



# IBM's Transformation Journey

*Enabling growth, productivity, and culture change*

**Nancy DeViney**

**VP, Values & Organizational Capability**

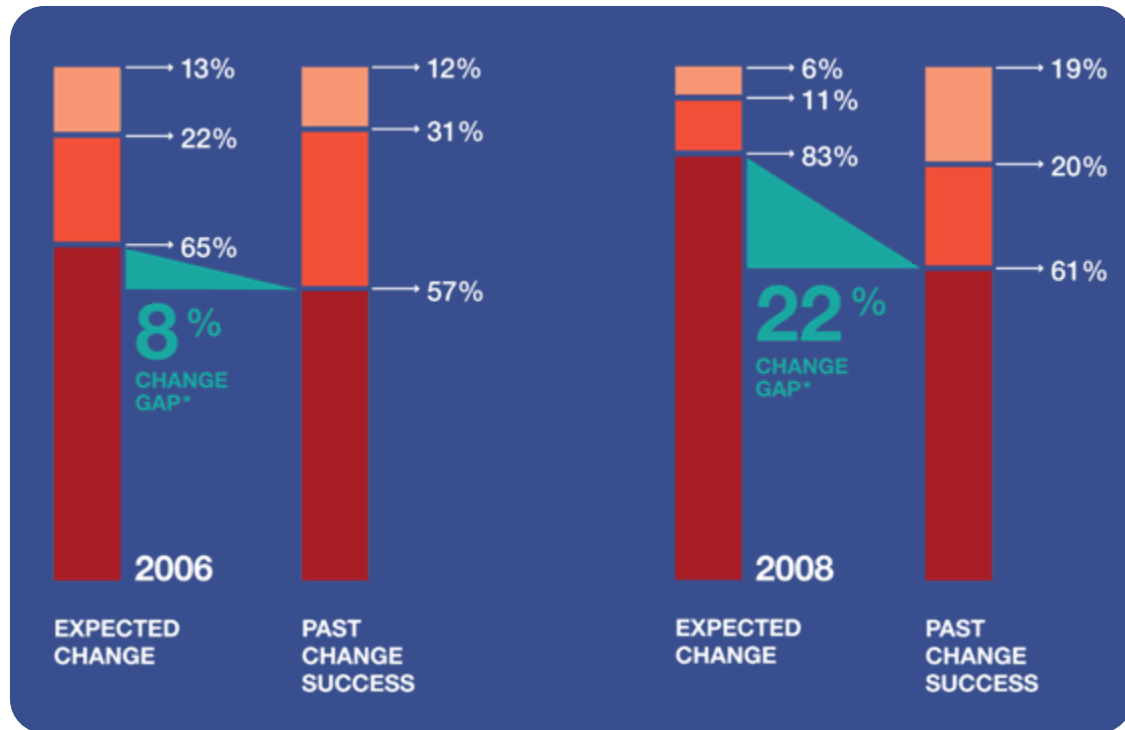
# CEO Study: Hungry for Change

8 in 10

CEOs anticipate turbulent change and bold moves.

3x

Increase in the gap between leaders' need for change and their ability to manage it.



Source: 2008 IBM CEO Study

## IBM at a Glance: Y/E 2008

**Revenue** \$103.6B

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**Pre-Tax Profit** \$16.7B

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**Global Presence** 170 Countries

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**Employees** 398,455

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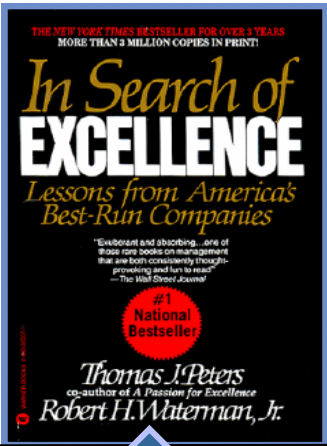
**Business Segments** Services, Software, Hardware,  
Research and Financing

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**Business Model** Helping clients succeed in delivering business value by becoming more innovative, efficient and competitive through the use of business insight and information technology (IT) solutions, and providing long-term value to shareholders

In the late '80s and early '90s - we had failed to respond to dramatic changes in the market...

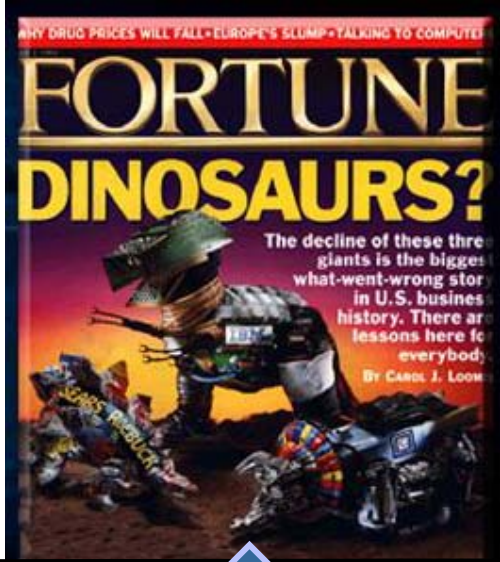
# IBM's 4th-Quarter Deficit Hit a Record \$5.46 Billion



1982



1984



1992

**Signing Off**  
Akers Quits at IBM Under Heavy Pressure; Dividend Is Slashed  
Outsiders Will Lead Search For New Chief Executive To Be a 'Change-Master' But Who'd Want This Job?

1993

# IBM's Transformation: An Ongoing Journey

## Focus Areas

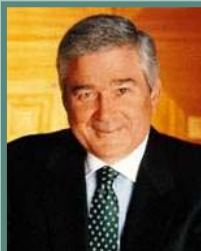
- Keeping company together & stabilizing business
- Bringing massive decentralization under control
- From country to global brand P&L statements
- Move to integrated solutions
- Dramatic growth in services

“I think the greatest challenge facing the company is ... to adapt our strategy, structure and culture to a world of constant change. I can't promise this journey will be easy or fast... the steps we will take will not be pussyfooting but bold strides.” -- Lou Gerstner, 1993

1993 1995 1997 1999 2001 2003 2005 2007 2009

## Phase One

Gerstner era ('93 thru 2002)



# Several years ago, we saw more change coming...

- Economies of developing nations were growing rapidly
- A new computing architecture
- Companies were seeking to integrate advanced technology



# IBM's Transformation: An Ongoing Journey

Focus on open technologies and high-value solutions

Deliver integration and innovation to clients

Become the premier Globally Integrated Enterprise

Focus Areas

- Move to Values-based culture
- Lowering center of gravity for decision-making
- Maintain focus and execute in a radically shifting market
- A Smarter Planet

1993 1995 1997 1999 2001 2003 2005 2007 2009

IBMers Value



Dedication to every client's success.  
Innovation that matters—for our company and for the world.  
Trust and personal responsibility in all relationships.

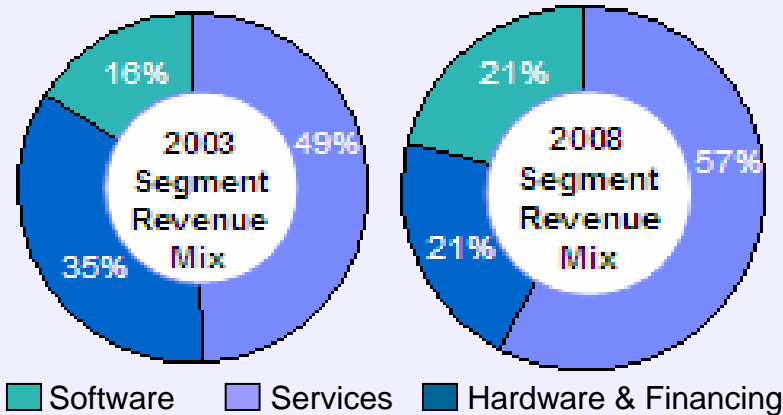
Phase Two  
Palmisano era  
(‘03 thru present)



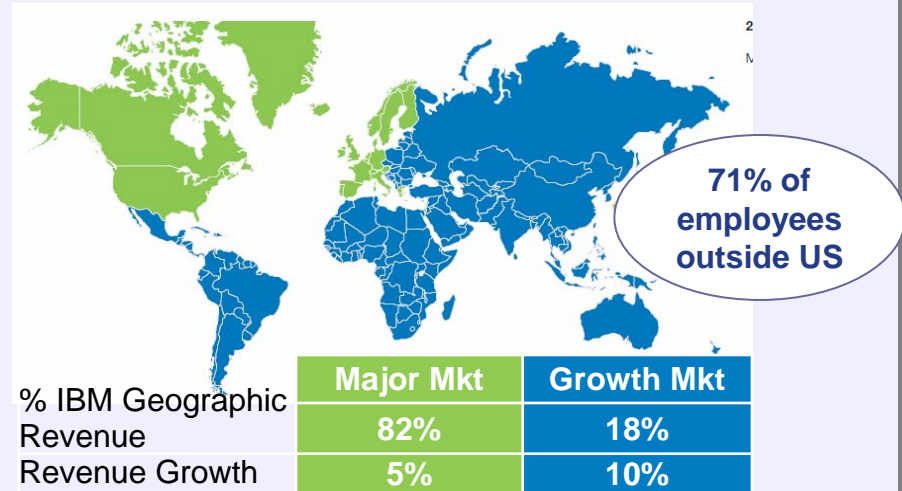
# IBM's Transformation: An Ongoing Journey

## Portfolio and Workforce Transformation

Remixed our portfolio toward services, software, and integrated solutions...



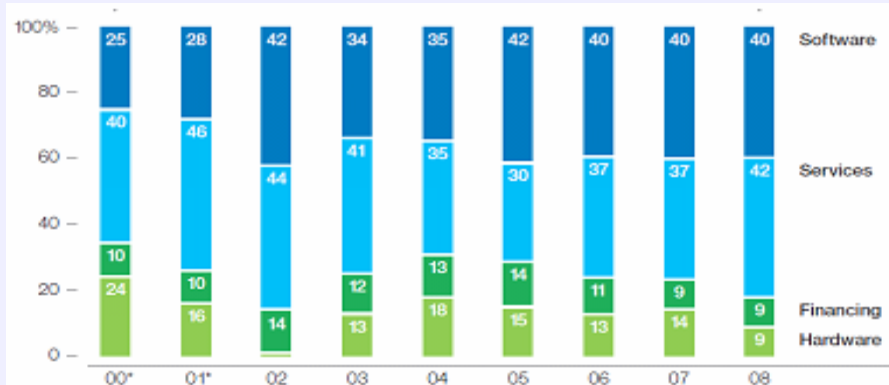
Shift in geographic mix...



## Record Performance in 2008...

2000  
Pre-tax Margin  
**12.0%**

2000  
Pre-tax Income  
**\$10.2B**



2008  
Pre-tax Margin  
**16.1%**

2008  
Pre-tax Income  
**\$16.7B**



# IBM Transformation Journey: Key Lessons Learned

## *Strategy*

- **CEO sponsorship is critical**
- Create a “sense of urgency” that the organization can rally around
- Implement governance, performance goals and reporting discipline

## *Enabling Growth*

- Focus on high growth customer segments and new markets
- **Leverage business analytics to enable fact-based decisions**
- Consider organic and non-organic sources for growth
- Enhance end-to-end client experience

## *Enabling Productivity*

- Business transformation and IT should be closely aligned
- Don’t automate a mess – fix processes first, then apply IT
- Sunset legacy systems and tools as new ones are deployed
- **Need cross-unit leadership and clear accountability**

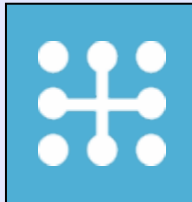
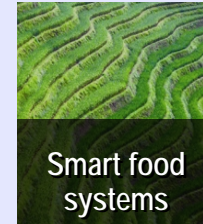
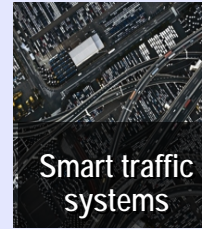
## *Enabling Culture Change*

- Engage leaders at all levels
- Address the underlying drivers of behavior
- Engage employees broadly
- **Recognize that changing culture is a journey**

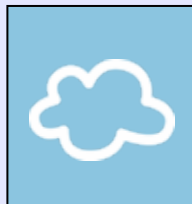
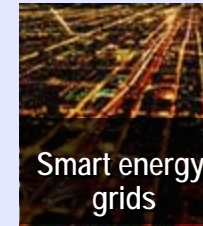
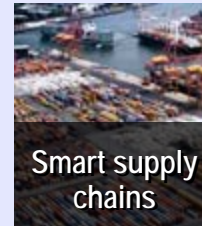
# Building a Smarter Planet...The Next Leadership Agenda



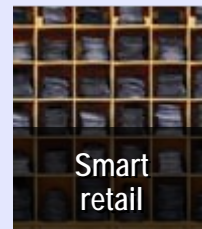
Our world is becoming  
**INSTRUMENTED.**



Our world is becoming  
**INTERCONNECTED.**

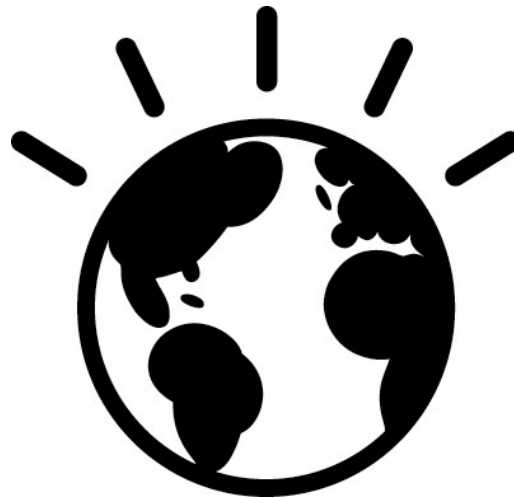
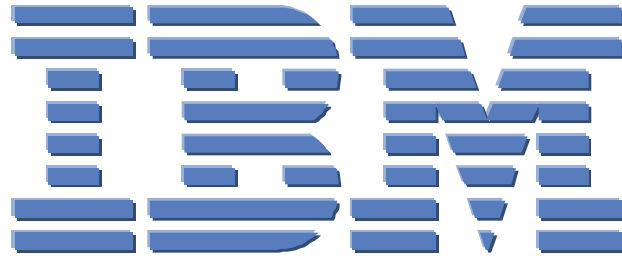


All things are becoming  
**INTELLIGENT.**



The world is **SMALLER**. The world is **FLATTER**. The world is about to get a whole lot **SMARTER**.

# Thank you!



Smarter Planet: [www.ibm.com/smarterplanet](http://www.ibm.com/smarterplanet)

IBM CEO Study: [www.ibm.com/enterpriseofthefuture](http://www.ibm.com/enterpriseofthefuture)

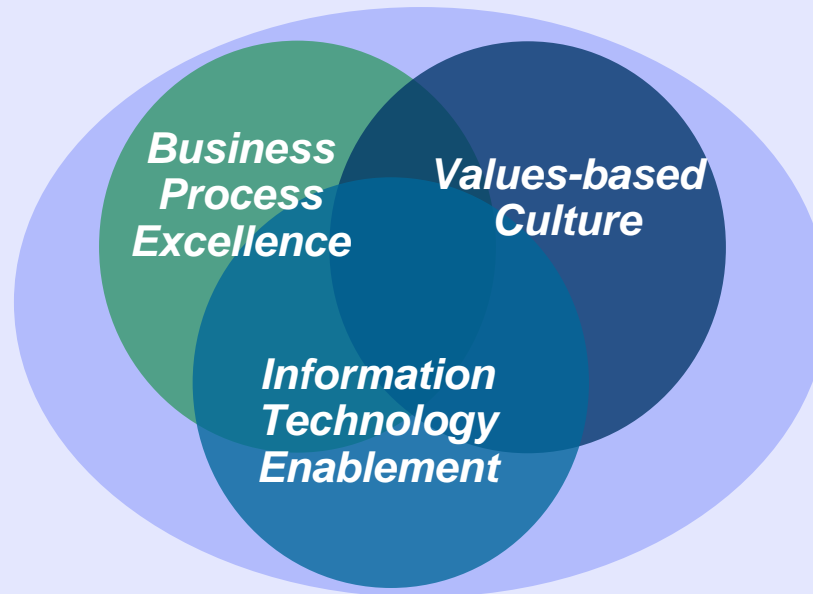
# IBM's Approach to Transformation

IBM Strategy



IBM Values

## Transformation Framework



## Transformation Focus Areas

Enabling  
Growth

Enabling  
Productivity

Enabling Culture  
Change

# Global Leadership in the 21<sup>st</sup> Century

- Collective leadership requires us to think and act together
- Learn from one another, break down barriers between disciplines and cultures
- Our conversations must result in the generation of new ideas
- We must create a climate where others do the same — and in which people know they have permission to act

## IBM Leadership Competencies

