

## **GM and Carnegie Mellon to Build Model to Assess IT Vendors**

**Thilo Koslowski**

GM and Carnegie Mellon's IT acquisition initiative for government and commercial enterprises underlines the need for IT departments to improve business value, and will impact automotive firms and the IT vendors who serve them.

## NEWS ANALYSIS

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### Event

On 15 November 2005, the Carnegie Mellon Software Engineering Institute (SEI) and General Motors (GM) announced a joint effort to develop a business process improvement model focused on increasing effectiveness and efficiencies for companies planning to use third-party IT capabilities. This model will address the processes, practices and activities an acquiring organization performs, and standardize how acquirers manage their supplier interactions.

### Analysis

IT's value proposition in the automotive industry is changing. Auto IT departments are being pressured by senior management to provide relevance and improve operational efficiency with stagnating or decreasing IT budgets. This initiative is a proactive move toward meeting these requirements and avoiding further IT resource reduction demands.

The initiative's success will be based on GM's ability to convince other automotive companies to join it and to find common issues that don't require revealing competitive IT strategies. This is a difficult task, given the competitiveness of the industry and the diversity of potential participants. Success will therefore be limited to basic IT sourcing process standardization, such as defining common criteria for evaluating a supplier's long-term financial viability. IT vendors targeting GM and companies that participate in the initiative face the problem of having to incorporate the new performance measures that the initiative yields while still having to meet the requirements of other automotive companies that pursue different sourcing strategies.

### Recommendations

- **Automotive manufacturers and suppliers seeking to establish IT sourcing standards:** Join the initiative to establish common guidelines to help you reduce your IT costs. Use a similar approach for your own internal IT sourcing if adopting the model is not a viable option.
- **Automotive manufacturers and suppliers that view IT as a strategic asset and differentiator:** Continue pursuing your own IT sourcing process improvement activities.
- **IT providers:** Seek active participation in the GM/SEI initiative to avoid the typical top-down approach the industry has established with automotive parts suppliers. Assist in identifying realistic acquisition and performance factors for evaluating IT providers' capabilities throughout the life cycle and work to establish measures that are beneficial to all parties involved.

**Analytical Source:** Thilo Koslowski, Gartner Research

### Recommended Reading and Related Research

- "Automotive IT Departments Must Transform From Cost Centers to Strategic Assets" — Mass-market adoption of telematics will depend on solutions centering on portable device integration. **By Thilo Koslowski**
- "Hype Cycle for the Automotive Industry, 2005" — Automotive companies must develop individual technology and process implementation plans and prioritize their investments. **By Thilo Koslowski and Martin Piczalski**

## REGIONAL HEADQUARTERS

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### **Corporate Headquarters**

56 Top Gallant Road  
Stamford, CT 06902-7700  
U.S.A.  
+1 203 964 0096

### **European Headquarters**

Tamesis  
The Glanty  
Egham  
Surrey, TW20 9AW  
UNITED KINGDOM  
+44 1784 431611

### **Asia/Pacific Headquarters**

Gartner Australasia Pty. Ltd.  
Level 9, 141 Walker Street  
North Sydney  
New South Wales 2060  
AUSTRALIA  
+61 2 9459 4600

### **Japan Headquarters**

Gartner Japan Ltd.  
Aobadai Hills, 6F  
7-7, Aobadai, 4-chome  
Meguro-ku, Tokyo 153-0042  
JAPAN  
+81 3 3481 3670

### **Latin America Headquarters**

Gartner do Brazil  
Av. das Nações Unidas, 12551  
9º andar—World Trade Center  
04578-903—São Paulo SP  
BRAZIL  
+55 11 3443 1509