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GM to Software Vendors: Cut the Complexity

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By Matt Hicks

SANTA CLARA, Calif.—General Motors Corp. is seeking to simplify IT sourcing, even as the systems that run the company and powers its cars become ever more complex.

During a keynote Tuesday at the **SoftSummit conference** here, GM's chief technology officer, Tony Scott, offered a roadmap for how the world's largest automaker plans to buy and license software and services.

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The Detroit-based company is preparing to move into its third-generation IT-sourcing plan in 2006, and Scott said it will continue to be a fully outsourced model where GM's 1,700 internal IT employees focus on managing IT services companies.

The big change will be an effort to cut back its number of IT contracts from thousands to hundreds. Between now and 2006, GM will spend about \$15 billion on IT.

"We have thousands of contracts," Scott said. "It just doesn't make sense to manage that level of complexity. What you're going to see is a focus from GM's perspective to reduce that complexity."

 [Click here to read more about GM's "third wave" of outsourcing.](#)

Already since the last IT sourcing revamp in 1996, GM has cut \$1 billion from its spending and reduced its number of systems from 7,000 to fewer than 3,000, Scott said.

A major focus of SoftSummit is on emerging software licensing models, such as **subscription models**. Software suppliers must understand the larger shifts at companies as large as GM and must rethink software licensing. No longer is access to software restricted simply by whether a user is inside or outside a network firewall, Scott said.

"We think of access and security on an application-by-application basis and even on a function-by-function basis," he said.

While new software licensing models could help GM, Scott said, the software industry needs to focus most on reducing the cost of **installing, maintaining and upgrading software**.



About 80 percent of GM's software cost comes after the initial purchase and licensing, he said.

"My advice is to focus your energy on solving this 80 percent," Scott told software vendors during a question-and-answer session. "The simple test you should try with all the CEOs of your companies is to ask the CEO to install your product as you want it run at a customer site. See if they can do it. If they can't, then it's too complex."

 **To read an interview with GM CIO Ralph Szygenda, [click here.](#)**

GM's software needs extend beyond its operations. Its increasing need for stable software within its cars and trucks may pose the biggest challenge to the software status quo.

The number of lines of code in a typical GM vehicle has skyrocketed. It rose from 100,000 lines in 1970 to 1 million in 1990, Scott said. By 2010, it is estimated to reach 100 million lines.

 **What's the impact of software-focused cars? [Click here to read more.](#)**




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Vendors need to rethink software quality, warranty and liability issues, Scott said. As software becomes even more central to cars, GM, for example, would need software vendors to be part of the process if it were sued over a software failure.

"Software and electronics are the biggest cost in the vehicle, more than steel or labor," Scott said. "They represent over one-third of the cost of the car, so guess where the pressure is going to be and where

the dialogue is going to be?"

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