Enterprise Productivity Initiatives

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Enterprise Productivity

**Cumulative Enterprise Productivity Savings ($B)**

- **Next generation transformation**
  - Radical simplification, integration and innovation
  - Growth and productivity
  - Smarter phase of our transformation

- **Confident in ability to further improve productivity by $8B from 2011 to 2015**
Progress to Date

Productivity improvements of $6.2B were achieved through 2010

- $4.8B spending reduction in Shared Services from 2005 through 2010
- $1.4B productivity improvement in end-to-end process transformation and integrated operations
Operating Leverage

Applying transformation principles to all of IBM’s spending to drive $8B in productivity benefits over the next 5 years

- Radically simplify
- Integrate operations across units
- Drive differentiated innovation
- Enable growth and productivity

2005
$16.3B
Shared Service Spending

2010
$11.4B
Total Cost and Expense

2010
~$80B

Shared Services
$2.3B

End-to-End Process Transformation
$2.6B

Integrated Operations
$3.1B

~$80B

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Radical Simplification and Integration

*Our transformation initiatives play a critical role in achieving our 2015 roadmap objectives*

**Shared Services**
Globally integrated organizational units providing support services to all of IBM
- Human Resources
- Global Sales Operations
- Integrated Supply Chain
- Real Estate Operations
- Finance
- Legal
- Information Technology
- Marketing and Communications
- Sales Transaction Hub

**End-to-End Process Transformation**
Horizontal, end-to-end process transformation initiatives
- Hardware Product Management Transformation
- Incentives
- Order-to-Cash
- Opportunity-to-Order
- Service Labor Management Transformation
- Service Product Transformation
- Business Partner Enablement

**Integrated Operations**
Programs that draw on synergies in our worldwide enterprise processes, skills and assets to drive integration
- Business Operations
- Global Client Centers
- Center-Based Operations
- Sales Management and Support Development

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Radical Simplification and Integration

Our transformation initiatives play a critical role in achieving our 2015 roadmap objectives

Shared Services
- Improve manufacturing cycle time and operations to perform final configuration internally
- Eliminate need to stock Power Systems inventory at business partners
- Drive work elimination savings of $3.5M
- Deliver overall Shared Service elimination savings of $300M through 2015

End-to-End Process Transformation
- Drive radical change in labor supplier sourcing and resource capacity management
- Optimize supplier portfolio and concentrate spending with preferred suppliers to nearly 90% by year end
- Accelerate labor optimization of IBM’s deployable resources by 0.5%
- Deliver $450M of benefit through 2015

Integrated Operations
- Streamline sales forecasting through business analytics and process simplification
- Increase time sellers and sales managers spend in high-value client activities by 10% and 20% respectively
- Deliver $200M of benefit through 2015

Integrated Supply Chain
Service Labor Management Transformation
Sales Management and Support
Growth Enablement

Enabling growth ensures we have the capacity and capability to support the 2015 objectives

**Investing in analytics**
- Advanced analytics to enable improvements in sales performance, staffing and risk
- Example: Territory Optimization Program, Simplified Coverage Model

**Enabling the Growth Markets**
- Support for Growth Market expansion objectives
- Example: IT infrastructure in-a-box, Shared Services in-a-box

**Becoming the leading showcase for growth plays**
- Advancement of our internal capabilities for Smarter Planet, Cloud and Business Analytics and Optimization
- Example: Blue Insight Cloud, Smarter Buildings

**Supporting the acquisition strategy**
- Optimization of integration and infrastructure to drive performance
- Example: Portfolio and Risk Management analytics engine
Growth Enablement

Enabling growth ensures we have the capacity and capability to support the 2015 objectives

Investing in analytics

- Territory Optimization Program has been deployed to 13,000 seller territories
- Optimized territories show an average of 10% sales performance improvement

Competitive Advantage

Descriptive
- Standard reporting
- Ad hoc reporting
- Query/drill down
- Alerts

Predictive
- Forecasting
- Simulation
- Predictive modeling

Prescriptive
- Optimization
- Stochastic optimization
Transformation Maturation

The “Smarter” phase of our transformation is underway

2002
Sharing & partnering
- Consistent set of processes worldwide
- Leverage best practices
- Standardize and reduce waste
- Governance and performance discipline

2006
Globally integrating
- Right skills, right place, right cost
- Rationalize support functions for greater efficiency
- Radically simplify processes

2010
Making things smarter
- Instrumented, interconnected, intelligent
- Enable growth and productivity
- Optimize the whole system
Differentiators

- Enterprise-wide governance model with programmatic methods and approaches
- Quantitative benefit realization measurement and tracking
- Disciplined change management driven by global understanding of 2015 goals and a growth and innovation mindset
- Proactive risk management and mitigation strategy
Apply the proven principles of the Globally Integrated Enterprise to all of IBM’s spending

The Smarter phase of our transformation is underway

New levels of cross-enterprise collaboration and integration

Our proven governance model, methods and tools give us confidence to achieve the $8B 2015 roadmap productivity objective
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