COTE: Hello, everybody. Here we are at RSC 2009, the Rational Software Conference, and I've got another guest here. Would you like to introduce yourself?

CHANDRA: Hello, my name is Neeraj Chandra. I'm the Vice President for Worldwide Strategy at Rational.

COTE: And this is, I guess, actually the third time you've bid on RedMonk TV, if I can count correctly.
CHANDRA: That's true, that's true.

COTE: And so, getting right into it, I mean, there's plenty of other things we've talked about, I guess, that people can look through the archives to see. But the thing that I was interested in talking with you about today, especially since you do a lot of strategy stuff, as I would put it, is what narrowing down the overall IBM idea of smart planets and things like that.

A lot of what Rational is focusing on in that sort of silo of strategy if you will, is bringing about smart products and things like that. And I'm curious like, at this point, like, what exactly smart products are. And I mean, I guess I'm curious to hear the whole story, but what exactly is a smart product, and how does that fit in to other smartness?

CHANDRA: Well, smart product is our way of starting a

conversation with our customers to bring into perspective the reality of what's happening in the marketplace as well as a compelling need to move now to make the changes which are necessary for the growth, and survival, and happiness and so on and so forth.

In that context, let's take on everyday experience. Most of the products we deal with, we find they are becoming more intelligent, smarter. Our cell phone is no more just a phone, you can play music on it. So that was a product becoming smarter. Our cars now are completely customizable, they even talk to us. So, what was a vehicle became smarter.

So, you can see this kind of smartness in devices all around. The interesting aspect of the smart product is in two ways, which I'd like to just elaborate on. One, the smart product is unique because it crosses the boundary between consumers and the business side.

So, the products are smarter both on the business aspect of it as well as what we experience in our day-to-day life. The second aspect of smarter products is that this is the building block of the larger initiative around the Smarter Planet.

And that's really to draw attention to an important fact in

today's environment of economic downturn. And that important aspect is that call for leadership in this time when there is a natural and widespread tendency to hunker down.

Look, the reality is, this recession, like every other recession will come to an end. When, we don't know, but it will. And therefore, it is necessary for the winners and the leaders to use this crisis to its maximum opportunity and show leadership.

And using this crisis to their own advantage to make themselves more efficient, more productive and more innovative. And that's all the parameter of the conversation around smarter products...

COTE: It seems like starting at the beginning of what you are talking about there is, the smart in smart product is about not so much making something a multifunctional device if you will, but adding a lot more function to it than just sort of a singular sort of thing.

So, like with the car, it doesn't just drive you from Point A to Point B; it has all this other functionality that might do something for you. Or with a phone, it doesn't just make a phone call for you; it might have these other sorts of things going on there. So, it's a layering in this

functionality, if you will.

CHANDRA: Absolutely. In fact, that is exactly, you're right, that's exactly where Rational comes into play. In any of the smarter products, the majority of the smartness so to speak is delivered through software because hardware, as you know, has...tends towards commoditization. And the major portion of the products today, either their value or their differentiation is increasingly in software.

So, software is what makes the product smarter, and software is what we're all about. So that's the connection why Rational is driving the agenda and the conversation around smarter products.

When I react and meet with the latest stakeholders, especially the number of customers, which I do quite extensively, we find that there are three different reactions in terms of the opportunities which is brought to bear by today's evolution of the smarter products.

One is the transformation of their products themselves -- in other words, as I said, you can take a medical device, which may be an imaging device, and now you can connect it through access over the Web to a number of handheld devices.

Now the same data in that asset is multiplied in value by an

order of magnitude higher because the same information can be accessed by a number of different people in real time, quickly.

So, you don't have to repeat the same test twice, right? So for instance, if my MRI is in the central database and I'm traveling and I need to go and get something checked, then he's sort of doing another test by my doctor which would be the normal case.

So, another test, another cost, another opportunity of getting something wrong. Now with this capability you can access the same data. So, compression of time to market, increased quality, high quality of health care. What was smart became smarter.

COTE: But these customers that you talk with, I mean, I'm sure there's a variety of different sort of reactions and plans and ways they can adapt these ideas that they go through.

You know, if you look at whatever an un-smart product would be, a simple product, I guess, I mean, it seems like there's quite a lot as a business that you have to do to get to the point where you can add in this extra smartness, this extra functionality.

And I wonder, I mean, from Rational and then IBM in general, I mean, what that process kind of comes like, you know, evolves to be where using your example, you know, you have this sort of standalone MRI device or something, and then you actually get to the point where you can have networked handheld devices. I mean, that's a pretty complicated process to go through.

CHANDRA: That's the second area of where our business transformation really adds value. One was smart product becoming smarter. It's not that they were not smart; it's just, they become smarter, right?

COTE: Right.

CHANDRA: The second area, exactly as you picked up, is that in order to develop the products which are smarter, there is a major implication on how you develop those products.

In other words, the process of software and systems delivery today becomes a business issue, and therefore, we have to make sure that process has an enterprise-wide business process with the same model of robustness, predictability and an ability to continuously improve on it which we have with other enterprise-wide processes like the ERP, like the customer relationship management, like the supply chain management.

The process of system and software delivery, which tended to be historically quite artistic, you know: people used to think, I'm an artist, therefore I do software. But because of the importance of the smarter products in our lives and its impact on society in general, it is imperative for our customers to start treating and leveraging that activity as a business process.

So, that's the second part of the transformation. And that's where Rational, obviously, that's our backyard, that's exactly what we live, breathe, eat and [dream about].

The third area of transformation is the transformation of the entire business model where people can use the opportunity provided by smarter products integrated in systems of systems to create new values, and create new business arrangements, and new business models.

So that business transformation also IBM is well placed to help our customers take advantage of that business transformation and the tremendous amount of growth and value that can provide.

COTE: You were getting into the point where it's sort of Rational's backyard and what you guys dream about and everything. It seems like a lot of what, getting to the

smarter products, if you will, or smartening up your products, is basically treating the software process more of like a tool instead of like you were saying, a craft or something like that.

CHANDRA: That's right.

COTE: And it seems like the other side of that is getting the business side to sort of, I don't know, be a little more friendly or just not friendly to software, but just be more involved in the software process.

CHANDRA: I mean, one of the implications of what I said about treating the activity of system and software delivery as a business process is exactly that point: that this is a major and a critical business issue. If you don't get your effective software and system delivery in place, then your business is either exposed or is missing opportunity.

And by the reverse token, if you do get it, then you have tremendous amount of leadership potential and all the growth and the benefits that go with it.

COTE: That would seem to imply that there's sort of new end users of Rational products, if you will, who previously wouldn't really touch the software process at all but now they're somehow involved with whatever's going on in that crazy software world. And they have a lot more

intimate, like day-to-day or maybe week-to-week relationships.

CHANDRA: So there are two aspects of it. One is, we extend the value we provide with our solutions across the both the development domain and the business domain. And uniquely, we connect them. Nobody else does that, and that's tremendous amount of power.

That's what we mean by, you know, that's the kind of new capability we'll infuse in our customers' enterprise through the Jazz platform. That really is a compelling promise of Jazz, where you have a collaborative platform which enables real-time collaboration in the context of a particular process between different constituencies, across different domains, across different geographies, across different timeframes.

COTE: It does seem like when you mention, you know, the different constituency, that is sort of the difference that hopefully you would have, is it's not tools that are just built for the development organization, but tools that are built for the business side to be able to use as well.

CHANDRA: Absolutely. Not only just tools on the practitioner side; in fact, let me take that question and answer it in broader context to illustrate, draw a word

picture if you would, of the different levels of value we provide.

So, traditionally as you know, we provided value at the developer level. If you're doing development, we're really number one. On top of that, we provide the second layer of value, if you will, at the management level.

We enable you to manage the entire lifecycle, the application lifecycle, from ideation through test requirements, design, detail design, implementation, test, the whole [INAUDIBLE] lot, with the underpinning of the capability of configuration and change management. So you've got an end-to-end, traceable process enacted across the organization.

Then the third value we provide, which is where the business part comes in even more into the spotlight, is the value of optimization where we provide the analytics and the detail we've collected from the development activity through the management and are able to collect them in real time, be able to present them in the dashboard turning data into real information to the various stakeholders.

That's the optimization, and use that information to be able to continuously improve your process. So you have a wider set of return on your investment consumed by a much larger

audience, and therefore you get a higher return on your existing assets.

COTE: And sort of making the business side smarter, I guess, to continue that sort of usage of smart and smarter there. It seems like there are some new additive processes that the business side has to use to sort of engage with the software development process or whatever you want to call it.

And I wonder, you know, in looking at some of the stuff that's been talked about at RSC this week, there's like MCIF and sort of best practices and things like that. And a lot of the focus, of course, tends to be, or at least a lot of how I interpret things tends to be on the development side and things like that.

But in the context of this conversation, I mean, is there sort of like a library of best practices for the business managing things? I mean, what does Rational bring to a business as far as, like, okay, so I'm a business guy and I buy into this, I should care more about the software, and so just tell me, what do I do? Like, how do I figure out what I need to start doing with that?

CHANDRA: So, Rational traditionally has always provided a set of business practices and processes to make sure that

the technology we provide is consumed and adopted by the customers in their own unique environment to provide the benefit they need.

What MCIF -- which is Measured Capability Improvement Framework -- provides is something unique and very much needed and underlined by the economic crisis today.

And that's always...that's what was always needed, is a link between the business objectives on one side, you know, the objectives the business wants to achieve, and be able to show that link with the technology investment which is being made and be able to report them back in real time through the evolution of the implementation of that technology.

COTE: What's that mapping that goes on between those two things? Because this seems like one of the eternal unsolved challenges of, you know, business software development is having as we used to call a business/IT alignment.

CHANDRA: Right, right, right.

COTE: And so, like, how's it finally been fixed this time?

CHANDRA: So what MCIF does is does it in a very simple and effective way in my view and from what I've heard from

the customers. It starts with, and the reason I have confidence is this exactly how we implemented MCIF within Rational as well.

So, it starts with saying, you outline what your business objectives are, right? One, two, three, four, whatever they are: To conquer the universe, or intergalactic dominance, or whatever you have -- or really, much more relevant business objectives of market share growth, top line growth, you know, EPS growth and so on and so forth.

And then you translate them into operational objectives. Business objectives lead to operational objectives. Each of that operational objective is then linked into directly into a set of specific practices to be implemented within the organization. So, you can see a direct linkage, but now getting into granular...

COTE: Right. Sort of a decomposition of desires and what-not.

CHANDRA: Functional decomposition, exactly. It's a system engineering approach, and therefore it's robust, it's well proven and it's effective. And then those best practices then get implemented via a specific technology and products in different parts of the organization.

Once you have a baseline of connectivity and what the expectation is, then you will go back and say, okay, now two months have passed, three months or six months or whatever the frequency. You can do it in batch mode or you can do real time, okay, how are we doing against those objectives? And you have a dashboard and a [heat map] which shows you exactly what's going on.

COTE: Right, right.

CHANDRA: So, it gives you real-time control. And that's very useful because the environment is dynamic. So, you know, the objectives may not remain the same or the practices may have to change.

So, MCIF provides you a decision-making framework associated with a real-time measurement capability to be able to respond to the changing dynamics in the market.

COTE: Great. Well, I think that's a pretty nice overview of smartening up, as it were

[LAUGHTER]

CHANDRA: Thank you very much.

[END OF SEGMENT]