2012 IBM Technology Symposium
Business Update

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"If you always do what you always did, you will always get what you always got." (A. Einstein).
Our Values

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.
IBM’s Growth Initiatives

Growth Markets

Opportunity:
The emerging market GDP growth rate - expected to be 5 percent through 2015 - is more than double that of major markets.

- Economic expansion in emerging markets (middle class growth & economies joining global marketplace)
- IBM expanding branch locations in BRiC countries
- Other growth markets (Africa) leveraging our clients

Cloud

Opportunity:
Cloud is a new, highly efficient model for consuming and delivering IT-based services. It is made possible by virtualizing resources, automating processes, and standardizing tasks so they can be offered as easy-to-use services.

- Supporting diverse clients (banking, healthcare, & government) to build their own clouds or securely tap into IBM cloud-based business services
- Clouds enable our clients to better service their clients and business partners

Business Analytics

Opportunity:
Global data volumes are predicted to increase by 29 times over the next 10 years to 35 zettabytes.* (A zettabyte is a 1 followed by 21 zeros)

- Enable Enterprises to manage and mine the deluge of potentially valuable information

Smarter Planet

Opportunity:
The infusion of digital intelligence into industries, infrastructures, processes and cities can make them more productive, efficient and responsive.

- Smarter Cities initiative (integrating real-time information and processes across many city departments)
- Instrumented, Interconnected, Intelligent
In our second century, as in our first, IBM’s business model is based on continuous Innovation.
2011 US Patents Issued – 19th Year of Leadership

Source: IFI Claims Patent Services
Information & Communication Technologies R&D Expenditures

Source: Battelle/R&D Magazine and Company Information; (e) = estimated
Driving Innovation Into The Marketplace

First Of A Kind
- First-of-a-Kind (FOAK)
- Building new prototype solutions
- “Cutting edge” innovation

Research Services
- Research expertise to solve today’s critical business challenges
  - Application of advanced analytics, mathematics, science and fresh thinking to find innovative solutions

Brands
- Standard Solutions
- System Integration

Vision and Invention
(2 to 10 years)

Bleeding Edge
(on the horizon)

Leading-edge Innovation
(Tomorrow’s Technology today)

Standard Solutions
(Business as usual)

Business As Usual

Tomorrow’s Technology Today

On The Horizon

2-10 Years to Practical Application

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By focusing on continuous improvement, the ISC has become an IBM Showcase recognized by the industry.

IBM Poughkeepsie: Assembly Plant of the Year

IBM ranked #1 on all categories of IDC’s BPO vendor perception study

“IBM leads by a huge margin” in vendor recognition for Procurement Outsourcing – IDC, Feb. 2009

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No. 1 in The Diversity Inc Top 10 Companies for Global Diversity

IBM, No. 1

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Integrated Supply Chain’s transformation evolution is positioned to deliver value and contribute to IBM’s smarter supply chain.
What is a smarter supply chain?

The Top Five Supply Chain Challenges

The Smarter Supply Chain

Building the Supply Chain of the Future

Five trends define the Chief Supply Chain Officer (CSCO) agenda

According to our extensive study of 400 Supply Chain Executives, we’ve found imperatives among visibility, customer demands, cost containment, risk, and globalization.

Instrumented, Interconnected, & Intelligent

The smarter supply chain has three new characteristics. Firms across the globe are beginning to see the benefits of building a new vision of supply chain excellence.

Visibility is vital
Risk must be managed systemically
Customer input should permeate the supply chain
Flexibility will counteract cost volatility
Global supply chains require integration & optimization

A new role for the CSCO and a map to the future

Building the supply chain of the future will require the emergence of a new kind of CSCO and a comprehensive set of new capabilities.
ISC evolution to the smarter supply chain

Future

- CLIENT INTIMACY
- GLOBALIZATION
- VISIBILITY
- RISK MANAGEMENT
- EXPENSE & COST OPTIMIZATION
- TALENT – We will lead with unmatched skills and experiences

Smarter Supply Chain

External Collaboration & Integration

Horizontal Process Integration

Functional Excellence

Divisional Excellence

Instrumented

Interconnected

Intelligent

CUSTOMER INTIMACY

know ourselves

GLOBALIZATION

capabilities & transform economies

VISIBILITY

We will see without being there

RISK MANAGEMENT

client value

TALENT

We will lead with unmatched skills and experiences

CLIENT INTIMACY

GLOBALIZATION

VISIBILITY

RISK MANAGEMENT

EXPENSE & COST OPTIMIZATION

TALENT – We will lead with unmatched skills and experiences
Supplier Partnership

• Superior Quality
  • Top quality management system
  • Root Cause Failure Analysis

• Continuous efficiency and cost optimization

• Demand responsiveness based on a flexible and resilient supply chain.
  • Further collaboration with 2nd tier 3rd tier suppliers

• Social & Environmental Responsibility

• Higher assembly levels

• Differentiation thru innovation
Questions & Answers
Business Update

BACK UP
Supply chain visibility was identified by supply chain executives as the top challenge on their global agenda.

- **Supply Chain Visibility**: 70%
  - Supply chain visibility is inhibited by a lack of timely data AND too much data to digest.

- **Risk Management**: 60%
  - Process, data, & technology are identified as the roadblocks to good risk management, yet they are the key enablers.

- **Increasing Customer Demands**: 56%
  - Customers have increased demand for more: right product, right place, right time, right price, sooner.

- **Cost Containment**: 55%
  - Fighting integral costs as such as might be futile, but being flexible can identify cost savings elsewhere.

- **Globalization**: 43%
  - Lead times, delivery, and quality are top challenges, but overall globalization has been a positive boon for the leaders.

Source: IBM Institute for Business Value
Integrated Supply Chain at IBM

From Sense & Respond …

Sense & Respond

…to Predict & Act

Predict

Optimized Business
Competitive Advantage

Act

Cut Costs
Reduce Risk
Increase Profit

Predictive Analytics
Analyzes patterns in data to predict potential future outcomes

Agility: pervasive visibility, networked synergy

Analytics: dynamic optimization, predictive synchronization
Supply Chain Risk Management

- **Build Smarter Processes**
  - Integrated process controls in logistics and operations
  - Compliance programs with suppliers (Product Environmental Compliance)
  - Supplier Financial Risk Assessment

- **Become an optimized flexible Smarter Value Chain**
  - Integrated risk strategies & mitigation policies in supply chain planning
  - Single / Dual sourcing plans
  - Pandemic Contingency Planning

- **Enable pervasive predictive analytics**
  - IT enablement to monitor and act on disruptive events (Cognos Technology)
  - Impact Likelihood Model
  - IBM ILog based instantaneous alert functionality and process