Unisys

Model Based Transformation:
Getting Done What You Want to Get Done

March, 2007
Cape Town
Getting it done!

• Key business challenges today
• Business value of model-based transformation
• Executing large scale business design
Options for Tomorrow…

- Stable future
- Radical change
- Some change, expansion of options
“The reality of getting done what you want to get done...”
Key challenges...

1. Getting new products / services out the door…
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2. Integrating existing with emerging technology applications...
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   - 60%-80% of functionality is **redundant**.
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Why is this so hard ??
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• Business value of model-based transformation
We needed a way to understand all major operational aspects of the business in a consistent way — visually.

The Unisys four layer 3D Visible Enterprise model framework.
The approach provided the needed formal rigor to overcome the common challenges

- Promotes engagement in change from ALL concerned stakeholders
  - Makes assumptions/principles and their business consequences visible
  - Integrates safe experiments early in the design of business processes
  - Creates business process designs with visible cause-effect relationships to/from business models and the supporting IT infrastructure model

Our approach point of view changes to an aligned, vertical slice through all professional disciplines
The explicit relationships between our model layers create a more robust impact analysis

Traceability

- Traceability is the backbone for understanding and managing the alignment of all operational aspects of the business

*If you can’t trace it you can’t change it!*
A traceable, vertical view provides a more comprehensive understanding of business issues

A typical *impact cascade* across model layers

- **Business goals**: We are having uneven success with *Customer Retention* across our regions. What changes to we need to improve geography 'A' by 20%?
- **Process & Operations**: What processes will be impacted where new products are offered to customers? How many customer reps need to be trained or hired? What would be the impact of additional work load?
- **Information**: What applications are impacted by new product definitions or new processes? What information entities or rules may require additional attributes? How much will it cost to create new supporting components?
- **Infrastructure**: What additional capacity is required to handle additional throughput for STP? What additional capacity is required for additional storage? How many new other geographies can be supported?
...and the formal model deliverables define operations more rigorously to share and scale best practices elsewhere.

If you can’t model it, you can’t share or predict behavior.
... through tight linkage across ‘models’ / artifacts & impact assessments

STRATEGY
• Industry Trends Map
• Business Environment
• Business Vision
• Business Interaction Model
• Location Model
• Organization Model
• ...

BUSINESS PROCESS
• Business Process Workflows & Simulations
• Bus. Rules Hierarchy
• Bus. Use Case Model
• Bus. Information Needs
• Bus. Data Structures
• ...

APPLICATIONS
• System Vision
• System Use Case Model
• Software Architecture
• Application Process Flow
• Class Model
• Component Model

INFRASTRUCTURE
• Network Infrastructure Model
• Security Infrastructure Model
• Systems Management Model
• End User Support Materials
• Training Materials

UNISYS
...enabling continuous Improvement
Key lessons from a business perspective

- Key cultural changes for model based transformation
  - Changes orientation of projects from horizontal to vertical slices:
    - Lowers the risk of change by exposing the impact of change early, before significant investment
  - Fact Based vs Bias Based decisions:
    - Accelerates Head Office, Field and I.T. alignment and buy-in
    - Can significantly accelerate the delivery of major change and business benefit
  - Alignment to the key executive numbers:
    - Significantly improves the quality of the benefits case
    - Enhances technology selection by highlighting the most critical requirements
  - Normalize cross discipline language
    - Enables the leveraging of best practice from across the globe
    - Enables global sourcing
  - Institutionalize continuous improvement
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- Executing large scale business design with model-based transformation
The extended understanding of the ‘working parts’ support today’s large scale transformation

• Current large scale decisions with direct impact on enterprise value
  – Mergers & Acquisitions
  – Outsourcing & Insourcing
  – Governance, Consortia & Partnerships
  – Localization & Centralization
  – Business Risk and Compliance
  – Evolution into New Business
Normalized models facilitate the recognition of common business design patterns

- Mergers & Acquisitions
  - Consolidation
  - Outsourcing & Insourcing
- Business Process Management
  - Operational Risk & Compliance
- Localization & Centralization
  - New Business
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- Mergers & Acquisitions
- Consolidation
- Outsourcing & Insourcing

- Pattern: Isolate / Compare / Deploy
How we see the consolidation process

- Which functions, processes, organizations, locations, partners should be chosen from existing conditions
- Is there an opportunity to outsource or in-source?
- How can we identify the relevant & comparable building blocks to build this new configuration?
3D-VE can be used to identify the relevant building blocks across disciplines in comparable units.
3D VE can also be used as a fact-based analysis tool to support the design process.
3DVE can finally be leveraged to re-use the intellectual property for ongoing change & deployment

- Shared services
- Best practices
- Reduced headcount
- Capacity rationalization
- Retired applications

Current state enterprise → Transformation → New Configuration

Bank 1 Candidate elements

Bank 2 Candidate elements

Deploy
## Metric Results: Mortgage example

### Operations Performance Improvement

<table>
<thead>
<tr>
<th>Metric</th>
<th>Org Change</th>
<th>Process Change</th>
<th>Technology Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages/head or Applications/head</td>
<td>2000 1.75</td>
<td>2300 2</td>
<td>2600 2.5</td>
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<tr>
<td>Efficiency improvement</td>
<td>25%</td>
<td>15%</td>
<td>13%</td>
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<tr>
<td>Cost/mortgage or Cost/head</td>
<td>28</td>
<td>22</td>
<td>18</td>
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<tr>
<td>Cost improvement</td>
<td>17%</td>
<td>19%</td>
<td>19%</td>
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</tbody>
</table>

*Source: UNISYS*
Metric Results: Insurance achieving and surpassing industry benchmarks

<table>
<thead>
<tr>
<th>Metric</th>
<th>Org Change</th>
<th>Process Change</th>
<th>Technology Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies/head</td>
<td>3600</td>
<td>4340</td>
<td>5500</td>
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<tr>
<td>Efficiency improvement</td>
<td>26%</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Cost per policy</td>
<td>28</td>
<td>22</td>
<td>18</td>
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<tr>
<td>Cost improvement</td>
<td>16%</td>
<td>19%</td>
<td>19%</td>
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</table>

Continuous Improvement Cycle
Getting it done!

- Business Process Management
- Operational Risk & Compliance

*Pattern: Bound / Change / Monitor*
### Industry Overview - Volumes

US Firms have seen dramatic drops in volume

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Volume</th>
<th>% change 03 / 04</th>
<th>Market Share</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Countrywide</td>
<td>$363,009</td>
<td>-17%</td>
<td>13.08%</td>
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<tr>
<td>2</td>
<td>Wells Fargo</td>
<td>$298,463</td>
<td>-37%</td>
<td>10.76%</td>
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<tr>
<td>3</td>
<td>Our Client</td>
<td>$255,354</td>
<td>-41%</td>
<td>9.20%</td>
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<tr>
<td>4</td>
<td>Chase Home Finance</td>
<td>$187,003</td>
<td>-35%</td>
<td>6.74%</td>
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<tr>
<td>5</td>
<td>Bank of America</td>
<td>$103,770</td>
<td>-21%</td>
<td>3.74%</td>
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<tr>
<td>6</td>
<td>Citimortgage</td>
<td>$103,219</td>
<td>-5%</td>
<td>3.72%</td>
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<tr>
<td>7</td>
<td>GMAC Residential Holdings</td>
<td>$187,003</td>
<td>-24%</td>
<td>3.15%</td>
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<tr>
<td>8</td>
<td>Ameriquest Mortgage</td>
<td>$77,500</td>
<td>110%</td>
<td>2.79%</td>
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<tr>
<td>9</td>
<td>National City Mortgage</td>
<td>$65,664</td>
<td>-38%</td>
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<tr>
<td>10</td>
<td>ABN Amro Mortgage</td>
<td>$56,557</td>
<td>-56%</td>
<td>2.04%</td>
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</tbody>
</table>
Business Interaction Model
Metric Results

BPM Mortgage Origination Benefits

- Net Line of Business Benefits: 38%
- Other Cost Savings: 10%
- Business Improvement Revenue: 52%

Business Improvement Benefits

- Reduction in sales leakage: 31%
- Funding acceleration: 40%
- Hedge Savings: 29%

Relative cost per loan

- Retail Operations
- Wholesale Operations
- Consumer Direct

Relative Loans per FTE

- Retail
- Wholesale Channel
- Consumer Direct
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- Localization & Centralization
- New Business

- *Pattern: Theme / Variation / Replication*
A start-up telecom offering ‘triple-play’ services in one year

• Tre-For Broadband wanted to take advantage of market conditions and leverage its key competency as an infrastructure provider
• Increase household customer usage
• Increase business user usage
  – Launch a Triple-Play (IP, Voice, TV) Internet Broadband solution in Denmark
  – Target to serve 122K households and businesses
  – Develop an EAN [Equal Access Network] to serve businesses and further enlarge service offerings

• Unisys is building a broadband Telecommunications company in Denmark
  – 100mb ‘Triple-play’ fibre to the home service with evolving equal access network (EAN) providing additional content and functionality.
  – Real Time Infrastructure (Network/OSS/BSS) extending to ITO delivery
• 3D-VE Methodology derived from industry standard eTOM models
  – Business Case
  – Operating Models – Process, Application & Infrastructure Architecture, requirements and specifications
The vision for a Product Deployment Program shows a multi-threaded, continuous improvement structure.
Metric Results

• Achieved Tre-For goals in very aggressive time scales
  – Achieved launch of Internet Broadband with basic billing in **3 months**
  – Achieved launch of OSS/BSS for Internet Broadband in **6 months**
  – Achieved launch of triple play offerings within **1 year of initial meeting**
• Significantly reduced implementation risks due to standardized operational and technical models
Business benefits of large scale design approach

• Reduce risk of large scale design change
  – Selective invasiveness
• Increase scope of benefits through traceability
  – E.g. Capital release
• Collect, maintain and value intellectual property
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imagine it. done.