Enterprise Productivity

Linda Sanford
Senior Vice President, Enterprise Transformation
Transformation Maturation

The “Smarter” phase of our transformation is underway

- Productivity is the fuel for innovation and growth
- Differentiated innovation and management
- Confident in our ability to achieve $8B in improved productivity for the 2015 roadmap
Operating Leverage

Applying transformation principles to all of IBM’s spending to drive $8B in productivity benefits through 2015

Shared Services $2.5B
End-to-End Process Transformation $2.5B
Integrated Operations $3.0B

~60% reinvested for growth
~40% taken to the bottom-line

* Restated to include new Shared Services mission; Shared Services spending total assumes consistent currency
Shared Services

Shared Services drive $2.5B in savings through 2015

- Governance ensures consistent and integrated delivery
- Global leaders with full control of resources
- Accountable for results

Globally integrated organizational units providing support services to all of IBM

- Finance
- Integrated Supply Chain
- Human Resources
- Real Estate Operations
- Legal
- Information Technology
- Marketing and Communications
- Sales Management Support
Shared Services – Finance 2.0

Performance through smarter automation and analytics

- Automated spend and headcount forecasts
  - Single trusted data source
  - Cognos (2,300 users, 25M records)
  - 90% of spending forecasts created automatically
  - 25% improvement in reporting accuracy

- Predict country financial risk
  - 160+ countries, 100 metrics, 4 key risk indicators
  - SPSS, Cognos
  - Early warning signals provide 6-9 month mitigation lead time
  - Lowered financial exposure in high-risk countries

Deliver $255M of savings
End-to-End Process Transformation

Horizontal process optimization drives $2.5B in benefits through 2015

Horizontal, end-to-end process transformation initiatives

- Service Product Transformation
- Opportunity-to-Order
- Order-to-Cash
- Hardware Product Management Transformation
- Service Labor Management Transformation
- Business Partner Enablement
- Smarter Commerce for IBM
- Catalog Data Optimization

- Senior leaders, based in units
- Business case discipline
- Measurement and tracking
End-to-End Process – Service Product Transformation

Harnessing analytics to optimize 3rd party spend

- Leveraging Services scale
  - $6B of spend, 1 million “shopping carts”
  - 4,900 suppliers, 3 million catalog items

- Smarter client solution design
  - Disciplined 3rd party component selection
  - Analytics driven spending decisions for 40k software transactions

- Preferred product selection and reuse for 130k employee transactions

Deliver $388M of savings
Integrated Operations

Applying transformation principles drives $3.0B in savings through 2015

- Programs that drive integration in our enterprise activities, skills and assets
  - Global Client Center Transformation
  - Center-Based Operations
  - Business Operations
  - Development
  - Coverage Optimization with Profitability
  - Worldwide Investment
  - Quota Transformation
  - Patent Centers

- Powered by analytics, methods and tools
- Business unit led
- Disciplined change management
Integrated Operations – Global Client Centers

Helping clients transform their business

- **Productivity and efficiency focus**
  - Reduced Major Market center footprint by 24%
  - Satellite centers expand client reach

- **Enriched client experience**
  - Access to expertise and intellectual capital
  - Showcase Smarter Planet, Big Data and integrated solutions
  - 87% of clients report a stronger relationship

- **New client opportunities**
  - 50k events across 130 centers
  - Influenced over $8B in deals won

**Deliver $73M of benefits**
Enterprise Productivity Summary

Productivity is the fuel for innovation and growth

Enabling IBMers to deliver value through innovation, simplification and integration

Our proven governance model, methods and tools give us confidence to achieve $8B improved productivity for the 2015 roadmap
IBM Investor Briefing
These charts and the associated remarks and comments are integrally related, and they are intended to be presented and understood together.

In an effort to provide additional and useful information regarding the company’s financial results and other financial information as determined by generally accepted accounting principles (GAAP), certain materials presented during this event include non-GAAP information. The rationale for management’s use of this non-GAAP information, the reconciliation of that information to GAAP, and other related information is included in supplemental materials entitled “Non-GAAP Supplemental Materials” that are linked to the company’s investor relations web site at http://www.ibm.com/investor/events/investor0213.phtml. The Non-GAAP Supplemental Materials are also included as Attachment II to the company’s Forms 8-K dated January 22, 2013 and February 28, 2013.