



**Delivering on the new CIO mandate:**  
*from "Enabler" to "Pioneer"*

**John Dunderdale**

Vice President, Growth Markets  
IBM Software Group

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**ExecutiveSummit2011**

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Three years ago we started describing the Smarter Planet we saw emerging, **fueling innovation across industries.**



Neonatal Care



Law Enforcement



Telecom



Fraud Prevention



Resource Management



Traffic Control



Manufacturing



Trading

# To realize the promise of a Smarter Planet, enterprises must address the IT conundrum

## Meet the insatiable demand for new service....



**32.6 million** servers worldwide  
**85% idle** computer capacity  
**15%** of servers run 24/7 without being actively used on a daily basis



Between 2000 and 2010

- servers grew **6x** ('00-'10)
- storage grew **69x** ('00-'10)
- virtual machines grew **51% CAGR** ('04-'10)



Internet connected devices growing **42% per year**



**1.2 Zetabytes (1.2 trillion gigabytes)** exist in the “digital universe”

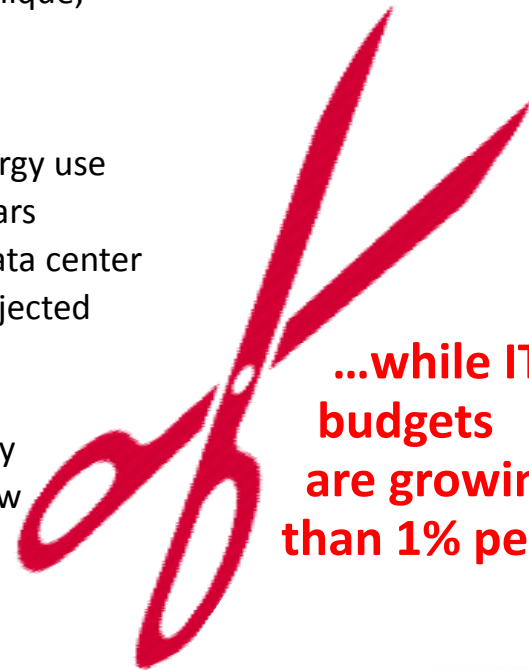
- **50%** YTY growth
- **25%** of data is unique; **75%** is a copy



Data centers have **doubled** their energy use in the past five years  
**18%** increase in data center energy costs projected

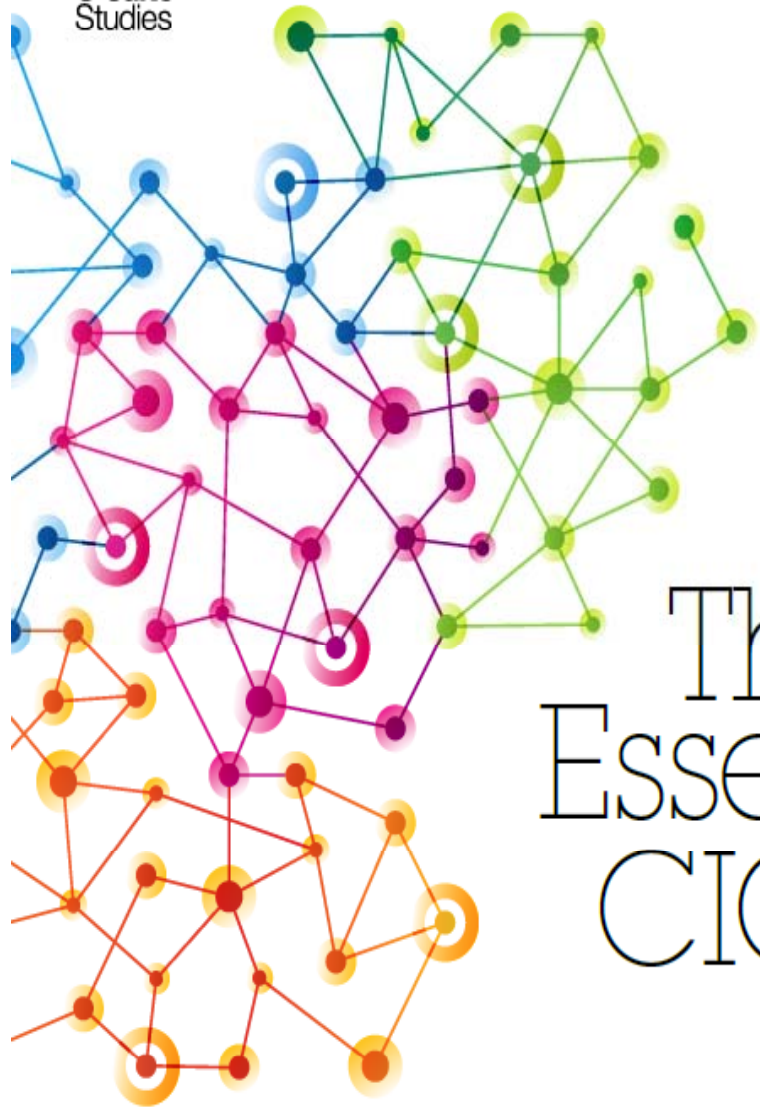


Since 2000 security vulnerabilities grew **eightfold**



**...while IT budgets are growing less than 1% per year.**

CIO  
C-suite  
Studies



“To align business and IT priorities, it’s difficult to choose which is more important: ‘business presence in IT projects’ or ‘IT presence in business projects.’ The art is to create true hybrid, co-led teams.”  
**Sabine Everaet, CIO, Europe Group, The Coca-Cola Company**

# The Essential CIO

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## Today's CIO: taking a ubiquitous position in the *Instrumented, Interconnected and Intelligent* world

**Business needs and expectations drive the CIO's mandate to use technology**

58%



**CIOs report their organizations have largely integrated business and technology to innovate**

*CIOs have a seat at the executive table to help infuse technology into products, services and processes*

68%



**Senior management would rank technology as totally critical to the success of the business**

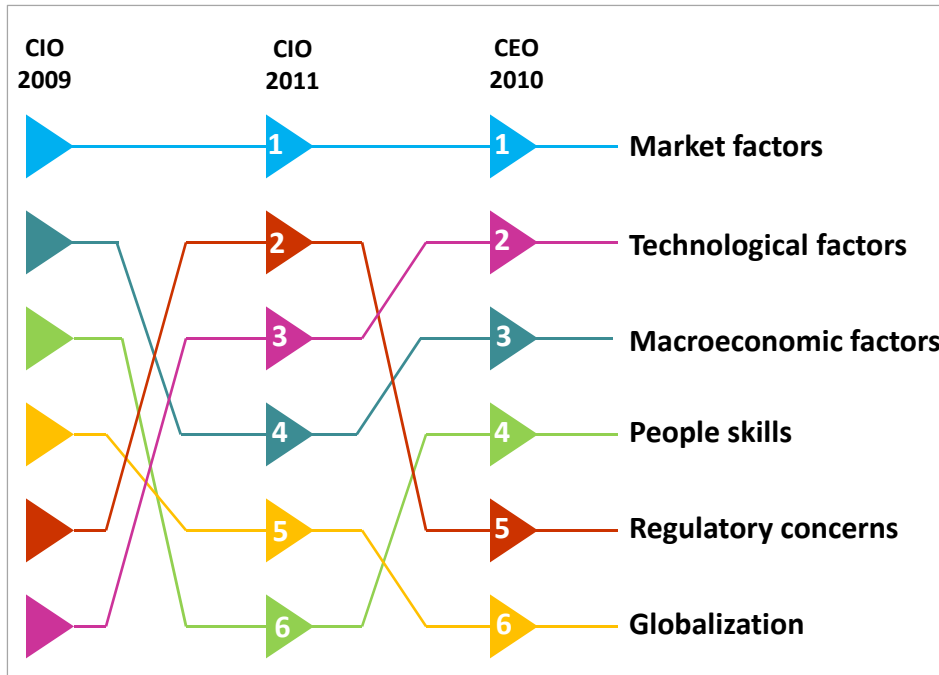
*A clear mandate empowers CIOs to help the business get the most out of technology*

***"We will provide the appropriate technology for the continuously changing business environment and more accurate information to the business."***

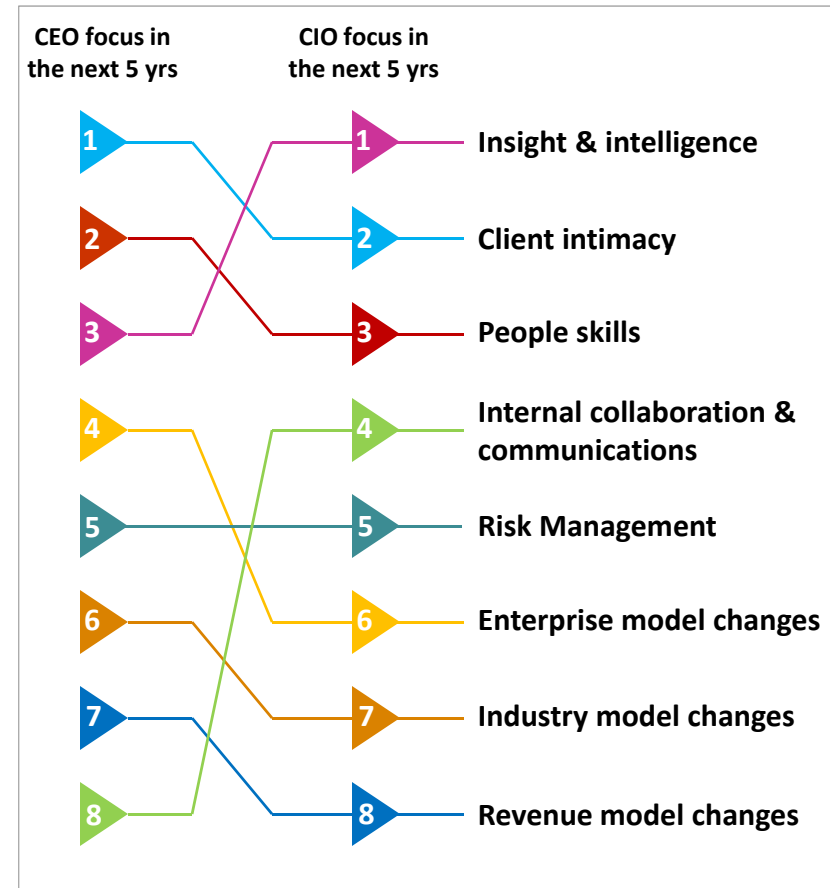
**Zsolt Rasztovits, CIO MKB Bank Zrt.**

Source: 2011 CIO Study, Questions D.C: "To what extent has your organization integrated business and technology to innovate?"; D.E: "What score would the entire senior management team give technology for its contribution to the business?" (n=177)

# Aligning closer to the business vision

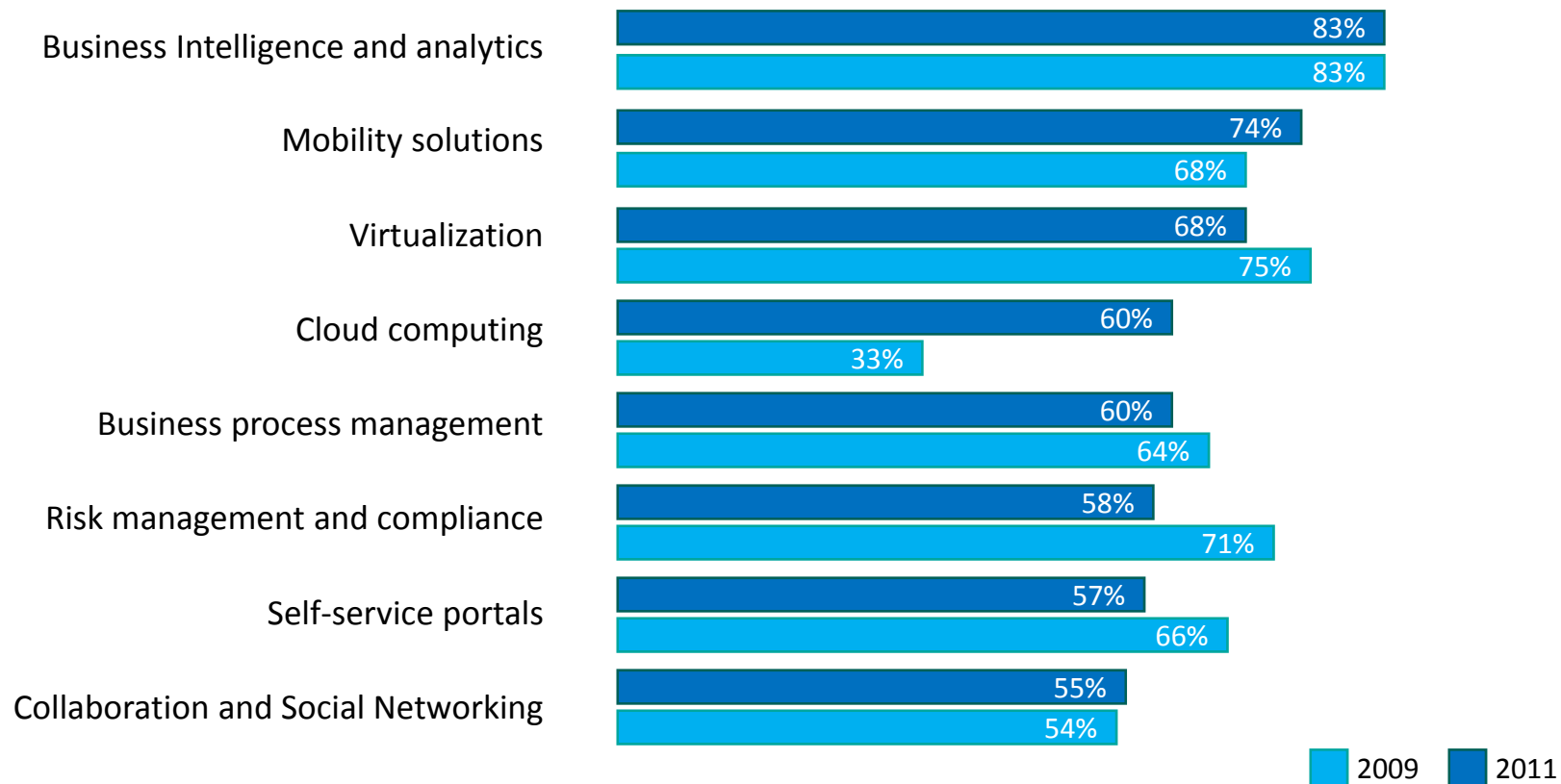


**Seeing eye-to-eye with the CEO**



# CIO visionary plans are evolving

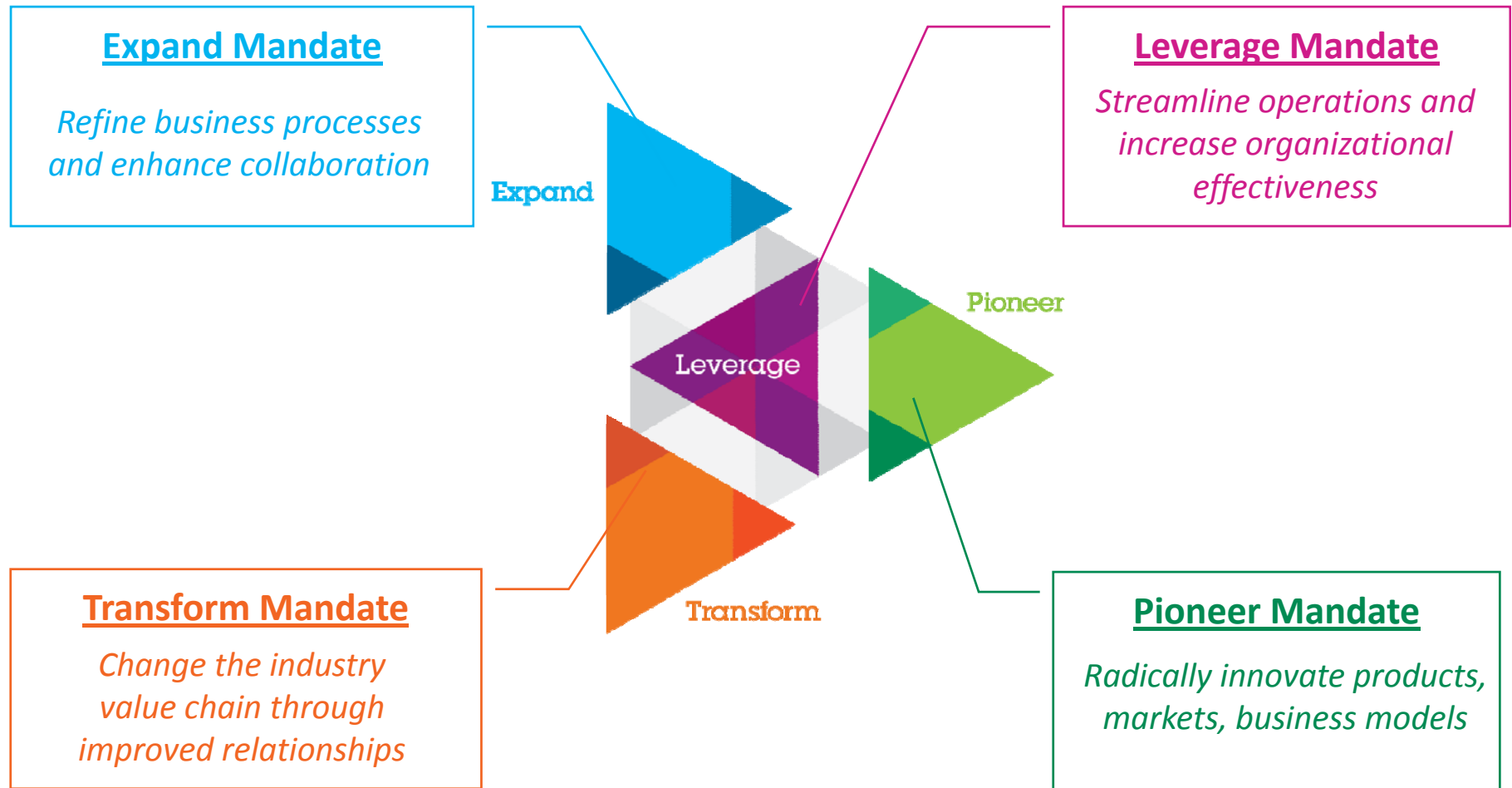
## Most important visionary plan elements



Source: <sup>7</sup> 2011 CIO Study, Q12: "Which visionary plans do you have to increase competitiveness over the next 3 to 5 years?" (n=3,018)



# Delivering on your organization's IT "Mandate"





## Deliver on the LEVERAGE mandate

- Standardize Infrastructure & processes
- Control legacy costs
- Implement collaboration tools
- Conservative introduction of technology

Change internal collaboration process



Change client interaction process



- ▲ Low transformative potential
- ▲ Average transformative potential
- ▲ High transformative potential

Collaboration and communication are key

### Business view of IT

52%

Provider of fundamental technology services

28%

Facilitator of organizational process efficiency

14%

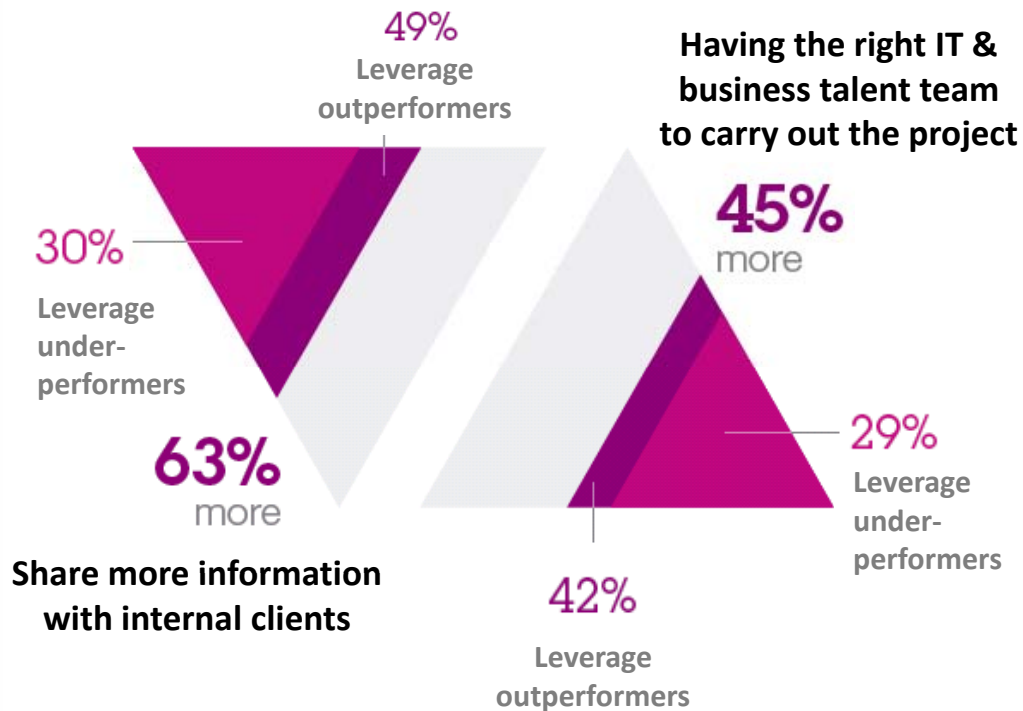
Provider of industry-specific solutions to support business

6%

Critical enabler of business/organization vision

*“We have to enhance the horizontal communication and integrate data to remove the barriers across silos in my company.”* **Masahiko Kon, Director of Finance/IT/GA, Sumitomo 3M Limited**

# Excel at Leveraging



Outperformers share more

## Food for thought:

### *Are You Essential?*

- How will you **enhance relationships** and **improve communication** throughout the organization?
- What is your plan to get, **keep and grow people** with the IT and business skills that your team needs most?
- How many **disparate architectures** does your organization currently have, and why?
- Are you aggressive enough in **rationalizing** hardware and the application portfolio as part of controlling costs?
- How do your **dashboards** measure the value of IT in terms of business benefits?



## Allied Beverage Group

Building a consolidated architecture; excelling in customer service

- Consolidated most IT resources and applications in a shared services center
- Overhauled the network infrastructure to instill better discipline
- Deployed a new self-service e-commerce portal to transition the sales staff toward consultative selling and increased revenue

What's next on the list?

- Enhance the e-commerce engine with Web 2.0 capabilities and integrated content

**“In our market,  
regulatory impact**

is significant, precluding various forms of competition that are commonplace in most industries. Innovative IT is critical to achieve a competitive advantage through excellent B2B customer service.”

**Brian Margolies, CIO**

## Deliver on the EXPAND mandate

- Outsource to focus on differentiation
- Communicate and collaborate internally
- Focus on business process management
- Review and update legacy environment

### Simplify internal key processes



### Drive better real-time decisions



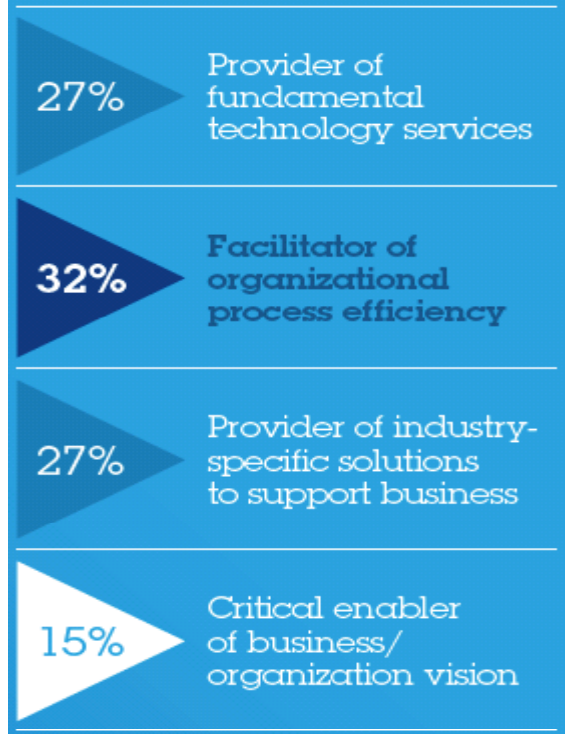
### Take advantage of analytics



- ▲ No involvement
- ▲ Support
- ▲ Lead

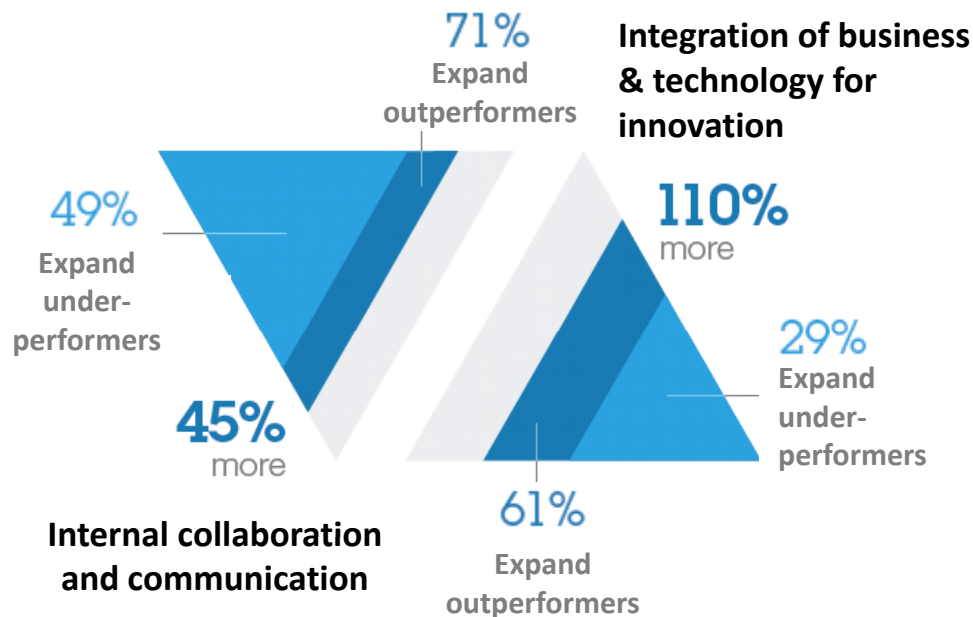
**Simplify and conquer**

### Business view of IT



*“More speed is necessary in simplifying business processes for both outside business partners and main internal processes.”* **Hiroyuki Yoshimoto, Executive Vice President and CIO, Calsonic Kansei Corporation**

# Excel at Expanding



**Outperformers team with business**

## Food for thought:

### *Are You Essential?*

- What leading-edge collaboration tools have you implemented to help **integrate technology with business**?
- How deeply are your **internal customers** involved in your key planning and decision making processes?
- What is your plan to engage partners to **outsource** information technology functions?
- Which persistently inefficient processes can you **eliminate or improve** to increase customer satisfaction?
- How do you work with internal customers to ensure that dashboards measure **enterprise-wide key performance indicators**?





## SXC Health Solutions

Leveraging real time collaboration to fuel growth

- Enhanced customer service by upgrading their Client Information Center to an enterprise-grade portal for intranet and extranet sites
- Deployed an integrated collaborative platform that not only facilitated seamless and secure information exchange across the employees but also with partners and customers
- Achieved significant saving owing to a closer-knit work environment where people are more productive because they feel more involved and connected



**“We needed to find a  
comprehensive  
technology**

solution that would facilitate our growth while addressing all the communication, collaboration, security and regulatory compliance challenges that came along with it” **Jon Hyosaka, CIO**

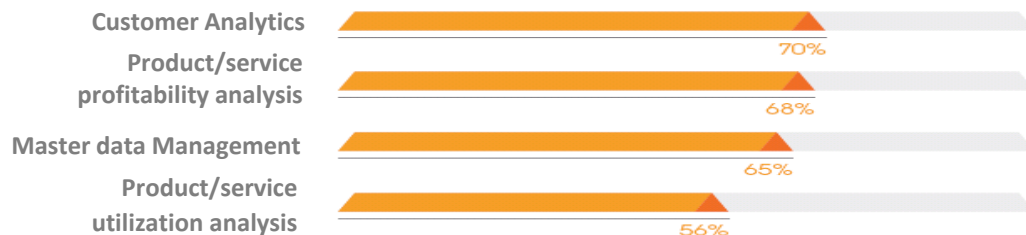
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## Deliver on the TRANSFORM mandate

- Use “Big Data” and real-time information
- Simplify for clients/partners
- Enhance and expand the value chain
- Use risk management frameworks

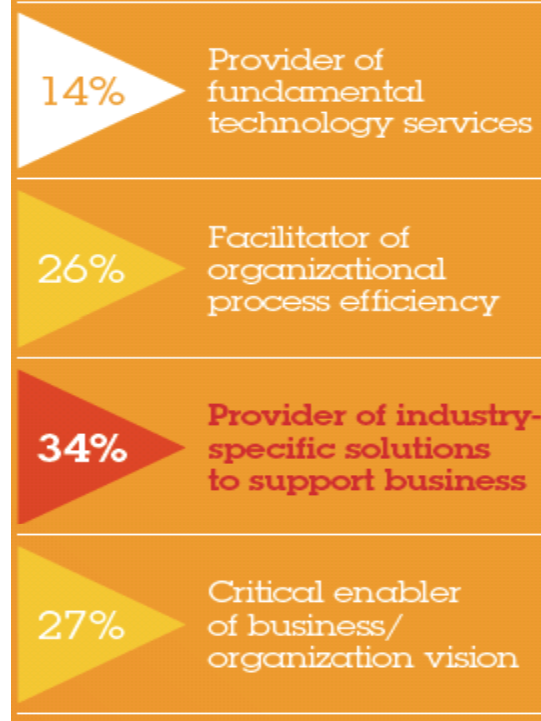


### Gleaning greater insights



### Enabling the intelligence enterprise

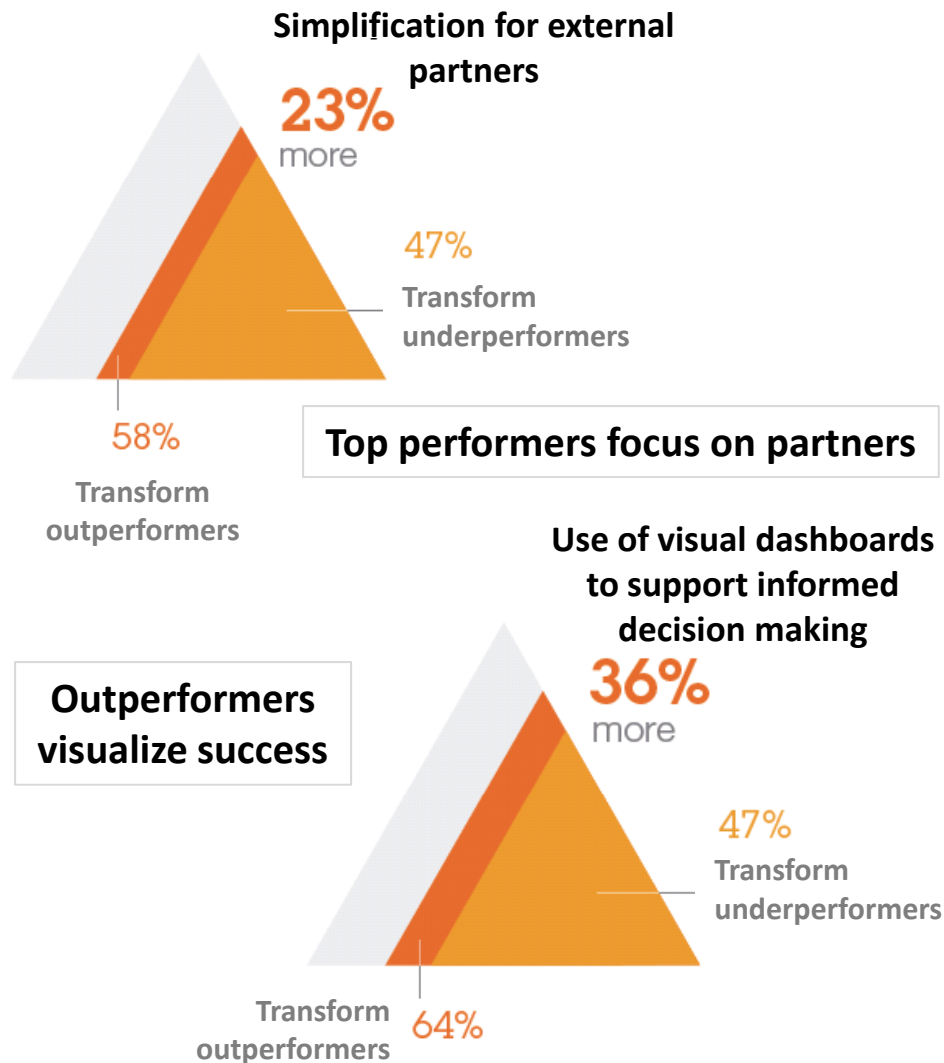
### Business view of IT



*“We want to know as much as possible about the customer before he or she calls us, to simplify our customer interactions.”* **Mike Benson, Executive Vice President and CIO, DIRECTV**



# Excel at Transforming



## Food for thought:

### *Are You Essential?*

- What are your plans to **simplify** the customer experience, products and services?
- Does your dashboard design include **real-time metrics**?
- Are you introducing **social media and collaboration capabilities** to customers and partners, as well as internal clients?
- How do you take advantage of **Big Data and new IT capabilities** to achieve real-time insights?
- In what new ways are you exploiting **leading-edge analytical skills** and technology?

## Wema Bank

### Reaching customers in new ways

- Created a robust and responsive IT platform to help facilitate the growth of the business.
- Deployed alternative delivery channels & innovative new services like mobile banking, “cash on the go” etc.
- Deployed a new Facebook page, redesigned the corporate Web site and equipped the workforce with better productivity tools.

#### What's next on the list?

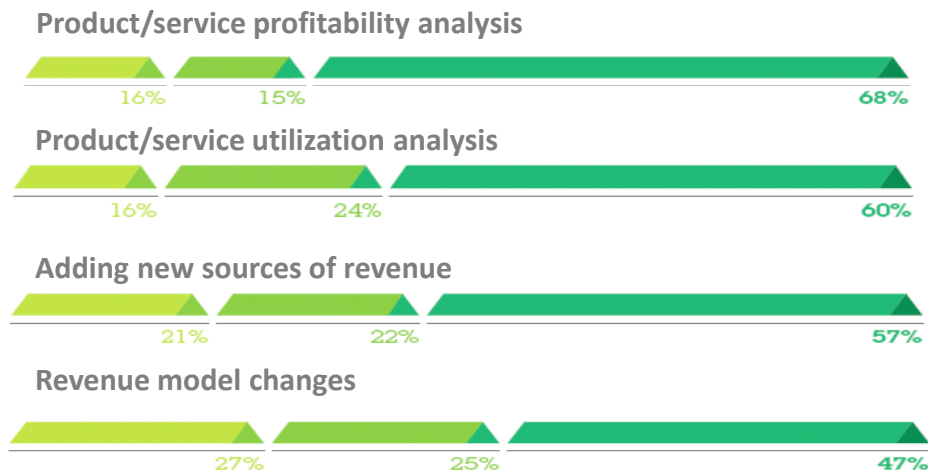
- Web-based core banking application to enable easier and more accessible banking transactions.

**“Following our latest innovations,**  
our customers saw that something big and unexpected was happening at the bank. They became eager to see what we would do next.” **Olayinka Oni,**  
**CIO, Wema Bank**



## Deliver on the PIONEER mandate

- Pilot technology for social value
- Explore new sources of revenue
- Enhance customer experience
- Pursue non-stop growth



- ▲ Low transformative potential
- ▲ Average transformative potential
- ▲ High transformative potential

Transformation through revenue & profit

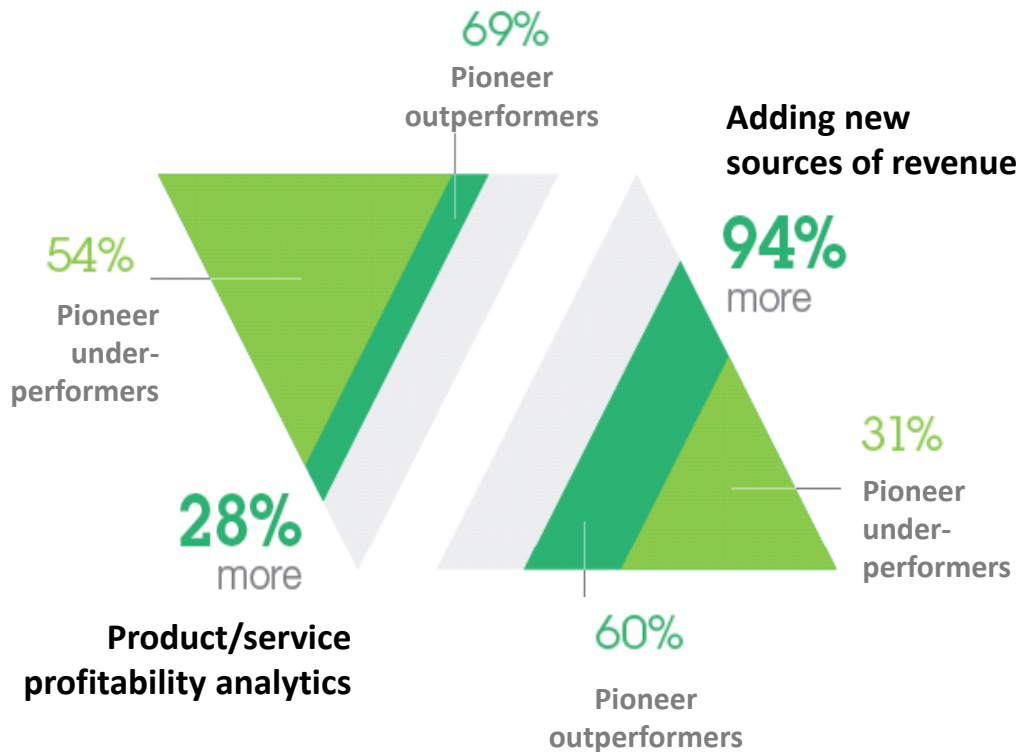
### Business view of IT



*"We have an increasing focus on technology for value: Everyone doesn't need the latest and greatest shiny toy."* **Jeffrey Barbeau, Senior VP, M&T Bank Corporation**



# Excel at Pioneering



Top performers are revenue producers

## Food for thought:

### *Are You Essential?*

- Which channels can you leverage to **share ideas and co-create** new products & services that delight your customers?
- How will you leverage **social media** and BI to spot trends?
- What are you doing to **converge disparate technologies** for the benefit of your organization, customers, value chain and beyond?
- How can you develop the talent to apply **predictive intelligence** to radically change your business model, products or industry?
- How will you design **dynamic dashboards** that leverage real-time data and predictive analytics?



over

**15,000**

users from more than  
10,000 member  
companies

## University of Warwick

Making connections the smart way

- **“West Midlands Collaborative Commerce Marketplace”** matches buyers and suppliers, and fosters collaboration – helping move businesses from supplying components to systems, and into new market sectors.
- Collates data on new business opportunities and marries that with a database of detailed profiles of all the participating companies - based on their core skills and competencies
- Members can use an intelligent partner formation system to find capable and compatible partners to help tackle an opportunity, and collaborate in secure online spaces.

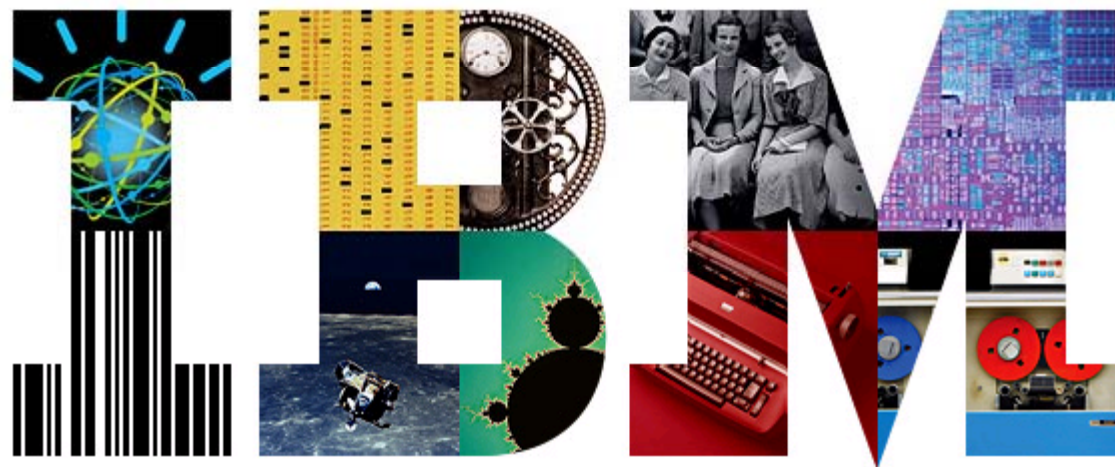
*Dr. Bal’s collaborative commerce market has proved a big hit - over 50,000 tenders a year flow through the system, and it has over 15,000 users from more than 10,000 member companies – helping generate more than US\$ 5.67 bn worth of new business revenues per year for its members.*

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## The right partner for a changing world!

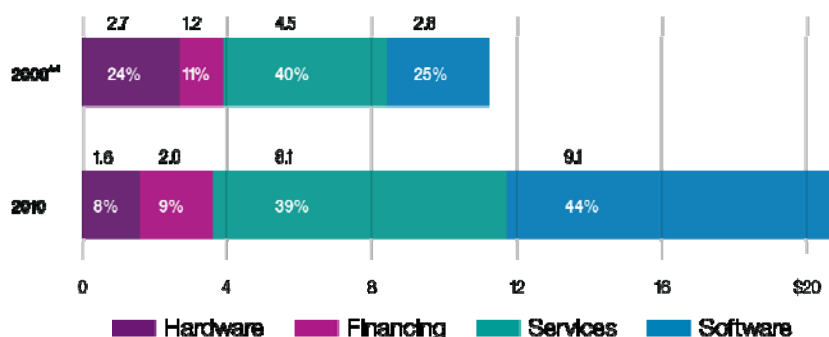


Turning strategies into action....with expertise in 17 industries  
and global capabilities that span 170 countries.....helping you  
deliver on your mandates for over **100 years!!**

# Delivering on our mandate: Generate Higher Value

1. We changed our business mix toward higher-value, more profitable technologies and market opportunities

Segment Pre-Tax Income\*  
(\$ in billions)

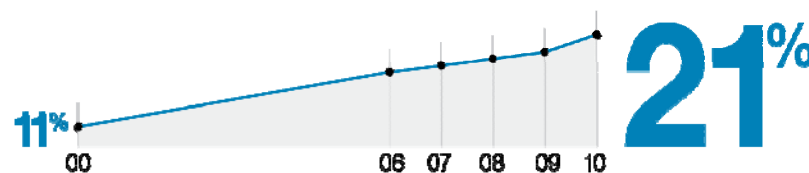


\* Sum of external segment pre-tax income not equal to IBM pre-tax income.

\*\* Excludes Enterprise Investments and not restated for stock-based compensation.

2. We became a globally integrated enterprise, improving productivity and capturing new growth

Growth Markets Share of Geographic Revenue  
(excluding divested businesses of PCs and printers)

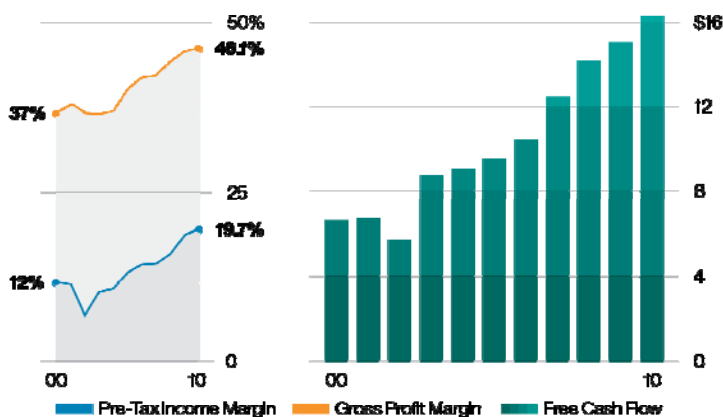


- Since 2005, global integration has enabled IBM to gain \$6 billion in productivity savings while improving service quality.
- We have shifted resources toward building client relationships and employee skills, while positioning IBM for new market opportunities



## Generating higher Value..contd

3. By aligning our business model with our clients' needs we generated superior financial results.



Financial Performance History  
(% of total revenue, \$ in billions)

- **Achieved record earnings per share** - having nearly tripled since the end of 2000, and marking eight consecutive years of double-digit growth.
- **Record cash performance** - an increase of \$1.2 billion in 2010 over 2009. Since the end of 2000 we have generated \$109 billion in free cash flow.

4. We invested in future sources of growth and provided record returns to shareholders....

Primary Uses of Cash Since the End of 2000



**\$70 billion**  
Reinvested  
Capital Expenditures & Acquisitions

**\$107 billion**  
Returned to Shareholders  
Share Repurchases & Dividends

.....while continuing to invest in R&D – nearly \$60 billion since 2000

- Since end 2000, we invested \$27 billion on acquisitions (116 companies) targeted toward high-value areas.
- We returned \$89 billion to our shareholders as share repurchases. By 2010 our quarterly dividend per share was five times of that in 2000.

## Generating higher Value...contd

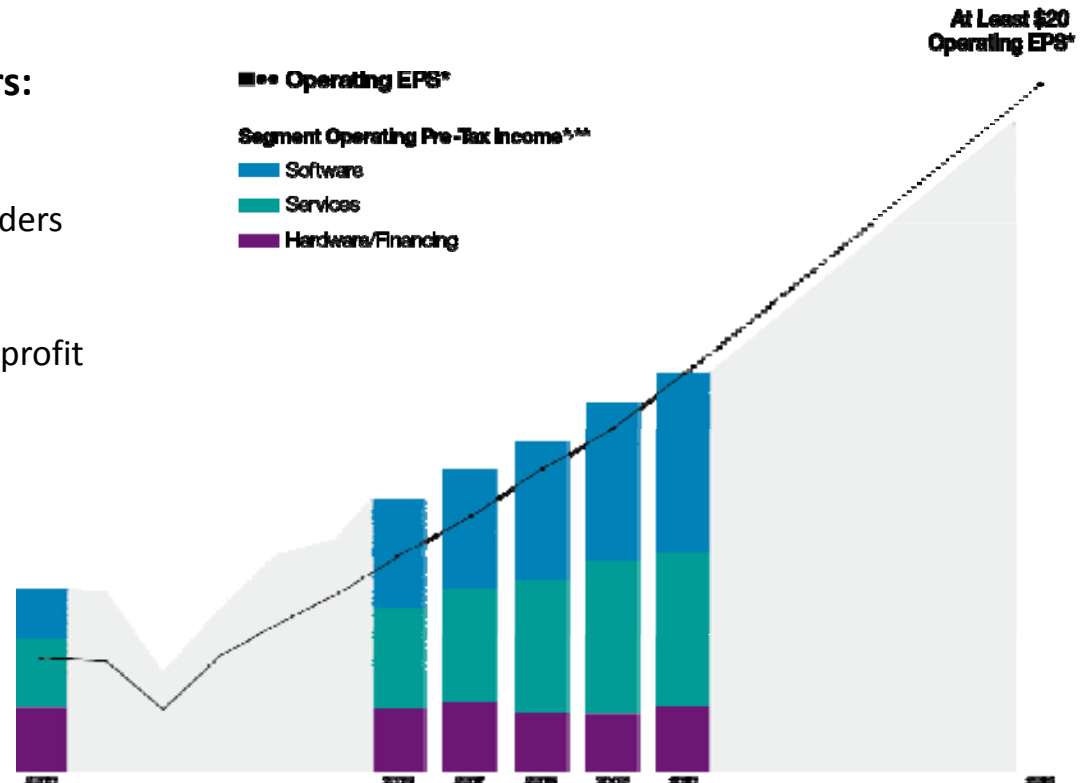
### 5. Today, we run a business model that delivers long-term value and high performance.

#### Key objectives over the next five years:

- \$100 billion in free cash flow
- \$70 billion of capital returned to shareholders
- \$20 billion in spending on acquisitions
- Software becomes about half of segment profit
- Growth markets approach 30 percent of geographic revenue

\*Excludes acquisition-related and nonoperating retirement-related charges.

\*\*2000 and 2001 exclude Enterprise Investments and not restated for stock-based compensation. Sum of external segment pre-tax income not equal to IBM pre-tax income.



**Today our investments are fueling growth initiatives that are expected to drive \$20 billion in incremental revenue by 2015.**



# Smarter Planet

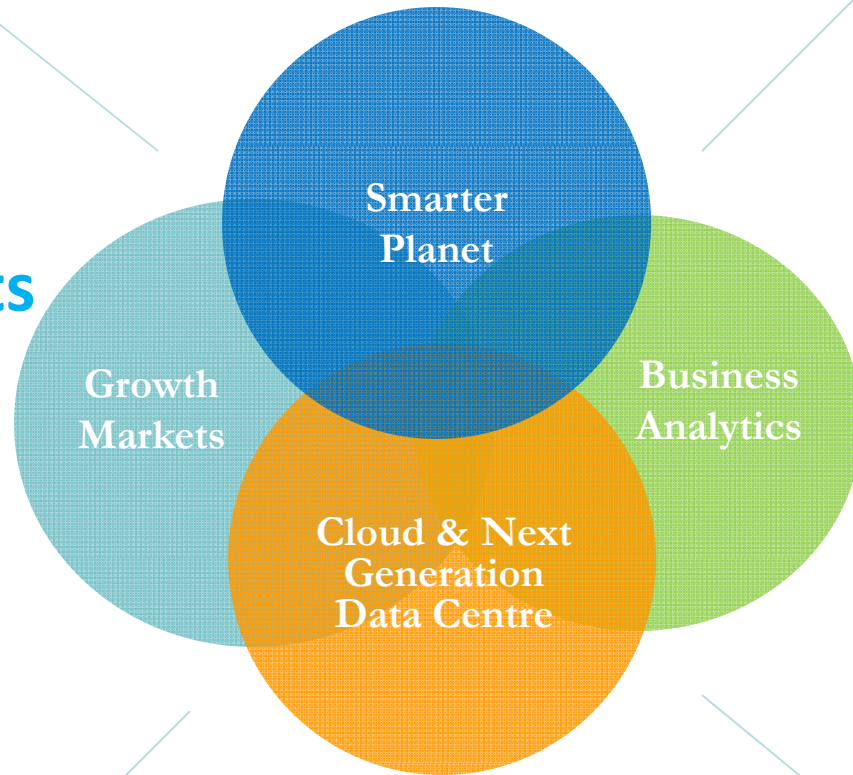
**\$10B** revenue by 2015

## Growth Markets

**30%** of IBM's geographic revenue by 2015

## Business Analytics

**\$16B** in revenue by 2015



## Cloud

**\$7B** billion in revenue by 2015



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