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cover story

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General Electric Information Services Company, U.S.A.

MARSHALL AND MCNERNEY: IN FOCUS

Editor's note: Recently, Spectrum interviewed Ray Marshall, (RWM), senior vice president, Technology Operations, and Jim McNerney, (WJM), senior vice president, Marketing & U.S. Sales Operations, about where the business is heading technically and what markets GE Information Services is pursuing.

Q: Now that we are increasing our emphasis on MARK 3000 applications, could you give us some examples of what you meant by "off the shelf applications"?

WJM: There are a couple of examples in the office communication arena—PC Mailbox and WPX-change. These are both built on an IBM base, built by third parties, that we have adapted for our systems. Ray's group incorporated them and did the quality control. That's what we mean.

RWM: There is really a full spectrum of applications. At one end, standard off-the-shelf packages where we provide the distribution system to bring it to the marketplace. In the middle of the spectrum are applications where GE Information Services and a customer decide to combine resources to bring a system or capability to the marketplace. An example is DealerTalk. All the way at the other end is where we do it all—that's CACHA (Calwestern Automated Clearinghouse Association).

WJM: Good explanation. And the piece in the middle—DealerTalk—is interesting because we are sourcing pieces of it from the outside, pieces of it from inside, and the whole thing is an idea that we had with Apple.

Q: Won't our clients also be able to source an application from the outside and then go in-house?

WJM: People are never going to buy software from us that they can buy, install, maintain, and service themselves. People are only going to buy software from us when the economics of buying that

software on our delivery system, supported by our worldwide sales and support is more economical for them to do than to do it themselves.

It is the service that our people provide—our quality, our reliability, our worldwide service and support—that is the reason they buy the software from us, not just the software functionality. It is just too expensive to build the kind of quality and reliability into a system that Ray's people wish to provide, not to mention the world-wide support.

RWM: You have to remember that the direction of the business that we are heading is going to be more and more focused every day. A major direction is toward *intercompany* applications. When you think about going in-house it is most always *intra-company* applications not *intercompany*. It is difficult for *intercompany* applications to go in-house. For example, take electronic data interchange here, you have a coalition of suppliers and customers, there is usually not a single 'in-house' organization that would sponsor an in-house move. When you add in geographical dispersment, it becomes even more difficult to conceive of an in-house threat.

WJM: And there are all kinds of *intercompany* opportunities out there. Along with the ACH business, there are dealer systems. They all focus on *intercompany*.

Q: Isn't there a kind of in-house competition through a large concern such as General Motors or Chembank, who do in-house what we provide as a third party?

RWM: There is competition, but it narrows rapidly to the big boys, and we have shown, as in CACHA, that we can compete and win.

Q: Are the applications and capabilities that we are looking to buy for MARK 3000 different from those on MARK III? If not, why duplicate them?

RWM: Conversion of software from MARK III



Ray Marshall

to MARK 3000 is clearly not the objective. We believe we are going to have a set of a dozen to two dozen applications segments in which we are going to have specific software products to serve the marketplace. For example today, we have a specific software package for Payment Services called the CACHA software. Later it will be followed by the NACHA software, followed by the UMACHA software, etc. as one application area. Another area will be EDI applications with its set of software products.

As we define these application segments, we will have to make a buy or develop determination. It is quite unlikely that, when we address new application segments, we will find that software existing on MARK III or MARK 3000 already. With the vast software in the marketplace oriented for IBM, I would expect a higher probability of finding MARK 3000 software which we could buy or modify.

Q: What types of software will we be purchasing?

RWM: Let us suppose that we are looking at a segment such as health care, where you want to do some claims clearing. It is entirely possible that when you went into the market for sourcing, you might not find the whole product but you might find part of it. You might decide to address that market by buying the package and bringing it in house and putting our own distinctive stamp on it by modifying it or augmenting it for that specific marketplace.

Q: How are we going to get the IBM talent to do what we want to do as a company?

RWM: First of all we have to recognize the difference between the MARK III world and the MARK 3000 world. In the MARK III world, there was no question that we had to develop internally all the technical competence for the MARK III software. And that is a key: that talent is not available

anywhere else in the industry. That talent is going to continue to be important to us as we serve those very important MARK III customers.

The difference, though, between MARK III and MARK 3000 is that in MARK 3000 we are building 100 percent on an IBM vanilla base. So we can look at MARK 3000 as having the IBM corporation plus all the authors who are writing in the IBM world as part of our technical base. This is just saying that right now a large increase in MARK 3000 technical talent is not necessary, although I would expect that we would be adding key talents in a selected manner.

The more appropriate question is how are we going to be building the IBM talent in the application area. In the application area—Don Montgomery and Will Gilly's group—we already have a strong nucleus of application software people who are very capable of writing software for the IBM product. These people will more and more be writing their software in the IBM base, which I hope will be mainly oriented to conventional and high order languages so the need for IBM specific talent will not be quite as high.

As we get into new application areas, then it certainly will be necessary to get IBM talent who also have industry orientation. That is going to be a challenging task—to bring that talent aboard.

Q: If we can buy some application software, can't our clients? And what would they need us for?

RWM: Clearly, they could buy the software if it existed. However, we will bring a value to bear that our clients could not get easily. Maybe the software is too expensive for one company to buy, but we could amortize the cost over the number of companies. For example, CACHA. There isn't a single bank that would spend that kind of money for the software, but we are of course. The key added value that our people can bring is network and computing together—and that is something that a client cannot provide easily and economically.



Jim McNerney

Q: Is the shift of the business toward IBM because it is an IBM world?

RWM: I don't see it that way. It is really a business call.

The MARK III Service is an excellent technical and market achievement. Nothing can detract from what that product is today and what it has accomplished. But even the most avid MARK III advocate, and I'm including myself, has to recognize the level of care and feeding that MARK III needs to maintain its state-of-the-art status. And we estimate that it will run some \$8-9 million dollars/year to care for it properly.

You have that on one side, and on the other side you have the shift of the business purposely toward more application orientation on a relatively wide scale. The theory of the case says we can become successful by driving deeper into specific application segments in large markets. Then, why not build upon a wide product base that does not require your own investment to maintain? That leads you down the path of asking, are there any good products of large computers that have a large engineering staff behind them and that you can build upon and that cover a wide spectrum of applications? You rapidly come down to IBM as the answer.

Q: What about the Information Manager?

WJM: The capabilities that are the Information Manager are clearly ones that we want to have. Right now we are working on the early phases on MARK III, and we are still looking at the best ways to bring this capability to the marketplace.

Some things we may duplicate on MARK 3000, but I would expect there would be more extensions than duplications.

Q: What are the advantages of MARK 3000 to our clients?

WJM: One of the reasons we want, over the longer term, to migrate to an IBM base, and in the meantime to put the two together so MARK III users can have access to MARK 3000 as well, is that the IBM operating environment is a little more flexible, a little broader in terms of getting applications to run on it, either sourced or developed on our own. It is a more robust application environment in terms of—and it is broader in the sense that—more application functionality can be put on it longer term. That is the judgment of the business. And if you are pursuing an application strategy, that makes sense.

We are still talking about preserving the thing that really makes the difference—the network—the intersection of processing and communication. The network is still something we're going to invest in. It is in many cases the reason why people buy MARK III or MARK 3000 Service. So it will remain in place. We are not negating the network, we're opening up the amount of applications that can be placed on it.

We have to focus on those markets where a company can't do it cheaper in-house. That's why we're focusing on the intercompany markets and very complex *intracompany* markets that look like intercompany markets. Look at the QUIK-COMM integration that's going on. You go to a big company and you are basically hooking up their data processing operations in Chicago, New York, and London.

The companies that really can use our capabilities, the support as well as the applications, are the ones that are international in scope, but do not yet have the international infrastructure. These are going to provide an intracompany market for us in the short term. These are not the top 150 companies, but the 150 to 500, and they will become more and more sophisticated, too.

Q: Are we going to continue the telecommunications training of the field? Are we going to train

