COTE: Well, hello, everybody. Here we are at the Rational Software Conference 2009 in Orlando, Florida, as always. And we've got another guest with ourselves. Would you like to introduce yourself?

HEBNER: Sure. I'm Scott Hebner, and I'm the marketing leader for Rational.

COTE: I guess the first kind of fun thing to ask is, as I was very carefully making sure to say this is RSC, not RSDC.

HEBNER: That's right.

COTE: So the question is, what happened to the D? Where did that get off to?

HEBNER: Yes, well, it's been an evolution. This is actually our 12th conference, and it used to be called RUC, which is the Rational User Conference.

COTE: Right.

HEBNER: Right?

And then it became the Rational Software Development Conference, and now what we've done is, we you know, we were going to call it the Rational Software Delivery Conference, because what's really happening here is the audience that's

here is beyond just developers now.

It used to be a very developer oriented, developer centered conference, and it has evolved to be really about software in general: how do you get value out of software, whether you build it yourself, develop it yourself, or whether you buy packaged applications like SAP or Oracle, or you're using services applications in the cloud...

Or, how ever you get the applications, you have...you know, customers have a big portfolio of application investments, so what Rational has really become all about now is helping them get value out of it, make the right investments, execute with precision. You know, be able to do things not only well, but do the right things.

So we're starting to broaden it. And what's interesting about the show, the statistics that I saw in registrations -- I don't know what the finals are -- but only about 40 percent of the people here are actually developers.

COTE: I don't know, what are the other 60?
HEBNER: You've got IT executives, you've got security analysts, you've got product managers that build cars...
COTE: Right, right.
HEBNER: Right, or medical devices. You've got, you know, security...I mentioned security analysts.

So, basically what you have is you have people that are responsible for using software in their company in one form or the other.

COTE: Right.

HEBNER: And I don't mean using in terms of, you know, the end users...

COTE: But using it as a tool for...

HEBNER: Using it as a tool for business, right. And so it's a much broader conversation than it was many years ago, and we felt that we were losing attendance because the thought that it was about software developers.

The other interesting dynamic here is that it's becoming more than just Rational, right? Because you think about what's being discussed at the conference like smart products and Smarter Planet, and the role that Tivoli plays,and the role that WebSphere plays. I mean, it's...

COTE: Yes, it was, I mean, for all the IBM events I go to, it was kind of weird and fun, on the other hand, to see Al Zollar up there from Tivoli, talking, which is, there's not always a lot of cross brand GM keynoting and things like that.

HEBNER: No, it was...

COTE: And it was nice to see the sort of like software development side of everything Tivoli was talking about, hooking up with the Rational side and vice-versa.

HEBNER: Right, right. So like we have IBM Pulse, we have IBM Impact, right? And so yes, we've got to think hard about over time, you know, what do we with the name.

COTE: You've got to come up with a snappy name.

HEBNER: We've got to come up with a snappy name, and perhaps we shouldn't tie it to only Rational and really broaden its value. Because Impact is all about business processes, and Pulse obviously is about service management and operational asset, and physical...or virtual services like applications.

And so, what's this conference about? This conference is about software investment management, delivery of software, whether you source it from the external world or whether you build it yourself is a secondary thing.

So just because we took D -- Development -- out of the title, doesn't mean that there's not a boatload of developers here. It is still a developers conference, but it's more than that. It's expanded...

COTE: I've been trying to kind of sort out in my head

whether you want to call it the evolution, or edition, or whatever that Rational is kind of going to. And it does seem like this year, there is, to your point that we were talking about, there's a lot more emphasis on I guess the management of software as an asset that a company has.

And I wonder with some of the things that you talked about this year at RSC this year, like what are the tools and other things that you guys are providing now to help people? I mean, I guess at the end of the day a lot of what we're talking about gets down to, there's some person or team of people who are going to make some decision about software in the company and allocating things like that. And so what are some of the tools and stuff that you guys have been talking about this year that help with that?

HEBNER: It's just so much about doing the right things, not just doing everything well, right? And I think if you kind of look at just the evolution of all this, you know, it used to be about the individual, making the individual more productive, they can produce more code, it's higher quality.

The areas about the project teams, right, things like ClearQuest and ClearCase, it was all about being effective with the teams. Then it became more of an organizational discussion, how do you share assets and skills, how do you have the flexibility to move things and share things across

multiple projects?

And now we're on to this discussion about the next tier, which is about the business. We have a bunch of studies that show that in general, the IT leaders and the business leaders aren't always seeing things the same way, and most business leaders -- almost 80 percent of them -- have a feeling that IT is not executed on their priorities.

So there is a chasm between what the business feels it needs and what they think IT is actually executing against. So that's a big part of the new expansion now, is I think we're making really good progress as a community in doing things well. Now the trick is, are we doing what's really needed for the business as the business priorities are always evolving and changing, how do you keep everyone in synch, right?

So that's what some of the newer products this week are, like Rational Insight, is all about executive dashboards that can monitor in real time, in real data collection, sense, if you will, it's all instrumented, what projects you have underway, how they're performing, are they on budget, are they on target.

You know, then you can say, I'm putting this much money in this project and that much on that, and that can be viewed

by the business people and say, oh, no, you should really do it the other way around, because that one's a higher priority.

And it creates that conversation not only on where the money's going and the investments are going, but how are they progressing, who's behind and who's not and so forth. And then you can react and shift things.

Another product would be Rational focal point for project management, so this is a brand-new product. And that's about the project managers making sure that they're able to, in real time, again, understand the status of the project in a lot more granularity, so they can see what's working and what's not working, and they can then respond...

COTE: And then does that follow a similar sort of, I don't know, pattern or architecture, sort of inner working as insight where you're sort of, each of the different steps, or repositories, or whatever, the different moving parts are somehow instrumented, and there's a report...

HEBNER: Exactly. It's just different...it's different tiers or different links of the same chain, right? So the Jazz technology platform is what integrates it all together and allows you to create a processes out of it.

The Measured Capability Improvement Framework is this methodology that we're now talking about and helping customers with, which helps you establish your business goals, establish your operational goals to implement the business goals, establish your operational goals to implement the business goals, and then what are the best practices in achieving the operational goals.

You might want to, you know, you're realizing that competition keeps beating you to market, so you want to cut your new release of your product from 18 months to 12 months. That's your business objective.

Then you set up a set of operational objectives that says, okay, in order to do that, you know, we need to stop rework, because we do 40 percent of the rework because we seem to get the requirements wrong. Right? So that's your operational objective.

Then you say, okay, what are the best practices that we can put into, you know, into action, that will help us improve our requirements management so that we're not reworking things all the time?

And there's a set of best practices that then get created that can then be implemented in Jazz. And so we have an insight, is the executive dashboards built on Cognos that

allows you to monitor everything. The Focal Point tool is in the project, the actual project management tool with all the metrics, and here's how many people are on this, and you can shift things around depending on who's behind and who's not.

And then you get into products like Rational Requirements Composer that not only helps you to drive a greater degree of precision in the requirements -- are you doing the right things -- but it helps keep everyone in synch through collaboration technology so that if the business leaders are thinking there's a change...

...or if you're an Agile development project and you realize, we can actually do things in a different way, you want to make sure the business people are okay, and it helps facilitate that...that collaboration so that everyone's in synch and therefore ultimately you don't rework as much.

And so really what Jazz is doing, and these three products I just mentioned that are new this week, they're helping to take the application lifecycle management infrastructure that the teams use and put in a layer on top of it that allows them to now interact with the business leaders, and the IT executives, and the CIO, and the CFO, in a way that in the past was always manual and was always ad hoc.

COTE: You've mentioned the business needs several times. I mean, obviously it's good...it's always nice not to create software in a vacuum, right?
[LAUGHTER]

And hook up to that. And that always seems to have been a [plagued travel] of whatever you want to call it, application lifecycle management or software development, is somehow linking those two things together and making them mesh together more so than just the development folks saying like we've got this iteration done, or something.

Somehow assessing the value between the two. And I'm curious, a lot of the MCIF...or, some of the MCIF stuff seems to address this, as we used to call it, business/IT alignment or whatever, and in the operations area. And I wonder what, like what some of the things you've been talking about, how it sort of hooks up or sort of has the business hook down into, if you will, the development process.

HEBNER: I think there's a couple macro things going on here. First of all, I think most businesses viewed their investments in software and IT as being an operational enabler. It was about getting a process built and deployed.

So it was never viewed as a strategic business asset. It

wasn't like the capital that you have, or the buildings and all the physical assets. It wasn't like your fleet of delivery trucks, where you really managed that very, very well, you knew where all the investments were and how they were performing, and how many miles were on this truck versus that truck, the services. Software was never managed that way, because it was really the backroom thing to enable the process.

COTE: Right, I mean, it's interesting, because that kind of implies that you can not care about it...
[LAUGHTER]
...in a negative sort of way. In a sort of a black box of budget, if you will.

HEBNER: I think the truth of the matter is that everyone cared about it, but it was one of those things that was in the background. Most business leaders were saying, look, I need an application to do this, and someone would go off and build it, but they left it to...a great degree of it was really up to the IT team on how to figure out how to do it, and then they'd come back and say, well, you didn't quite...this doesn't quite do what I need it to do.

But now think about their use of software. It is so critically important to the business people. Right? If you're going to be...if you're going to be a leading car, an

automobile manufacturer, or treadmills, even....

I remember reading an article a couple of years ago when I was buying a treadmill, the number one buying criteria is the programs. It's no longer the...you know? And so if you don't build so that the product people, the business people, care more and more about the software, right?

You can't have an online Web site to sell your product unless it's PCI compliant. You can't have credit card transactions. So there's a much greater degree of focus there, and the business people always come up with new ways to create money and enter new markets, and very fast moving, very dynamic. And it's the whole notion of manual connections, right?

COTE: Right.

HEBNER: And the more you can automate them, the more you can, you know, facilitate a collaborative environment where you can work together and be kept in synch. And then, the ability to really agree on what you're trying to achieve and then continuously understand and approve where you are.

And that's really what's happening here, is the line is finally blurring between development, operations and business. We've always talked about it, but even though we've talked about it, it still is very, there's always been

communications between business, operations and development, and there's always been an attempt to try to align it all. Right?

But that doesn't mean that they are aligned, because you know, you have a whole bunch of moving parts in each one of those three areas. And I think the magic sauce here, if you will, the secret sauce here, is that if you can automate how you interact with each other that's based on real-time information and a clear set of objectives...

And you can facilitate the collaboration, again, in real time, in an easy to use fashion that people can really collaborate on priorities, and status, and everyone can see the view that they want to see...

And then you're able to agree not only on the metrics, but you're able to monitor them and improve them, and it's really all about the automation and the collaboration and the ability to report against how you're progressing.

And what's interesting with this whole conversation is that those are the three pillars of a business process. Even if you were doing an insurance process for...an insurance process to process a claim, right? You need the right people collaborating in the business. You want to automate it so it's productive.

And you want to know how many claims you're able to process and whether you can improve the number, and the quality of them, and so you measure it, and then you know what's not working and you improve it.

So the same kind of thing is needed here, is the way to get these teams working together is to put a business process in place for how you go about investing in and delivering software.

COTE: It's almost as if it's sort of the maturation of software [LAUGHTER]...
HEBNER: It is.
COTE: ...using business to be a little bit more professional, if you will.

HEBNER: I think software is one of the most exciting areas to be in, I think, and it's come a long way. Just think about the last 10, 15 years, I mean, it's just amazing. I mean, it wasn't long ago that, I remember with OpenDoc, I think it was like in 1995 or 1996 or something like that, say 10 years ago, we were amazed that we had two clocks running at the same time...
[LAUGHTER]
...on Windows. Remember that?
COTE: Yes, yes.

HEBNER: And that was not that long ago. You look at other industries, like if you're a producer of mechanical products or electronic products, they've got that down to an art form. You've got these big machines, they can crank these things out. Very well designed in terms of process and all that.

And software, just because it's much newer, you know, it hasn't gotten to that level yet of science...

COTE: And stability.

HEBNER: Stability, and science, and...

COTE: ...and repeatability.

HEBNER: And but now it has to be, because now it's affecting, you know, if you're a producer of a product, whether it be a physical product like a car or whether it be a virtual product like advice, right, or whether it be like, you know, like AIG, you know, the financial products division, it's all about the financial stuff, so an application could be a product...

It's affecting your product safety, your product liability, your brand image, your customer satisfaction. You could potentially get into lawsuits where you get sued. There's a lot of, you know, recalls. You know, cars are getting recalled, medical devices and you know, almost invariably it

comes down to managing the software...

Given this world that, I mean, it used to be that you deploy an application, if something wasn't working, we've all went through this, right? Where something doesn't quite work right, or there's an error in it, they'll just fix it in the next release, right?

If your BlackBerry or iPhone software doesn't work, you know, it's okay, you'll get another release of it, or you know, everyone has either cable or satellite dishes, right? And it was always downloading the new software, firmware updates. And so we certainly live in that world.

But when you start thinking about these broader uses now of software, you've got to get it right the first time. You can't have your interlock breaks, or your exhaust system in your car, or your sensor windshield wipers not working.

So the competency of a product manufacturer now that they have...you know, is becoming a software competency, because that's what differentiates all these products. And so software's become more than just an IT and a business enabler from a business process perspective; it's become the key ingredient in all these different products.

And therefore, it is more than doubled in importance just by

the nature of its being used so much more pervasively. And I think business leaders around the world are starting to say, you know, I've got to stop ignoring it. To me it was a technical thing, I know it is important, I know that it was enabling a lot of business capability. But it's such an important thing now, right, that we need to really start to understand.

If we're putting this much money into software that's accumulated this much over the last many years, you know, are we really sure we're getting the value out of it?

COTE: Well, great. Well, thanks for spending all this time to talk about this. I think that sort of added some nice dimension to the announcements that I've been looking over.

HEBNER: You bet. I look forward to our next conversation, we'll see...

COTE: Yes, yes. We'll see you in six or 12 months, depending on what happens. I remember last time, it was about six months ago that we talked last, right?

HEBNER: Yes. I think our next conversation, I'll bet you we start getting into this notion of Dynamic Infrastructure and...

COTE: There you go.

HEBNER: ...going up scale, and cloud, and you know, because I think the next major step here is, okay, how do I start to really free up more capital and more money to invest in new innovative products. Be more efficient as a community in how we produce software, now we're worried about making sure we're aligning that with the business needs in terms of the investments the business is making in us as a community.

I think the next step is now how do we help to free up money and capital so that we can reinvest in doing more and more projects that are going to help the business, right?

COTE: Right.

HEBNER: And I think that's when you start getting into these discussions of cloud, and software as a service, and not only building applications for that, but software delivery and collaborative lifecycle management services that are on the cloud.

COTE: Right, right.

HEBNER: You know, I want to onboard you real quick to do a project in the next week for me; I don't want to have to go buy you tools or get you, you know, all these things. You can just dynamically provision a set of client services, you need it, boom, you get it done. And a week later you're doing something else, then I de-provision it, and I only

have to pay for it for a week.

COTE: Well, great. Well, thanks for spending all this time to talk with us.

HEBNER: You bet.

[END OF SEGMENT]