

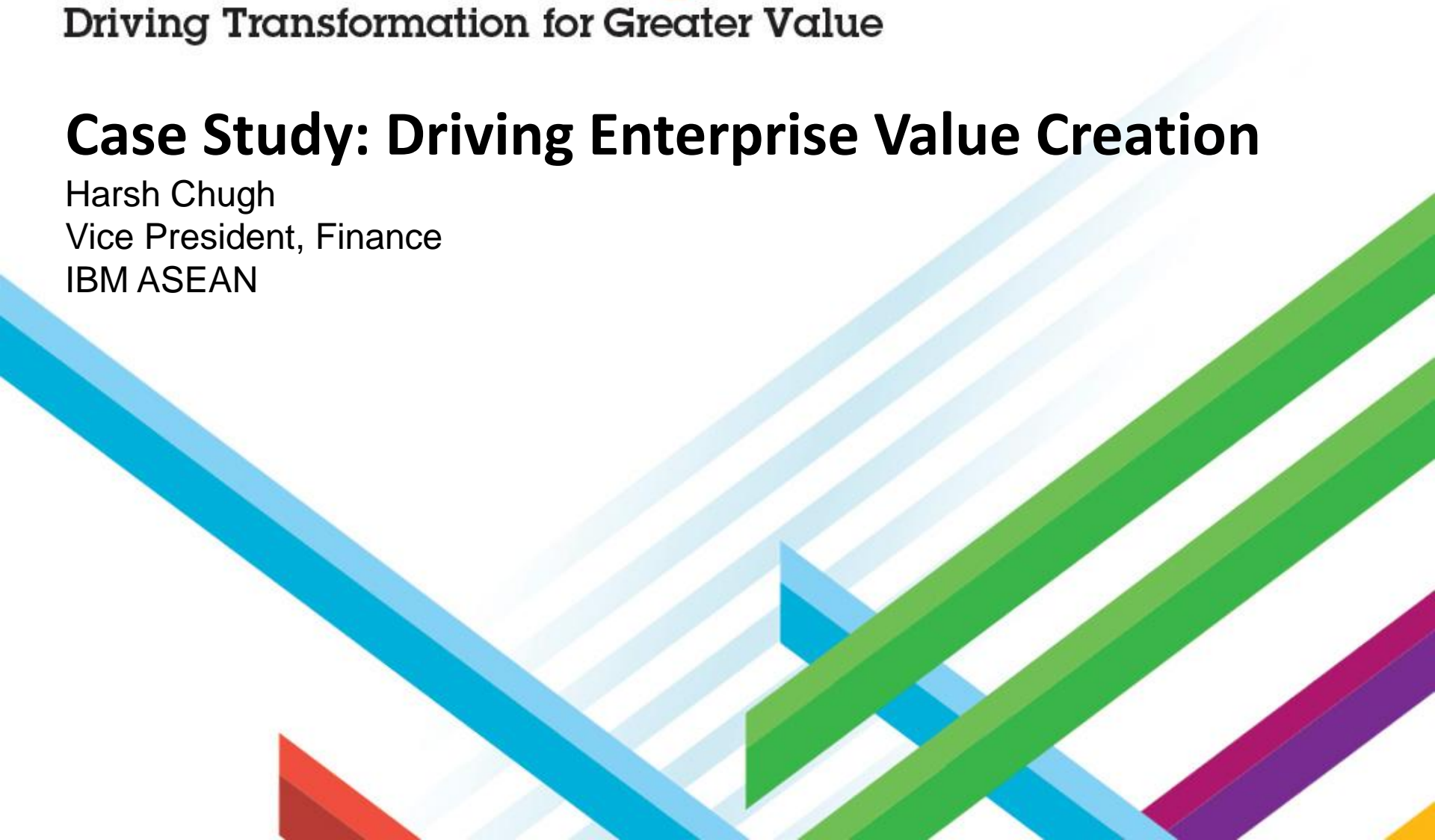


# IBM LeadershipConnect

Driving Transformation for Greater Value

## Case Study: Driving Enterprise Value Creation

Harsh Chugh  
Vice President, Finance  
IBM ASEAN





# IBM's Ongoing Transformation Journey

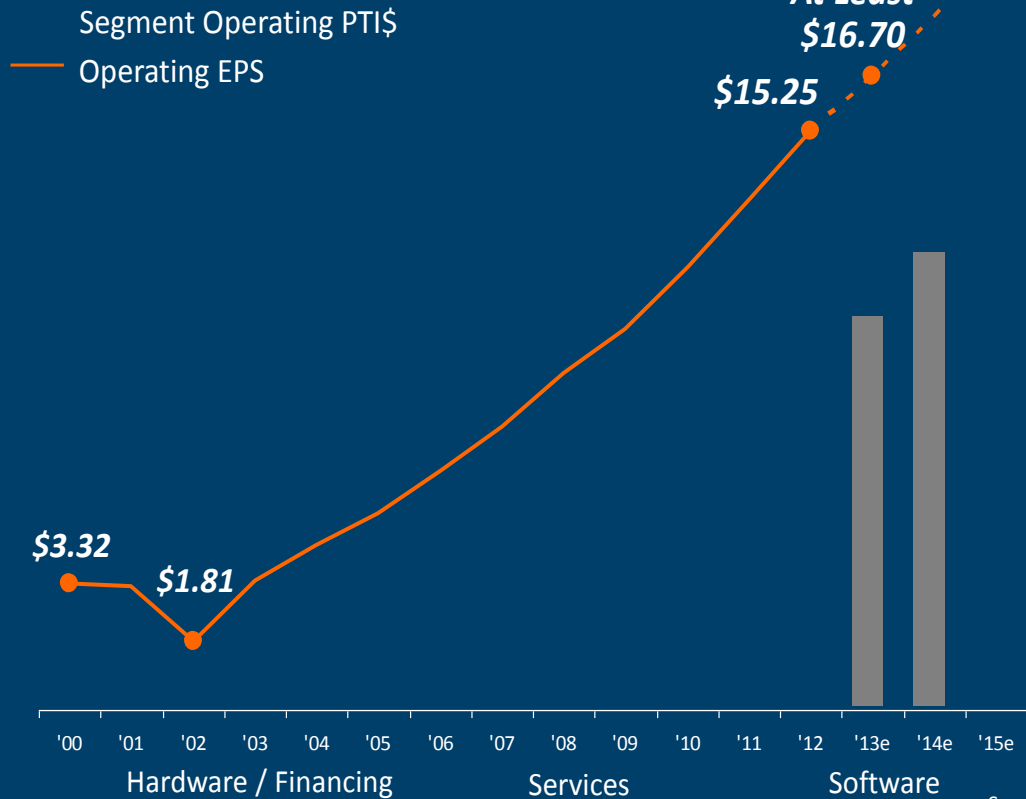
**EVOLVE**

**ENABLE**

**EVANGELIZE**

**EDUCATE**

# Operating PTI / EPS \*



## 2015 Objectives

- Software contributes about half of our segment profit
- Growth Initiatives deliver > \$20B in revenue growth
- Growth Markets approach 30% of IM's geographic revenue
- Enterprise Productivity delivers \$8B in gross savings
- IBM returns \$70B to shareholders over the Roadmap

\* Non-GAAP: Excludes Acquisition-related charges and non-operating retirement-related expense

Sum of external segment pre-tax income not equal to IBM pre-tax income  
2000 & 2001 segments not restated for stock based compensation

IBM Investor Briefing

2015 Roadmap



2010 Operating EPS\*

2015 Operating EPS\*

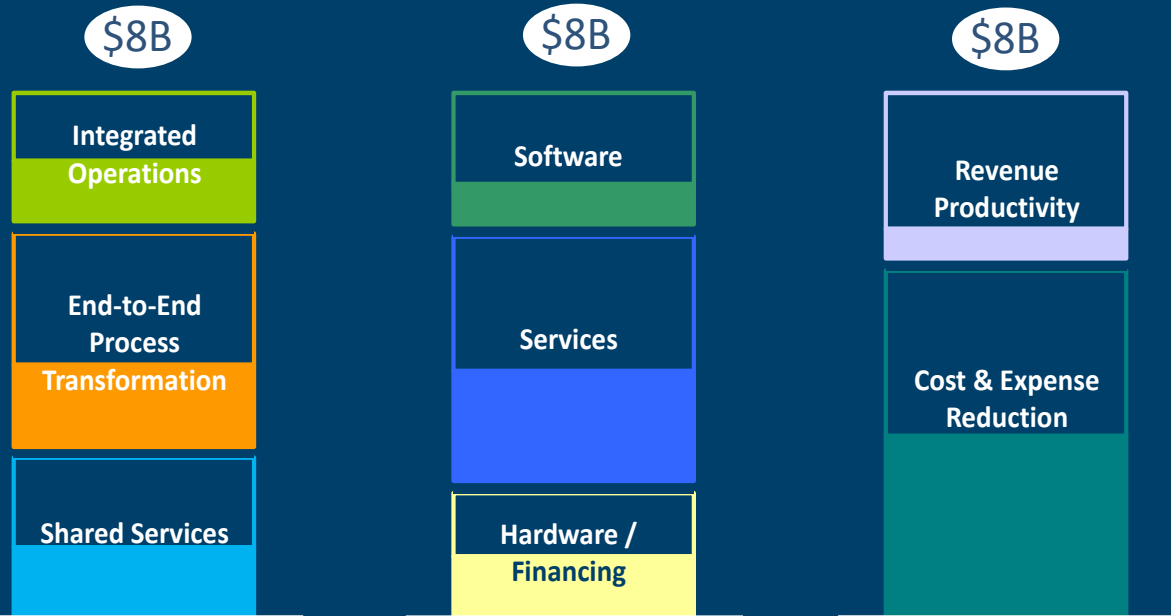
\* Non-GAAP: Excludes acquisition-related charges and non-operating retirement-related expense. Assumes current tax policy and Non-GAAP tax rate of 25%  
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*On track to achieve \$8B of Enterprise Productivity*

*Enterprise Productivity Savings (\$B)*



'10-'12 Operating EPS





# Radical simplification and integration are the key principles of enterprise productivity

*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

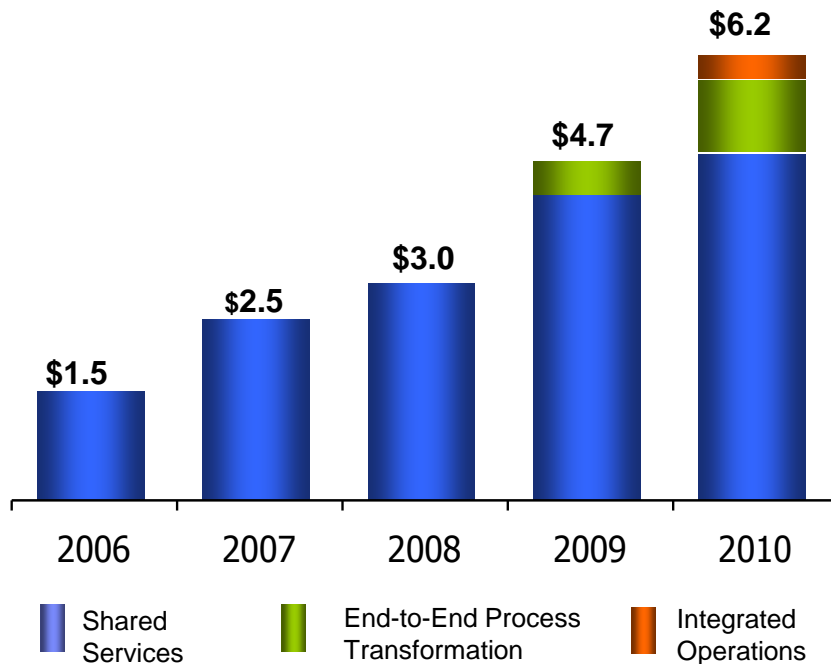
## Integrated Operations

Programs that draw on synergies in our worldwide enterprise processes, skills and assets to drive integration

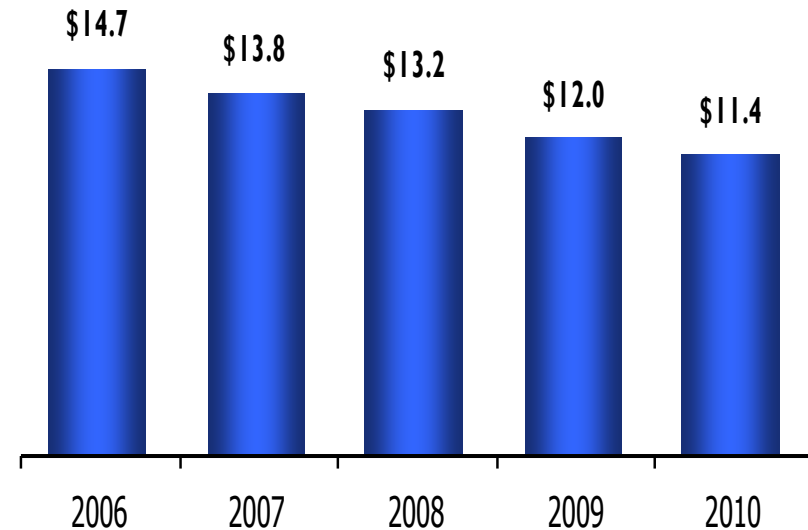
Business Operations  
Global Client Centers  
Center-Based Operations  
Sales Management and Support  
Development

# Enterprise productivity initiatives have reaped significant benefits

Cumulative Enterprise Productivity Savings (\$B)



Shared Services Spend (\$B)







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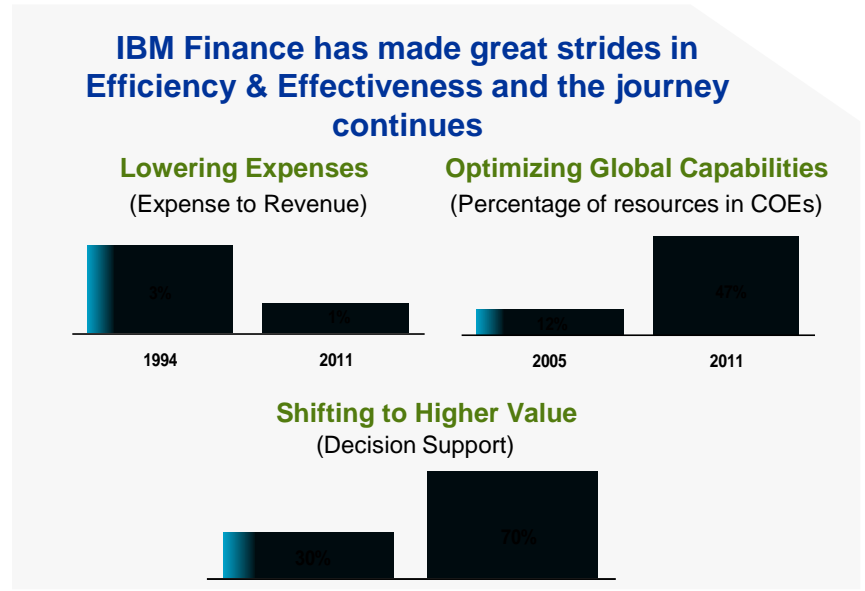
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# In order to drive change one must first understand their starting point



# Analytics@IBM serves as the liaison between our user community and IT

**Mission:**

*To champion internal adoption of IBM analytic solutions to improve our customer offerings and showcase a powerful message of scalability, ROI and competitive displacement*

**Objectives:**



**FLAG**  
Finance Leadership Advocacy Group

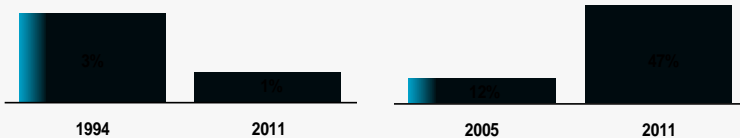


**BACC**  
Business Analytics Center of Competency

**IBM Finance has made great strides in Efficiency & Effectiveness and the journey continues**

**Lowering Expenses**  
(Expense to Revenue)

**Optimizing Global Capabilities**  
(Percentage of resources in COEs)



**Shifting to Higher Value**  
(Decision Support)



**IBM Finance – Fastest adopter of Analytics@IBM**

Move beyond labor & process arbitrage (expense productivity) to the next wave -

**Intellectual Productivity**

# Deployment of Acquired Analytics

<p><i>Manage Risk</i></p> <p><b>Enterprise Risk Management and advisor to business units and senior management</b></p>	<p><i>Operational Efficiency</i></p> <p><b>Efficient service delivery through standardization, automation and centralization</b></p>	<p><i>Business Insight</i></p> <p><b>Trusted Business Advisors</b></p>
<p><b>Tools Deployed</b></p>	<p><b>Tools Deployed</b></p>	<p><b>Tools Deployed</b></p>
<p>Country Financial Risk Scorecard</p> <p>Business Partner Gray Market Analysis</p> <p>PRISM M&amp;A Risk Management</p> <p>Strategic Planning Optimization</p> <p>Critical Parts Management Tool</p>	<p>WW Spend</p> <p>Employee Expenses Monitoring &amp; Analysis</p> <p>Workforce Analytics</p> <p>Coverage Optimization</p> <p>SO Cost and Risk Management</p> <p>Labor Claiming Analytics</p>	<p>STAR</p> <p>Business Intelligence Dashboards</p> <p>Services Backlog Run Out and Revenue Analytics</p> <p>Business Partner Optimization and Opportunity Growth</p> <p>Transformation for Quota and Opportunity Alignment</p>



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# Automating IBM Treasury Reporting

## CHALLENGE

- IBM Treasury **needed a solution to automate** the collection and aggregation of daily, updated cash/debt data and FX rates
- Such solution would allow Treasury Management to look at its cash positions around the globe and **see near real-time data quickly, easily and accurately**

## SOLUTION

Using IBM Cognos FSR, the Treasury Department was able to **automate** each step in the cash management process, which allowed it to:

- **Cut the time and effort** needed to collect, consolidate and review monthly reports and forecasts
- **Greatly reduce the risk of errors** in this critical Finance function

## BENEFITS

- IBM Treasury accomplished its key objective of **increasing productivity** by eliminating many manual and error-prone processes
- The **collection, aggregation, review and validation** of the quarterly cash and debt data and reports were **automated**, while **controls and visibility over the entire process** have been **optimized**
- Implementation and training were quick since FSR leverages the familiar user interfaces of Microsoft Excel and Microsoft Word

# World Wide Spend Application

## CHALLENGE

- **Different geographies and brands used their own data sources** and processes supporting expense management
- **No standards** meant systems were **not tied to key CHQ management system (WWIE)**
- **Delays in accessing information** due to long load times of Cubes

## SOLUTION

- Implemented **consistent data and metadata standards**
- Developed a **flexible / modern SOA architecture** allowing for **easy expansion across geographies**
- **Single worldwide application** for Spend Analytics and tracking on **one TM1 Cube** across all geographies with **3,000+ current users, 500+ concurrent active system users**

## BENEFITS

- **Increased visibility across geographies and brands** allowed for **cost control optimizations**
- Common processes **increase career options** of financial analysts across IBM
- Single application to support **common set of skills** required to use and maintain
- **Reduced cube load times by 80%**
- **Reduced calculation times from 45 minutes to near real time**
- **Lower third party licensing costs**



# IBM Country Financial Risk Scorecard - Smarter Near Real-time Integrated Risk Management

## CHALLENGE

- **Vast amounts, but fragmented data** provides **little opportunity for consistent analysis and proactive identification** of financial country risks
- Lack of automated solution requires **manual aggregation and analysis**
- **Limited visibility to external risk** creates a **blind spot to emerging risks**

## SOLUTION

- Created **Scorecard** that **automated** information integration and financial risk monitoring KRIs – Business insights into risk exposures
- Risk-based predictive analytics by:
  - Country
  - Trends

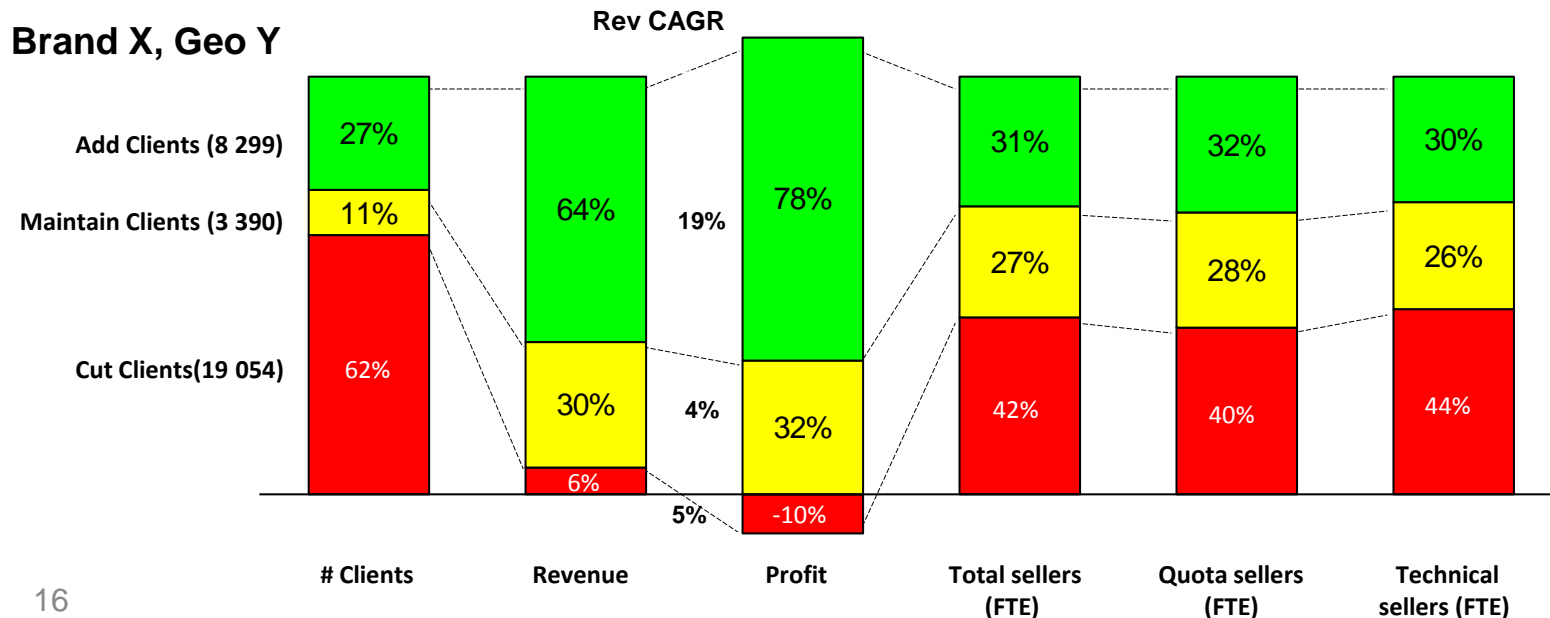
## BENEFITS

- Enable **agile decision making** to seize opportunities and **mitigate impact of unfavorable risk events**. Centralized, consistent, and automated approach to measure and monitor financial risks
- Empowering chief financial officers (CFOs) to be **value integrators**
- **Increase productivity** of finance leaders across the enterprise, encourage broader **global collaboration**, and **elevate skill** levels. **Reduce time** to gather and analyze data **from weeks to hours**

# Coverage Optimization with Profitability (COP) add-cut-maintain analysis is based on profit margin, revenue growth, and future revenue opportunity

Illustrative example

	High Revenue Growth		Low Revenue Growth	
Profit Margin	1. High Opportunity Headroom	2. Low Opportunity Headroom	3. High Opportunity Headroom	4. Low Opportunity Headroom
A. High	Add	Add	Add	Maintain
B. Medium	Add	Maintain	Maintain	Maintain
C. Low	Maintain	Cut	Cut	Cut
D. Very low	Cut	Cut	Cut	Cut



# PRISM helps systematically identify, prioritize & mitigate acquisition risks

**IBM CFO Mark Loughridge, 4Q2011 earnings call (Jan 19, 2012):**

“...we've built a tool with Research based on the analytic performance in all of the acquisitions that we've done since 2000. ... So now when we go in and do due diligence in an acquisition, we use that analytical tool, this is called eating your own cooking, we use that analytical tool to improve our performance. .... **Analytics, I think, has really paid off for us.**”



Concept Approval ◆ Due Diligence ◆ Final Approval ◆

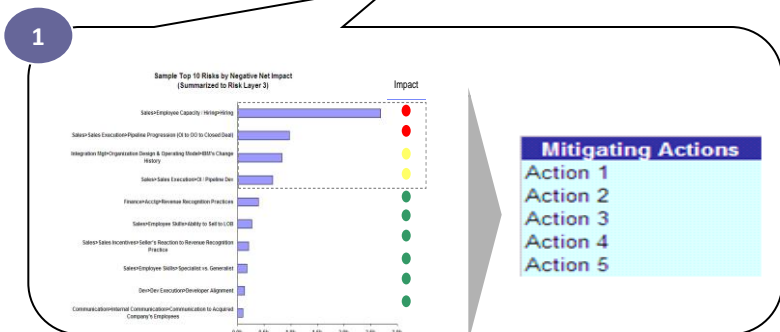
**Provide quantified prediction of potential acquisition risks**

**Validate risk factors and mitigation actions**

**Tag deal issues to a performance tree, record root causes, mitigation actions and best practices**

**Provide performance insights for historical deals and deals currently in tracking**

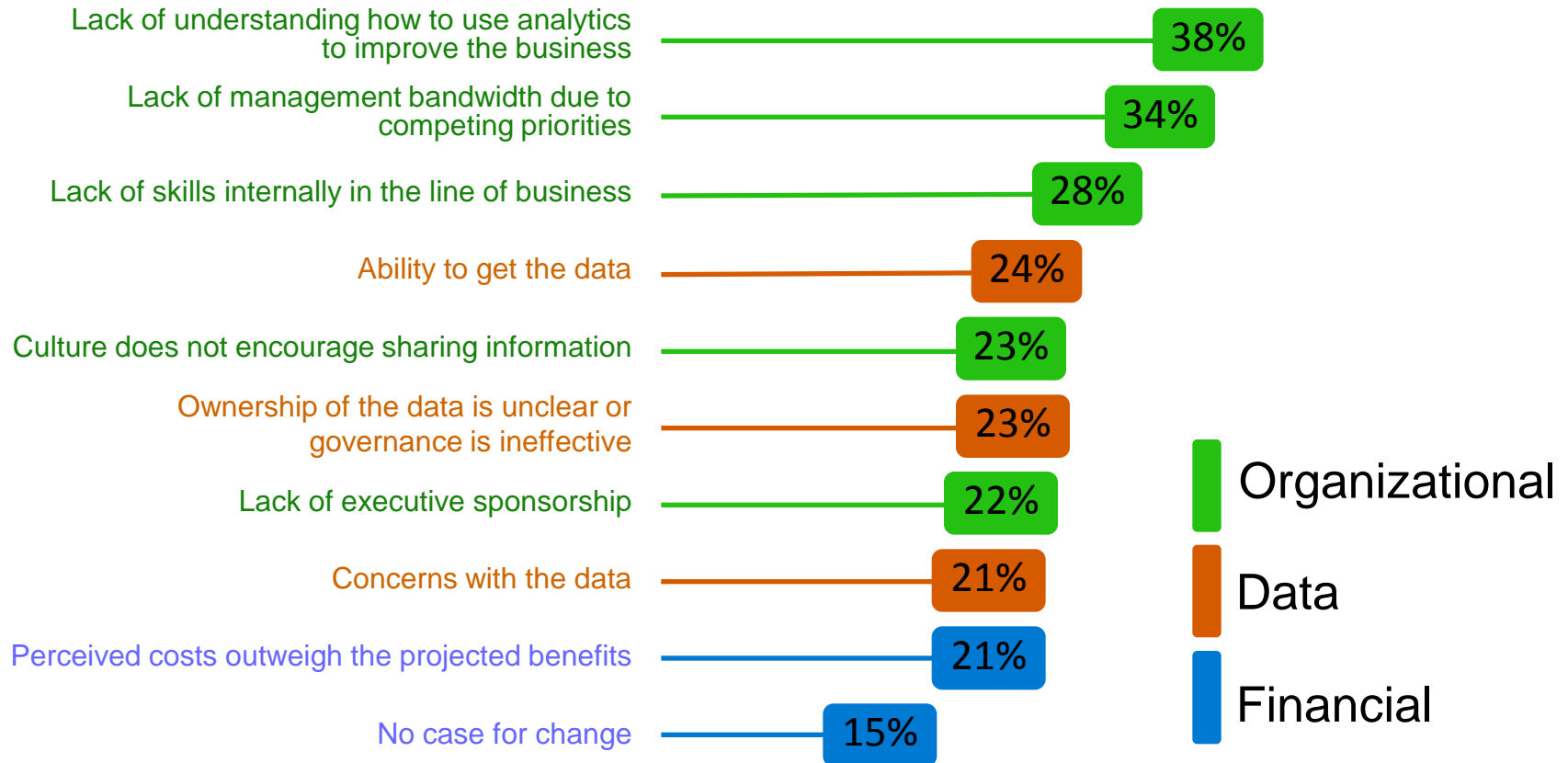
**Key Outputs**



Train the predictive model

# If analytics correlates to performance, what's preventing adoption?

Primary obstacles to widespread analytics adoption



Source: Analytics: The New Path to Value, a joint MIT Sloan Management Review and IBM Institute for Business Value study.

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# Transformation requires both vision and enablement

