

Ingersoll-Rand: Consolidating the corporation...with IBM Applications on Demand

Overview

■ Challenge

Ingersoll-Rand needed to more effectively make and support business changes by consolidating its IT environment.

■ Why Become an

On Demand Business?

Ingersoll-Rand can tap into IBM's best-in-class IT model, control costs and focus on growth.

■ Solution

Fully hosted, fully managed application services from IBM.

■ Key Benefits

- 31 percent reduction in overall operating expenses.
- 40 percent cut in HR costs.
- Shared services model unites business functions, ups efficiency.
- IT staff shifts to strategic projects.

» On Demand Business defined

An enterprise whose business processes—integrated end-to-end across the company and with key partners, suppliers and customers—can respond with speed to any customer demand, market opportunity or external threat.



Who's minding the store? Confronting a diverse environment

With 55,000 employees and operations spanning the world, Ingersoll-Rand is home to 49 business units offering a wide range of industrial and commercial equipment and related solutions. The company's holdings are impressive—featuring such well-known brands as Bobcat, Schlage Locks, Club Car and ThermoKing. Structured into five sectors—security, construction, compact vehicles, industrial and climate control—Ingersoll-Rand's businesses (www.ingersollrand.com) reflect the diverse nature of this innovative market leader.

“Today, the business case has to be a significant driver in any IT investment. It used to be ‘IT for the sake of IT,’ but it’s not the CIO’s job to come up with brilliant IT ideas; it’s to figure out where and how the IT model can facilitate business strategies.”

—Barry Libenson, vice president and CIO, Ingersoll-Rand

Consolidating the corporation with IBM Applications on Demand

On Demand Business Benefits

- Opportunity to align business and IT requirements.
- Lowers capital investments and minimizes risk.
- Access to best-in-class technologies, services and practices.
- Ability to rapidly scale IT requirements up or down as business dictates.
- Variable pricing model that helps control costs and drive efficiencies.

“When our staff is allowed to focus on what they do best, they add more value to the organization. The ROI is significant.”

—Barry Libenson, vice president and CIO, Ingersoll-Rand

For years, Ingersoll-Rand operated essentially as a holding company for its numerous brands, each of which had its own IT organization, infrastructure and data centers, as well as separate Finance and Human Resources (HR) departments. Almost 60 percent of Ingersoll-Rand's growth was through acquisitions. Knowledge, functions and systems were scattered—complicated by manual, inefficient and often reactive processes.

Over time, these factors combined to present some troubling issues. For example, almost half of senior staff's time in Finance was spent on transaction processing, while the HR staff tended to more than 150 medical and dental plans, 32 disability packages, and 89 retirement and savings plans. As a result of these and other inefficiencies, Ingersoll-Rand's Finance costs as a percent of sales were double that of “best-of-breed” companies; the cost of HR per employee was 60 percent higher.

Shifting gears: From reactive to proactive

A few years ago, a new management team—including Ingersoll-Rand's first corporate CIO—was appointed to address and overcome the challenges of the company's structure. The overarching goals were to position and run Ingersoll-Rand as one brand, make it easier to do business with, and grow the business based on best practices. Pragmatically, this would involve consolidating the company's dispersed operations, processes and infrastructure, and bringing its separate business units under common enterprise resource planning (ERP) and customer relationship management (CRM) applications.

An internal group was assigned to oversee the rollout of the ERP application and the replacement of over 30 different ERP systems across business lines. Although Ingersoll-Rand's IT staff was able to complete the ERP installation, the work was costly and time-consuming. Employees were compelled to concentrate on daily systems management and associated issues—unable to direct their focus on strategic tasks such as leveraging the ERP application's functionality. Ensuring a continually stable environment would require even more work. The fact that a major upgrade to the common ERP application was scheduled soon only added to these concerns.

Meanwhile, Ingersoll-Rand didn't have the funding structure to support its rollout of the common CRM application it had selected. According to Vice President and CIO Barry Libenson, “We asked ourselves, ‘If we don't have the right people, infrastructure, data center and knowledge in-house, why not look

for a partner that can work directly with our business units and provide them with the confidence that they will employ best practices, share knowledge and adhere to corporate standards?”

Concentrating on core competencies

Realizing it needed help, Ingersoll-Rand's executive management team turned to IBM Global Services Applications on Demand™ to support the company's corporate IT environment and selected business units, and to assist with implementations and upgrades of Ingersoll-Rand's ERP and CRM rollouts. In explaining the move to IBM, Libenson is direct and to the point. “We are a diversified manufacturing company. We are best in class at building and designing industrial products and related solutions. We are *not* best in class at running large IT systems. It doesn't make sense for me to have that level of IT talent on staff. It *does* make sense for me to outsource something like this to IBM and have them perform those functions.” It was a smart decision. IBM completed the initial ERP upgrade in just 90 days—on time and under budget.

More for less

By teaming with the IBM Applications on Demand team, Ingersoll-Rand has been able to shift 30 to 40 percent of its IT staff back to performing strategic application development.

“When our staff is allowed to focus on what they do best, they add more value to the organization. The ROI is significant,” says Libenson. “Also, IBM's variable usage model is very strategic for us. From a cost perspective, it allows us to scale up and scale down on an as-needed basis. Rather than having to go out and retain staff and add people to the payroll, we can have services added and taken away as parts of our business change. And that translates into lower overall costs.”

A best-in-class, pay-as-you-go model

Libenson also points out that he no longer worries about lease or purchase decisions. “This keeps a lot of capital equipment off our books because we're paying ‘by the drink’ and paying as we go. The really great thing about the Applications on Demand model is that we pick up the phone and say we need an application environment for our ERP footprint, and it's up in days. This not only increases the speed at which we can get things up and running, it also offers assurance that someone who's much better at this than we are is doing it.”

Key Components

Software

- Oracle (payroll, finance, HR)
- Oracle Manufacturing Systems
- Siebel Sales Force Automation
- Siebel Call Center

Services

- IBM Application Services for Oracle and Siebel—Full Service
 - Hosting services for Siebel OnDemand
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In addition, the IBM team assists Ingersoll-Rand in addressing any security and regulatory compliance issues—huge concerns for the company—to satisfy its auditing requirements.



Working as a team

Currently, IBM provides applications management for Ingersoll-Rand's corporate financials, human resources and payroll systems; manufacturing for Bobcat, ThermoKing and other business units; and call center and sales force automation for Club Car. Since coming on board, IBM has upgraded the corporate ERP installation twice—helping Bobcat and ThermoKing with development, testing and implementation.

The IBM Applications on Demand model has proved critical to Ingersoll-Rand's growth strategy, while helping the company substantially lower its SG&A costs and favorably benchmark against other elite organizations. Finance has been able to direct its attention away from transaction processing and focus on growth-oriented tasks. Human Resources has streamlined its function into an efficient, mutually beneficial operation for the company and its employees. And those 150-plus medical and dental plans? They are now down to seven.

"We pretty much view the IBM team as an extension of Ingersoll-Rand," concludes Libenson. "We have a constant dialogue and an effective mechanism for relaying issues and getting help; it's almost completely transparent, which is the way we want it to be. Problem resolution is very smooth and very fast in the infrequent times that issues do occur. The strongest representation of that is the fact that we continue to add new business footprints and new applications to the portfolio. This has been a very strong relationship—and a model for our other outsourcing arrangements."

For more information

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