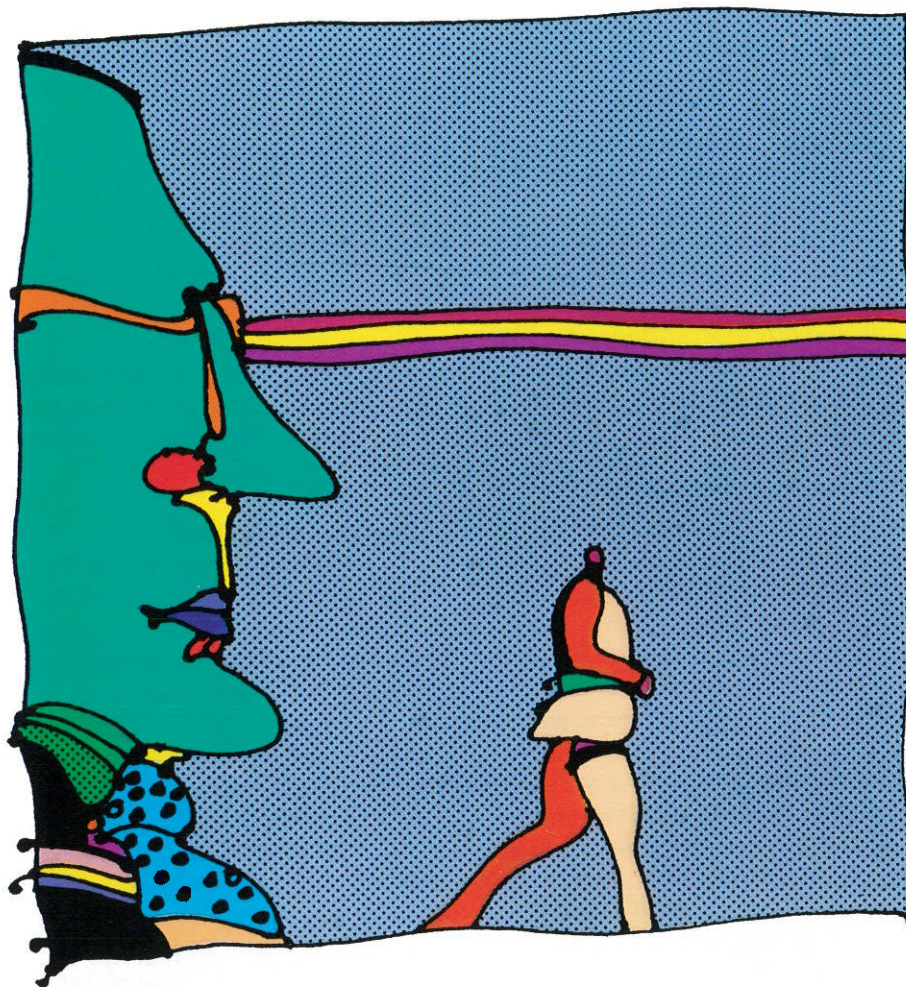
Tomorrow's technology environment is going to have dramatic impact on the way companies do business. The technology available in the '90s will make our major competitor, the in-house solution, even more formidable. The key decision that the MIS/Telecommunications manager makes today is not between information systems providers but between in-house and external alternatives. The availability of sophisticated off-the-shelf hardware and software equips our potential clients to develop information systems of significant complexity with minimum risk of time and money.

In the '90s, with the availability of desktop computers with power comparable to today's mainframes, we will see much more processing performed on microcomputers for both in-house and service solutions. These computers will present applications very simply to the user, hiding from them both the communications and interfacing complexities. In order to be competitive in this environment, we need to increase our level of skills in providing this kind of application and bring our strengths in superior security, consistency, and back-up and recovery of data to the fore. These, coupled with our advantages of skilled people, geographic expertise, and management skill, will ensure our position as a value added services provider.

The Pan-European Market

The regulatory environment in Europe will change more over the next four years than it has in the last 60. The prospect of a single European market with 320 million consumers has everybody jockeying for position. Through joint ventures and acquisitions, US companies are trying to establish a European presence. European companies are forming alliances to broaden their base of operation. Japanese firms are establishing their presence in Europe as well.

How will the Pan-European community act when the barriers come down? Will a great wall be put up? Will distinctions be made between



European-owned companies and foreign-owned companies already doing business in Europe? Will GE IS be viewed as an insider or an outsider?

While no one has the answers to these questions, one thing is certain: the '90s will bring on the fiercest, most hotly contested battles GE IS has ever faced.

GE IS needs to position itself in this broader European market. This means consolidating our field and development resources on a Pan-European and industry basis. We need to have good international linkage at the product level, the technology level, and the sales level. And we need to maintain our focus on value added applications,

the arena in which we outdistance our competition.

Because of the uncertainties surrounding 1992, GE IS is positioning the business tactically for the short term and strategically for the long term. Along the way, this could mean forming alliances that significantly improve either our cost or market position without diluting our high added value. The key is to be able to strike quickly—whenever and wherever it makes sense to do so.

GE IS Market Position

How well prepared is GE IS to play in the market in the '90s?

Our performance is improving, but our 8 percent growth, while comparable to the growth in our niche of the industry, is far short of the overall 18 percent growth rate of the industry and that of our competitors. IBM, EDS, CSC are growing their overall revenue and network services revenue at a pace greater than ours. Even McDonnell Douglas, whose overall revenue growth has been flat, has grown in network services. And the software providers—Oracle, Microsoft, Lotus—are growing at phenomenal rates.

We have our work cut out for us to get to the double digit growth rate we need to remain competitive.

We have some clear strengths that distinguish us from the competition. Our ability to respond quickly to client needs has been a key factor in our success. We have a positive image as a quality service

provider. And our network reach has worked to our advantage. But these factors alone won't carry us into the '90s. One major asset that we haven't exploited well enough is our worldwide presence. We are very good at working as a single worldwide organization. We need to get even better. If GE IS can demonstrate to our clients that we work with our worldwide sales and support organization as a single team, providing the same level of support wherever they do business, we have an incredible edge.

Strategy For Growth

To maintain our competitive edge, we need to strengthen our industry expertise. We don't have to look beyond our own business to demonstrate this point. Our great success with GTE is due largely to the expertise we've developed in the telephone business. Our dedicated Telco team knows that business inside and out, and because they do, they have stayed on the leading edge of technology in support of that industry. The same is true in banking and financial services. Our banking experts have demonstrated to banks throughout the world that we understand their banking needs and know how to provide solutions. We have the depth in banking, but we need to expand the breadth.

In our other focus industries, we are organized to develop expertise, both within our current sales force and, where required, through bringing into the business sales and

marketing people who have proven expertise.

As the competition heats up, we have to identify ways to get compensation for the value we bring to an application without pricing ourselves out of the game. And we need to get greater productivity in sales and marketing. Here again, industry focus is the key. Industry focus will allow us to identify applications that address industry needs and replicate these applications for multiple clients with similar business needs.

Competition Heating Up

Advances in technology will also draw many new players—from all directions—into the information services arena. These new players are developing our technology and targeting our market.

Here's how the playing field is shaping up. Competition from our established competitors will grow fiercer. IBM and EDS are investing heavily in network services. McDonnell Douglas will put more resources into this area. Infonet will continue to pursue joint ventures in Europe, strengthening its advantage in international networking.

And the challengers. New small companies, like Connect, Inc., will move aggressively into communications intense applications and information exchange. And when the Apples, Suns, and Tandems turn their attention here, competition will come fast and furious.

The Regional Bell Operating Companies (RBOCs) will become more unfettered and will aggressively move into data processing and network services. CEPT, an association of 22 European PTTs from 19 countries, is ready to take on foreign competition. Siemens of Germany has announced a network service specifically aimed at competing with GE IS. It will leverage its 40 country internal network and sales presence to do so.

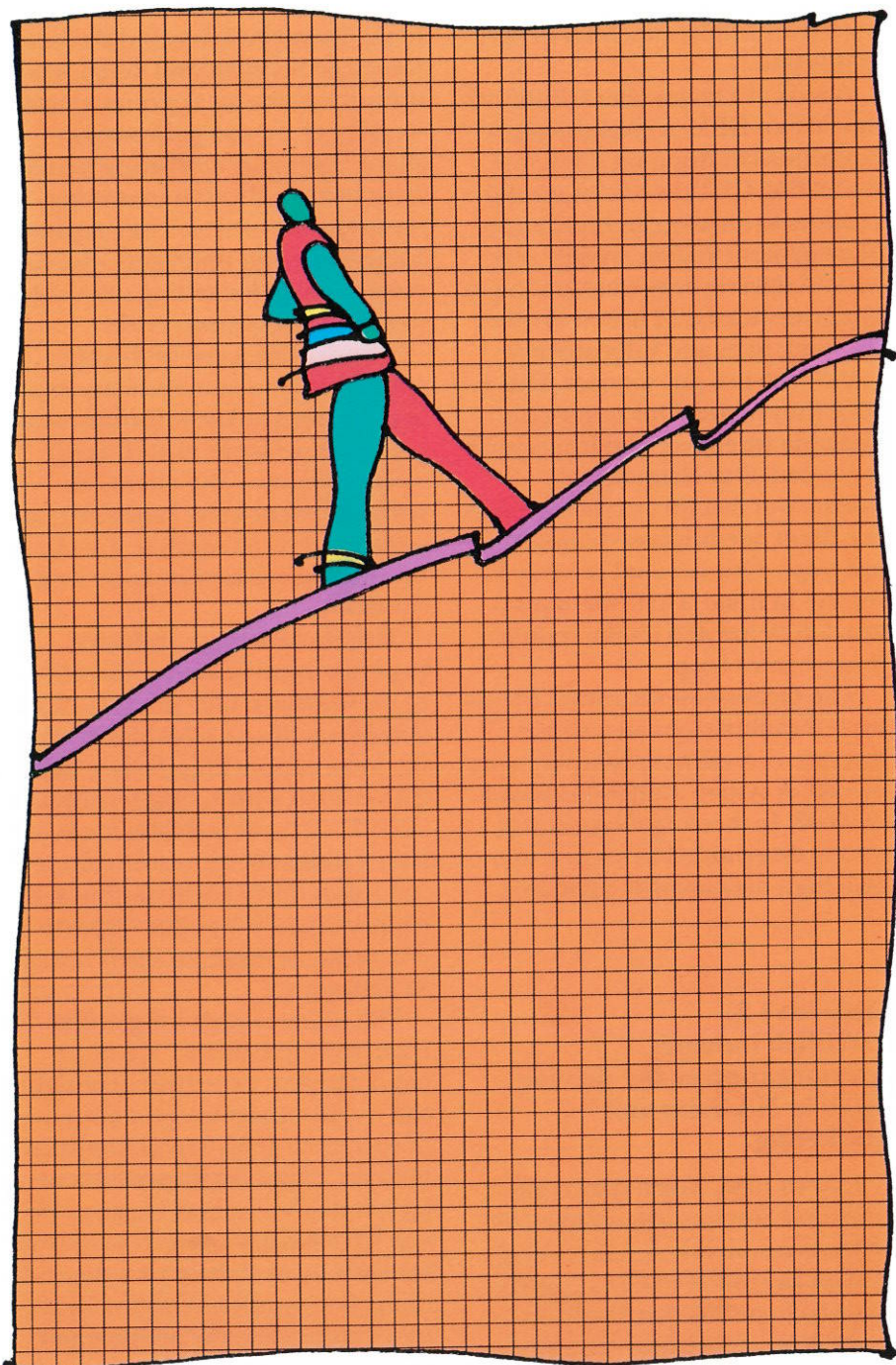
The niche players like ADP, Reuters, Telerate and Telenet will press forward with highly focused, aggressive sales efforts.

GE IS Winning Strategy

Against this backdrop of market reality, GE IS leadership identified ten key objectives for 1989 to position GE Information Services as the industry leader of the '90s. Our success in meeting these objectives will be evaluated against clearly defined measurements.

Objective 1. Maintain superior service quality and security.

Maintaining our superior service quality and security will always be our number one objective. Without it, we're out of business. This business has built its reputation on our ability to provide the highest quality service in a secure environment. Our clients demand this. All other



objectives will be executed in light of this one.

A look at a major client illustrates this. When GEM, a consortium of Scandinavian shipping lines, was evaluating GE IS as one of several vendors to develop an Equipment Management System, quality service and data security were among its top priorities. GEM talked to other shipping lines and international banks who use our services. This is what they heard. Our network is available whenever and wherever it is needed. Our claim that we update our facilities to meet changing client needs is based on fact—not hope. Our network security is second to none. That's the reputation GE IS has and it's the reputation we must keep.

The measurements against which we will evaluate our success are aggressive. A client satisfaction score of 4.85. A system availability target of 99.92. In meeting these targets, we are determined to exceed our own high data security standards.

**Objective 2.
Establish industry
specialization as the driving
force in NA Sales and
Marketing.**

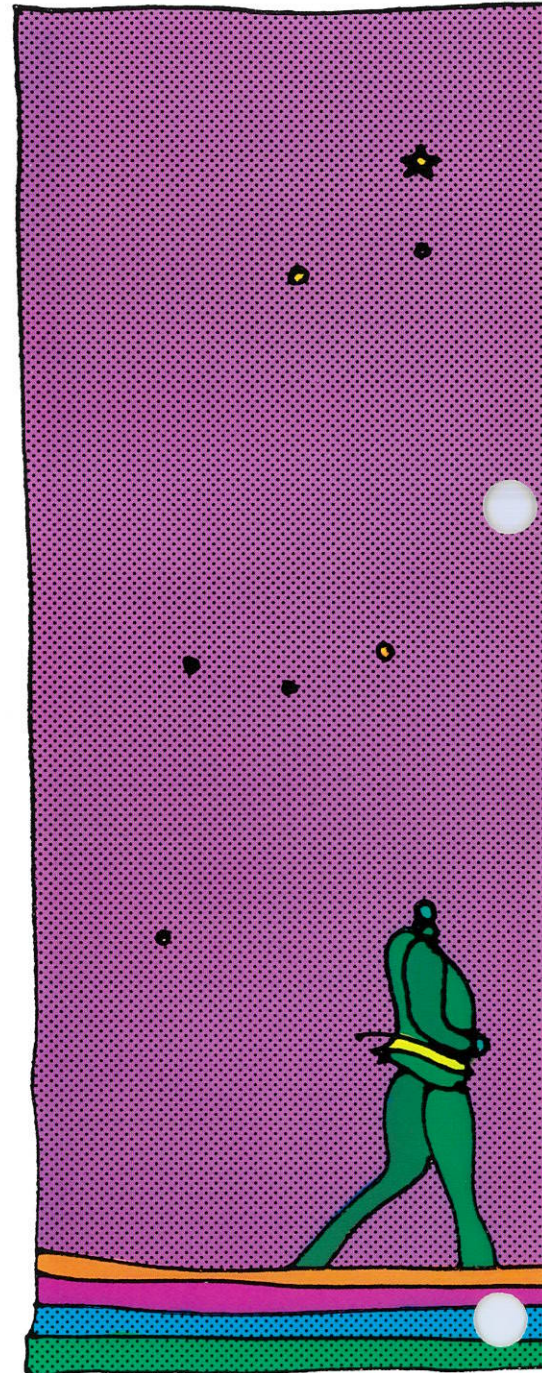
Late in 1988, North American Sales and Services was reorganized to focus resources on penetrating certain key industries—automotive, high-tech, petroleum, retail, and trade & transportation—in addition

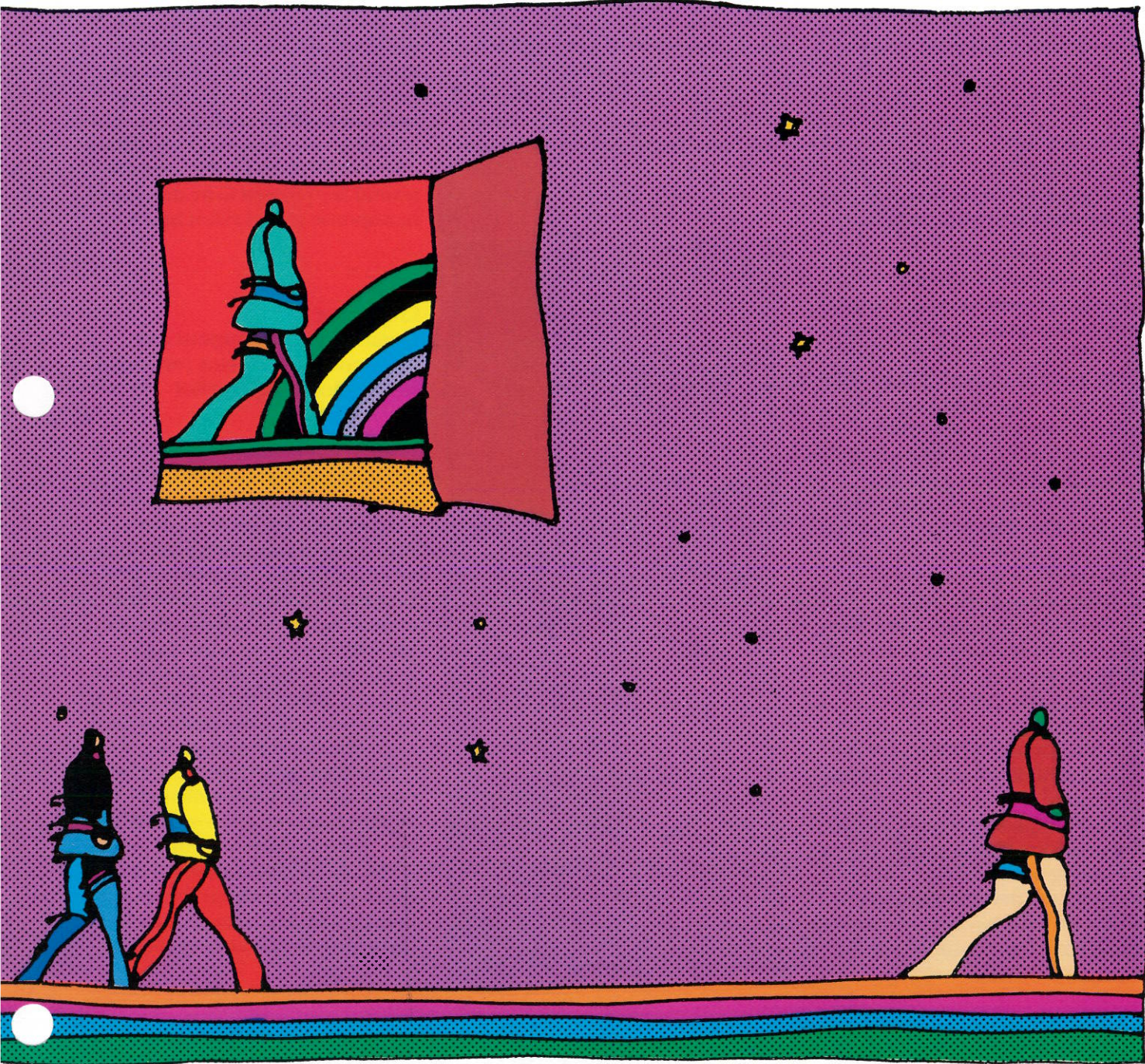
to the already established focuses in Financial Services and Telco. These industry segments are ones in which we believe we can gain market share. Sales and marketing people have been dedicated to serving these key industries. They report to Industry Group managers who have responsibility for setting sales objectives and evaluating results.

The driving force of this reorganization is to gain industry expertise. We need to know the businesses on which we focus as well as—if not better than—the clients we serve. We want to be business consultants who can analyze the client's business needs and provide total solutions.

This move to gain industry expertise is not a total redirection of the business. Our goal is to have 60 percent of our sales and marketing force supporting the key industries in 1989, with a long-term goal of 70 to 75 percent industry focus. We have valued clients outside these industries that we will continue to support. And if a major opportunity presents itself, we don't intend to walk away.

Our expectations for gaining expertise are realistic. We don't expect to gain expertise overnight, but we do expect to see a measure of success in 1989. We've identified industry expertise improvement targets that we intend to meet. We will have industry orders targets set for each focus industry by the end of the first quarter. And the Industry Group managers are charged





with having three year plans in place by the end of third quarter.

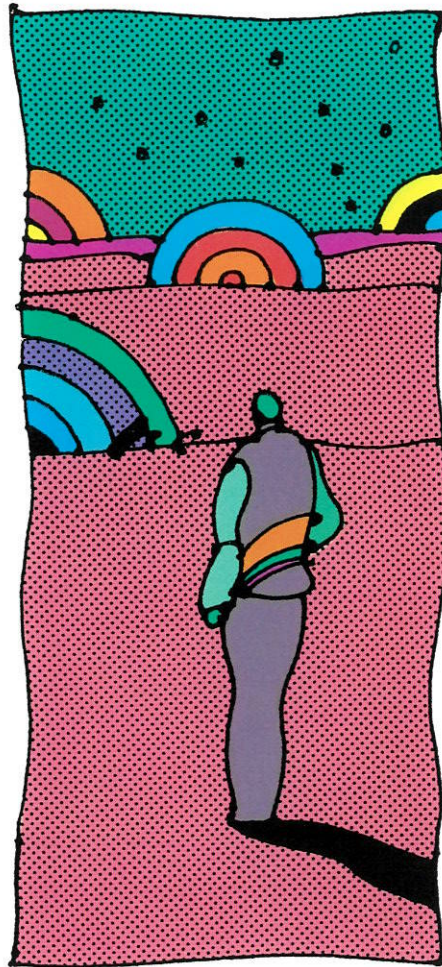
**Objective 3.
Achieve definition of GE IS' next generation technology and commence investment plan.**

The technology available today is already signaling the dramatic advances in technology that are not far off. Very Small Aperture Terminals (VSATs), which GE IS is using today, provide increased bandwidth and bypass telephone lines. Powerful computers, based on RISC (Reduced Instruction Set Computer) chips, that companies like Sun and Apollo are developing, both increase speed and expand storage capacity. And on the horizon are PCs with 27 times the power of today's most powerful model.

These and other new technologies will change the way our clients do business. And they will change their expectations of service providers.

A task force comprising the best technical minds in this business are addressing these issues. They're looking at the implications of maintaining the status quo in technology. They're validating our 1989 plan. They're defining the new environment in which we will play. They're projecting future client/business needs.

The task force is charged with providing in May a comprehensive plan that specifies the kind of technology platform GE IS will need to play in this new environment and the kind of investment it will require.



By the end of the second quarter, GE IS will have in place a 3-year investment plan that includes engineering leadership requirements and cost/benefits analysis.

This is no ivory tower speculating. The task force is asked to identify several key projects to be developed in response to real client needs.

**Objective 4.
Decide and implement an integrated European response to the changing market environment.**

Many companies are envious of GE Information Services' market position in Europe. As we look forward to 1992, however, we see a need to strengthen our position by ensuring that we operate as a true European business. To meet this objective, Danny Schultz and his key managers have done an in-depth study of market conditions and concluded that a restructuring of our forces in Europe is required to respond to this new market.

The European Sales & Services operation has been realigned to better position the business for top line Pan-European revenue growth and to focus on selected industries. GE IS has moved from the country manager approach to an area organization with area managers

having geographic responsibility for affiliate and distributor operations.

Area managers will have direct responsibility for general sales and services and for focused, dedicated banking applications operations with SDC and sales resources. Each area manager will have responsibility for focused, dedicated Trade & Transportation sales resources as well. Other industry focus opportunities will be identified and initiated in the appropriate geographic area. The reorganization is well ahead of the end of second quarter target for having the new structure operational.

GE IS has significant advantage as the Pan-European market takes shape. We are part of that market. We have the insider's view. We're structuring ourselves as a single business—one that competes and wins as a single business.

**Objective 5.
Strengthen worldwide position within Banking and Financial Services industry.**

Amid the uncertainties of 1992, one thing is certain—Banking and Financial Services is a major opportunity for GE IS, accounting for one-fourth of our total revenue, 40 percent of European revenue, and

58 percent of revenue in Asia/Pacific. GE IS is committed to building on our current strengths to establish a worldwide organization second to none.

We've had some major successes in IBFS in 1988. Global Limits Systems for the Bank of Montreal and ANZ Bank have been implemented and are running smoothly. We've implemented global custody systems for Bayerische Vereinsbank and Dresdner Bank in Germany.

As we move forward into 1989, we will commit more resources to this business worldwide. We have a dedicated global SDC team in Dublin who are working to expand our portfolio of applications. We're actively recruiting sales and marketing people with solid banking backgrounds to augment our small band of banking experts.

As with other parts of the business, we have established ambitious but attainable goals for IBFS. We have set new business revenue goals for targeted applications. At the end of the 3rd quarter, with our worldwide organization in place, we will have developed a three year global plan.

**Objective 6.
See ourselves and focus our efforts as one team.**

One of our strengths as a business is our worldwide presence—not just our network reach but our local support teams. As we continue to emphasize custom applications for global clients, we have to build on our strength as a truly global service provider. The reorganization of the business as a Geographic Triad is a step in this direction. The restructuring in Europe moves us in this direction as well.

In fact, we have made tremendous progress in this area over the last several years. The challenge ahead is to look and act like a global business.

The worldwide implementation of AppleLink is a good example of global teamwork. Last November, GE IS and Apple representatives from 12 European countries, the US, and Canada met in Amsterdam to agree on a strategy to make that implementation go smoothly. The exchange was so successful that similar meetings are planned in other parts of the world as the implementation moves forward. This is the kind of global teamwork we want to project.

To measure our success in this area, we are committed to apply in 1989 the toughest test. We want to know how our clients perceive us.

We will conduct a client survey during the first quarter of 1989 and again in the fourth quarter to assess how our clients perceive us going into the year and how they judge our performance at the end.

Jack Mulford and his HR team will be doing some internal development as well. We will continue to recognize and respect the cultural differences that exist within the business, but at the same time we want to establish common business practices and relationships across worldwide operations.

We will continue to emphasize the Global Forum to ensure that business decisions are responsive to the needs of the business in all parts of the Triad. And we will build upon our worldwide product marketing to ensure that all parts of the business have the same kind of support.

**Objective 7.
Meet the challenge of the AppleLink application to drive future technology.**

Our seventh objective is tied to our third. One US-based client is going to put our technological capabilities to the test. Apple Computer, based in Cupertino, California, is one of the fastest growing companies in the industry, with revenue increases of 50 percent a year. Apple pushes its service providers to anticipate and satisfy its needs. We're going to play Apple's game.



Apple today has as many as 500 simultaneous users of AppleLink. They expect to increase usership to 1500 over the next 18 months. We're committed to being ready to handle this volume and to handle it in the most cost effective way.

We're dedicating the resources required to be sure that we deliver leading edge technology. Jim Rossini's Client Systems group in Rockville and Cleve Spehr's SDC team in San Francisco will double their efforts in support of Apple. We're putting a dedicated team at Apple's headquarters in Cupertino. The Apple support team is closely aligned with the Technology Task Force in analyzing alternatives to

meet Apple's future needs. We're determined to show this client that we too have a vision of the future of technology.

In 1989, we're going to work with Apple to identify an alternate solution for local traffic at Cupertino, so that when an Apple user wants to send a message to somebody down the hall, he doesn't have to send it by way of Ohio. Our work with Apple will serve as a test bed for the broader technology moves we will have to make.

**Objective 8.
Make top line productivity the business' key productivity measurement.**

GE IS has reached the point where we can no longer cost-reduce our way to success. Our successful efforts in this area have been an important factor in pointing this business in the right direction. Now we have to start using our existing resources to grow the business. We simply must get more out of what we have.

New business sales productivity is up—but not enough. To be a truly productive business, we need to have \$400 thousand in new business from each of our sales people.

And we have to adjust our cost structure. We need to recover the majority of SDC costs up front. Amortizing SDC work over the life of the contract may result in a competitive package, but when the development work is complete and processing is all that remains, the price tag looks too high. That's when the client begins to look at bringing the application in-house.

Billing for SDC work at the start will not only increase revenue and improve cash flow, it will also help us hold on to the processing work down the line. If we offer more competitive long term rates, the in-house alternative looks a lot less attractive.

What's more, we're learning that clients don't mind paying for SDC work up front because they understand—and appreciate—its value.

We're also going to start charging for special client services. The basic service will still be part of the package. But those clients who want special services will now have to pay for them.

One final point on productivity. Our cost for doing business, particularly in sales and marketing, is not in line with our competition. We need to improve E/R ratios, particularly in the field, from 34.0 percent to 32.4 percent, and continue the same rate of improvement over the next five years.

**Objective 9.
Define and communicate a strategy to at least double our business in five years.**

The Booz-Allen study projected—and our own research supports—that GE IS can be an \$800 million business by 1994. But to get there we have to have a clearly defined strategy.

A Technology Task Force is defining our technology platform and the investment we will need to make to stay on the leading edge of technology. Industry focus groups are defining our market position and strategy for growth.

As we move forward with this process, we have to keep in mind that we are a *technology-based client services business*. Our technology development and industry focus must move forward together. We must have a single mutually supportive strategy.

Focus on customized applications for targeted industries is the key to growth. We recognize that small custom applications is the core of our business. As we move forward in defining our industry focus, we have to get better at replicating our success with client A to respond to similar needs of client B.

The Global Limits System is a prime example. GLS was originally developed as a custom application for Westpac Bank. Since that time we have replicated that application for some of the largest banks in the world. We've leveraged our knowledge of how to develop and customize a GLS application, and we've leveraged our understanding of the need of multinational banks to reduce risks in worldwide trading.

Our application development expertise and our industry expertise together make us the world leader in this niche of banking. We have to make this winning combination work in other areas as well.

**Objective 10.
Attain the highest level of professionalism in the industry.**

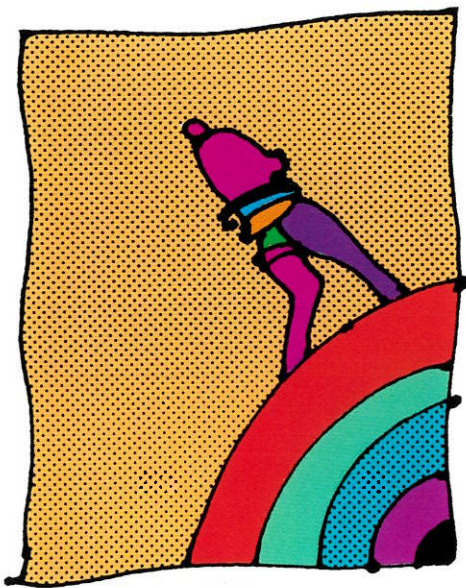
Finally, in all our business endeavors, we are committed to attaining the highest degree of professionalism in the industry. This business is at its best when it is totally committed to responding to client needs. Clients like Apple, GTE, and GEM are prime examples of dedicated teams doing whatever it takes to satisfy clients. There are dozens of other examples throughout the business.

To ensure this level of dedication, people need to be motivated to perform and recognized and compensated for their efforts. This means treating employees professionally through recognition programs, competitive pay, and a manager/employee relationship that is built on mutual respect. As we move into 1989, we will continue to offer the best possible training for our sales force, and we will complement that training with a key manager development program and worldwide leadership training for high potential people.

Ours is a very complex business. Whether in sales, marketing, technology, or support, the daily demands of the business can make

us lose sight of our common objectives as a services company. But the bottom line is that all of us are in this business for one reason and one reason only—to provide the highest quality services to our clients. We want to make sure that every employee, every vendor, and every client understands this.

This is the agenda for 1989. It's a large order, but GE IS management is committed to meeting these goals. A concerted effort by everyone in the business will make us succeed. If we pull together, we can make this vision a reality.







GE Information Services

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