Composable Marketplace – Reinventing the Shared Services Operating Model

Category: Best Achievement in Operational Excellence to deliver Business Transformation

Synopsis

"Growth and comfort do not coexist. The only way you survive is you continuously transform into something else,"
Ginni Rometty, IBM CEO

For over 100 years, IBM has restlessly reinvented its enterprise architecture and operating model to meet the challenges and demands of an ever-changing market and an evolving technological landscape. In 2016, IBM transformed once again, announcing its quest to become the premier Cognitive Enterprise. As part of this new operating model, IBM launched Cognitive Enterprise Support (CES) and, within it, the **Composable Marketplace**.

The Composable Marketplace was founded on three principles – Transparency, Choice and Accountability. Since its inception, the Composable Marketplace has been a critical factor in enabling IBM to continue to deliver productivity savings by providing a framework around which the Business Units and Shared Services can evaluate and determine required efficiency savings while ensuring client support remains the primary focus. Operating costs have been reduced by 10% for the Shared Services and IBM has achieved a best in class spend to revenue ratio as a result of the Composable Marketplace. Through the multiple phases of the Composable Marketplace, IBM has established, for the first time, complete visibility into its Shared Services spend and overall infrastructure support portfolio. The model has empowered Business Unit leadership to make support decisions based on demand, instilled a service delivery mindset across the Shared Service organizations and created the building blocks and data insights to effectively respond to future transformations.

The strategic objectives and scope

In 2005, in response to cost pressures and market shifts, IBM introduced the Globally Integrated Enterprise (GIE), focused on consolidation, vertical integration and alternative labor models. At its core, the model centralized common infrastructure support functions (Providers), such as Finance, Human Resources and the CIO, to support Business Units (Buyers), such as Global Business Services, Global Technology Services and Cognitive Solutions, across the enterprise. The GIE model removed support function activities from the Business Units by creating a vertical support function structure that was more efficient and focused on standardizing sub-processes. While the GIE model drove significant savings through process streamlining and standardization, it also handed each Shared Service full accountability and ownership of budget and resources. As a result, there was less focus on gaining consensus from the Business Unit perspective as a user of those services. The financial benefits of the GIE model were positive, but with the Shared Services making decisions about the services consumed by the Business Units (e.g. employee provisioning from the CIO or recruiting from Human Resources), the line leaders were not active participants in guiding where and how support resources were being used. In recent years, IBM has been faced with diminishing returns from traditional levers for efficiency savings, coupled with increased business complexity as IBM enters new markets with new business models, thus putting pressure on support teams to drive cost reduction and productivity. IBM needed a solution that would provide deeper insight and give a more holistic view of the infrastructure support services to enable leaders to identify value add areas, drive cost savings and scale these services across the enterprise.

The size of the project challenge, use of creative tools and any organizational development

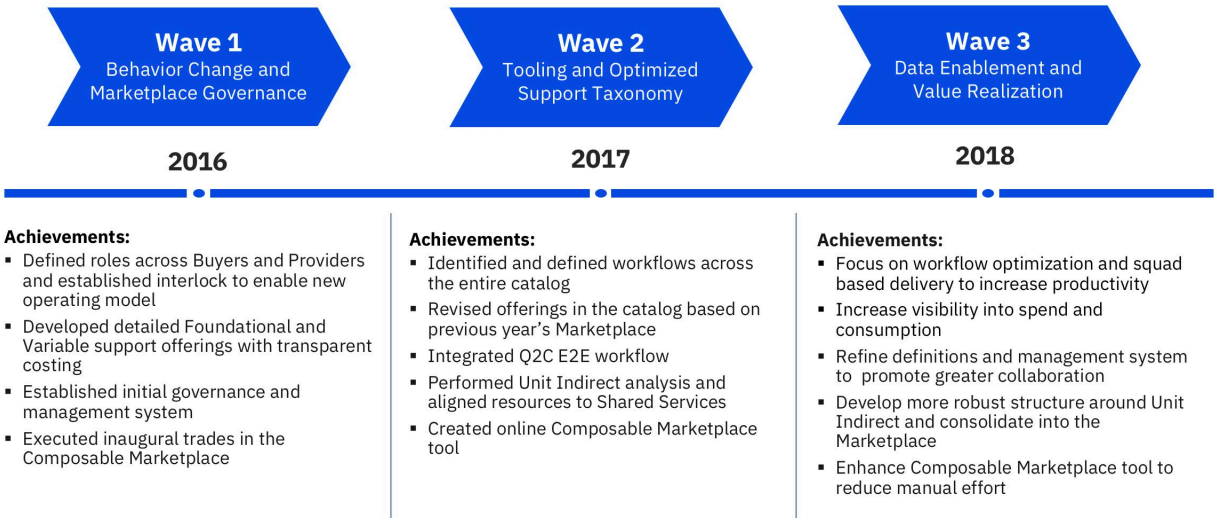
In order to understand the competitive landscape, in early 2016, IBM performed a benchmarking exercise on the GIE operating model against next generation competitors (e.g. AWS, Google, Salesforce), traditional competitors (e.g. MS, Dell, HP) and other multinational companies (e.g. P&G and AMEX). The benchmark measured spend and reviewed how these competitors and large multinationals were delivering infrastructure support. Based on the results, IBM determined its spend to revenue ratio ranked towards the upper limit of traditional competitors. This study also showed that while IBM was cost competitive for transactional support (e.g. collecting, modifying and retrieving transaction data), it was significantly more costly in decision support (e.g. analyzing data so users can make business decisions). Without a clear picture of the offerings available to them, the Buyers were not enabled to make well-informed and cost-effective decisions for their Business Units. In addition, the Providers were not focused on delivering offerings that would give IBM a competitive edge in the market.

The project implementation process and timeline

In 2016, IBM announced a transformation to the premier Cognitive Enterprise Support model, reaffirming the company as the global leader and innovator in enterprise infrastructure and support delivery. As a pillar of this transformation, IBM established the **Composable Marketplace** – a transparent marketplace built on a prioritized and flexible portfolio of support offerings and enabled by an innovative accountability model with new roles for Buyers and Providers to dynamically manage supply and demand.

The core tenets of IBM's Composable Marketplace strategy:

1) **Transparency:** Categorized a significant portion of IBM infrastructure spending into a centralized, online catalog with clearly defined support offerings that can be reviewed and adjusted by an IBM Buyer.
2) **Choice:** Established clear cost and consumption data for each of the support offerings, allowing a Buyer to visit a web-based Marketplace (pictured below) to make trade-offs between specific offerings that support the growth of the Business Unit.
3) **Accountability:** Created a light-touch management system and tiered governance model that connects the Buyers with the Providers, promoting ongoing dialogue that creates alignment between supply and demand, builds a culture of collaboration and instills a service delivery mindset.



Wave approach for the Composable Marketplace

Wave 1: Behavior Change and Marketplace Governance

In 2016, the Composable Marketplace kicked off with a focus on behavior change by piloting a governance and management system and clearly defining new roles and responsibilities. Buyer and Provider focals were designated by IBM's SVPs as empowered agents to represent their respective Business Units or Shared Services. To accelerate the implementation of the Composable Marketplace, the initiative was co-sponsored by the SVP of Transformation and Operations and the Shared Services CFO. Agile methods were used throughout the initiative's duration to streamline the process, help make critical decisions, discuss risks and issues and remove roadblocks as needed. A volunteer group of Sponsor Users from across the Provider and Buyer teams helped stress test ideas and gather feedback. In parallel to establishing the governance and management system, a common taxonomy for the services was established and the Providers developed their first set of offerings, introducing an unprecedented level of transparency into IBM's infrastructure support. Each of the offerings within the catalog were aligned to two categories:

Foundational support
Target: 75 - 90%

Required business, fiduciary and regulatory workflows. **These offerings cannot be traded**, but proved more transparency in terms of cost and the service provided for that.

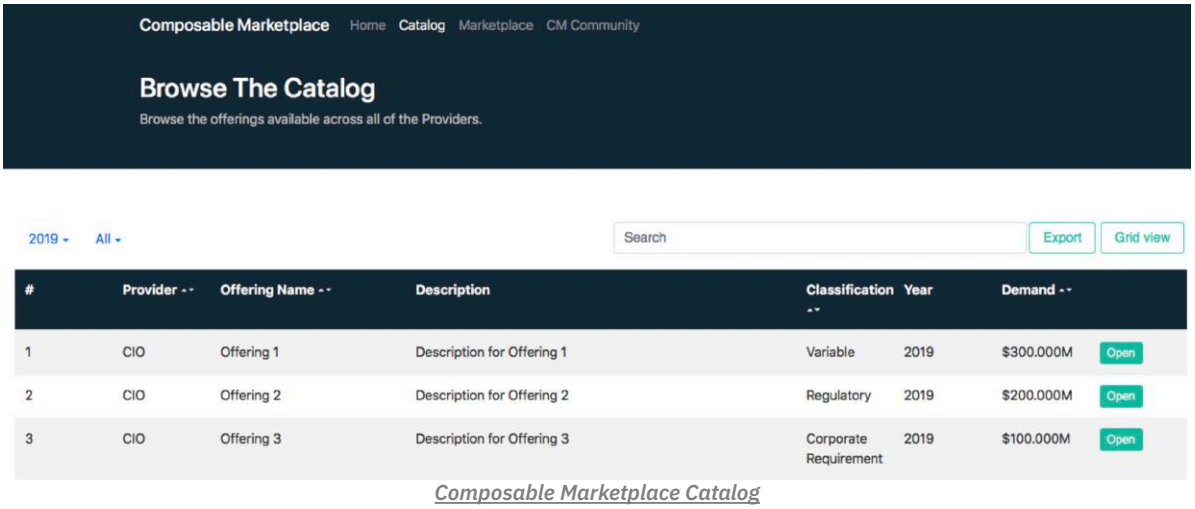
Variable support
Target: 10 - 25%

Building blocks to meet business and growth needs. **These offerings can be traded by Buyers based on business requirements.**

The first trades on the Variable offerings in the Composable Marketplace were conducted through Excel spreadsheets. These trades validated the model and introduced a level of clarity that previously did not exist in the GIE model. The negotiations and trades that took place between the Buyers and Providers mirrored a true marketplace.

Wave 2: Tooling and Optimized Support Taxonomy

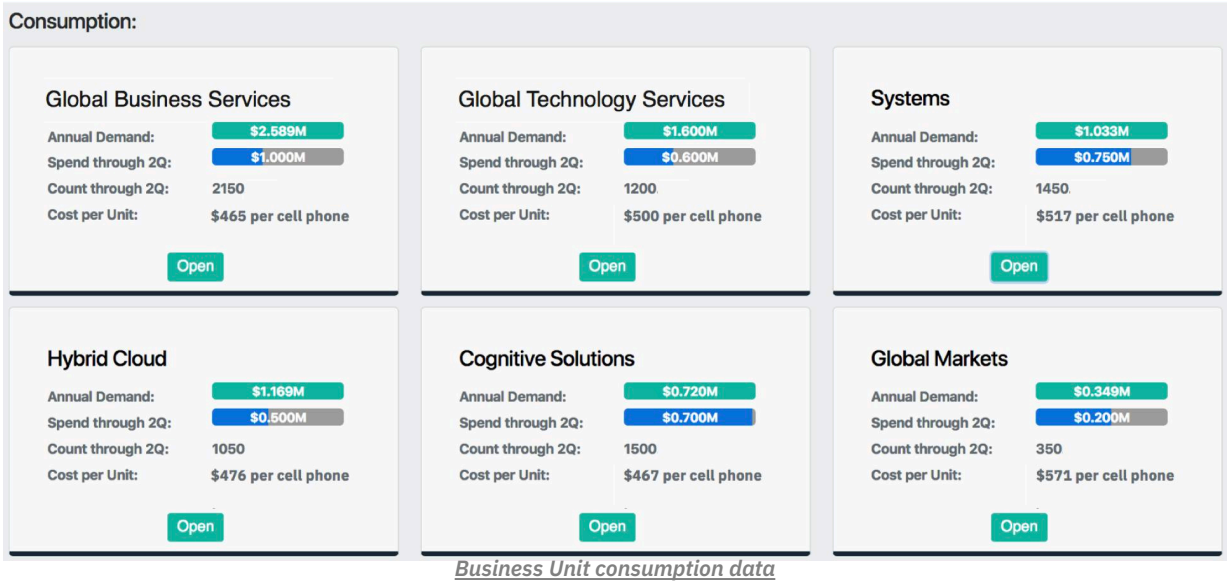
In 2017, the focus shifted to refining the model, optimizing the underlying taxonomy of IBM's support infrastructure and deploying a user-friendly tool to manage the offering catalog. The catalog of offerings evolved and the taxonomy expanded to include the workflow – a series of activities required to deliver an outcome or deliverable from the perspective of the end user. In an effort to streamline the Composable Marketplace, a web-based tool was developed to conduct the trades. The tool, although limited in functionality at this time, vastly increased accessibility to the catalog of offerings and removed the need for manual intervention in the Marketplace.



Composable Marketplace Catalog

Wave 3: Data Enablement and Value Realization

The Composable Marketplace is now entering the third iteration, focused on tracking spend and consumption for the offerings and solidifying the Marketplace as the sole venue for demand allocation and service agreements for the IBM enterprise. The Providers focused on optimizing the workflows that were defined in the previous year in order to deliver their services more efficiently and effectively. They developed a department structure within the IBM General Ledger to systematically track the number of resources and amount of gross spend at this workflow level. In addition, the Providers developed individual approaches to track consumption for each Variable offering, enabling them to track actuals for each Buyer and hold them accountable to their demand allocation. The Composable Marketplace tool is now a one stop shop for all of IBM's infrastructure support, allowing Providers to manage their catalogs, Buyers to make annual demand statements on their infrastructure support and all stakeholders to monitor spend and consumption through the visualization layer.



Business Unit consumption data

The impact and organizational results

As the Composable Marketplace has evolved, it has provided IBM leadership with unparalleled transparency into the enterprise's infrastructure support. Today, the catalog consists of 194 offerings across ten Shared Services. The Composable Marketplace gives the Business Units a voice in the process and empowers them to make decisions that will drive positive business outcomes. The increased dialogue and collaboration with the Business Units has enabled the Shared Services to prioritize the highly valued offerings and realign their portfolio of services to deliver the required cost savings. The Composable Marketplace has driven many notable results since its inception:

1) Reduced operating costs by 10% for the Shared Services
2) Achieved best in class spend to revenue ratio based on external benchmarks
3) Established a prioritized, flexible investment model with over $1B of infrastructure support services available for trade
4) Increased transparency, choice and accountability across the infrastructure operating model

The Composable Marketplace has disrupted the standard operating model for the Shared Services and has resulted in significant benefits for the Business Units. It has been highlighted internally as an example across the company for cross-functional teaming and 'uniting as one' to deliver value to the business. Looking forward, as the Composable Marketplace seeks to integrate internal Net Promoter Score (service quality) and Cognitive forecasting (demand accuracy), this new model will remain a pillar for IBM's position as an industry leader and innovator for enterprise operations.