IBM’s Transformation Journey
IBM's Globally Integrated Enterprise, enabled via process transformation

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25 September 2013

Kurhaus Wiesbaden
IBM's Ongoing Transformation Journey
Smarter, as Value Driver and Fuel for Innovative Transformation
Business Process Management Example
IBM’s Ongoing Transformation Journey

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
- Optimize the whole system
IBM’s Approach to Transformation

IBM Strategy
- Guided by the IBM Strategy and grounded in our Values

IBM Values

Transformation Framework
- Enable transformation at the intersection of business process, technology and culture

Transformation Focus Areas
- Sustain our strength in the global marketplace by focusing on areas that enable growth, productivity, and culture change

- Enabling Growth
  - Growth markets leadership
  - Mergers & acquisitions
  - State-of-the-art sales enablement

- Enabling Productivity
  - Value Services
  - Business process excellence
  - IT enablement

- Enabling Change
  - Transformational leadership
  - Organizational Change Management
  - Values-based culture
We have expanded and are further integrating our capabilities to capitalize on the power and value of process improvement & management, analytics, and social business in transforming our business.
Our Enterprise Process Framework (EPF) provides a common taxonomy and foundation for process integration.

The EPF includes 3 categories of Level 1 processes cutting across business units and geographies:

**EPF Overview**

- Process taxonomy designed to help categorize information on business processes to support transformation, operational and deployment activities.
- Common processes are logically grouped and displayed once with a single process owner, but can be used by many business areas.
- Enable organization to understand inner workings from a horizontal process viewpoint, rather than a vertical functional organization point of view.
Transformation leaders collaborate on cross-IBM integration priorities in the Enterprise Process Transformation (EPT) board

### Enterprise Process Framework L1 Processes

<table>
<thead>
<tr>
<th>Process</th>
<th>Aligned to SVP</th>
<th>EPO / Brand Execs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 Idea to Market (Develop)</td>
<td>Enterprise Transformation</td>
<td>1.0 EPO</td>
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<tr>
<td>2.0 Market to Opportunity</td>
<td>Marketing and Communications</td>
<td>2.0 EPO</td>
</tr>
<tr>
<td>3.0 Opportunity to Order</td>
<td>Sales</td>
<td>3.0 EPO</td>
</tr>
<tr>
<td>7.0 Manage Client Relationship</td>
<td>Sales</td>
<td>7.0 EPO</td>
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<tr>
<td>8.0 Manage Sales &amp; Channels</td>
<td>Sales</td>
<td>8.0 EPO</td>
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<tr>
<td>4.0 Order to Cash</td>
<td>Systems &amp; Technology Group</td>
<td>4.0 EPO</td>
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<td>9.0 Procure to Pay</td>
<td>Systems &amp; Technology Group</td>
<td>9.0 EPO</td>
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<tr>
<td>5.0 Support</td>
<td>Global Technology Services</td>
<td>5.0 EPO</td>
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<tr>
<td>6.0 Develop Strategy / Execute</td>
<td>Strategy</td>
<td>6.0 EPO</td>
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<tr>
<td>10.0 Manage Human Resources</td>
<td>Human Resources</td>
<td>10.0 EPO</td>
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<tr>
<td>11.0 Manage Finances</td>
<td>Finance</td>
<td>11.0 EPO</td>
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<td>12.0 Manage BT/IT</td>
<td>Enterprise Transformation</td>
<td>12.0 EPO</td>
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<td>13.0 Manage Business Support</td>
<td>Enterprise Transformation</td>
<td>13.0 EPO</td>
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<td>14.0 IBM Global Financing</td>
<td>Finance</td>
<td>14.0 EPO</td>
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<tr>
<td>15.0 Deliver Services</td>
<td>Global Technology Services</td>
<td>15.0 EPO</td>
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### ETI Executives

- **Enterprise Process Owner (EPO) and EPT Board Responsibilities**
  - Delivers simplified and integrated processes to support the 2015 roadmap and associated organizational change *(Board)*
    - Sets process strategy and priorities
    - Defines process transformation priorities
    - Commits to and delivers business value
    - Commits to and deploys growth initiatives *(Board and EPO)*
    - Manages process risk
  - Identifies upstream and downstream opportunities to improve end-to-end process results
  - Creates integrated plan and metrics ensuring all processes deliver coordinated initiatives to achieve the 2015 Roadmap *(Board)*

- **ETI Executives**
  - Enterprise Transformation Initiative (ETI) leaders partner with EPOs and work cross-process enabling targeted transformation solutions end-to-end
Transformation Governance Model

**SVP GIE Forum**
Chair: SVP, Enterprise Transformation

**Enterprise Process Transformation (EPT) Board**
Members: Enterprise Process Owners (EPOs), Enterprise Transformation Initiatives (ETIs)

**GIE Board**
Chair: SVP, Enterprise Transformation

**GIE Shared Service Council**
Chair: SVP, Enterprise Transformation
Members: GIESS Owners

**CIO Operating Team**
Members: CIO, Transform & Run Execs, All CIO Staff & Indirect

**Brands & Geographies**
Brands: STG, SWG, GBS, GTS, IGF / Geo: NA, Europe, Japan, GMU

**SVP GIE Forum**: Establishes strategic guidance and is accountable for transformation to a GIE.

**GIE Board**: Sets the Shared Service strategic vision and drives the IBM GIE strategy; sets direction for Shared Service initiatives and savings targets.

**EPT Board**: Optimizes end to end process performance horizontally and vertically through integrated priorities, provides priorities for BT/IT investment, and serves as alignment and coordination point for global enterprise process transformation.

**GIE Council**: Responsible for the direction and attainment of becoming a GIESS. Defines direction and oversee progress toward IBM Shared Service Strategy. Responsible for driving transformation, integration and efficiency and effectiveness across our Shared Service processes (eliminate, simplify, standardize, automate).

**CIO**: Prioritizes total IT budget to build BT/IT capabilities that support the IBM priorities and maximize return aligned with given risk to the enterprise. Active, integrated oversight of initiatives.
Radical simplification enables process speed and the ability to respond quickly to business environment change.

At IBM, we applied an easily understood measure of “radical” simplification.

For a given process or sub-process, radical simplification supports process improvement **in the eyes of the user** and represents 50% or higher reduction in one of the following:

- **Elapsed cycle time**
- **Costs per-transaction**
- **Process hand-offs**
We drive cross-enterprise radical simplification from a user perspective, with priorities focused on these audience groups.

Leveraging IBM's enterprise process framework and aligned global process owners, we evolved a cross-enterprise view of key audience radical simplification priorities, reviewed and supported at the senior VP level.

<table>
<thead>
<tr>
<th>Clients want...</th>
<th>Sellers need...</th>
<th>SD Professionals need...</th>
<th>FLMs need...</th>
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IBM transformation professionals leverage six foundational methods and tools for internal business process simplification.

**Transformation Continuum**

- **Strategize**
  - Develop business vision and mission
  - Define strategic process capabilities, roadmap plans and objectives

- **Govern**
  - Establish process management system
  - Process ownership
  - Measurement system, KPIs
  - Track performance
  - Recognize opportunities

- **Improve**
  - Select projects, apply methods and tools
  - Select and perform projects
  - Deliver business capabilities
  - Harvest assets for standard reuse

- **Sustain**
  - Monitor and manage process performance
  - Adopt changes
  - Optimize execution
  - Achieve objectives

**Foundational Methods and Tools**

- Business Architecture
- Business Process Management
- Social Business Transformation
- Business Analytics
- Better Change
- Lean Six Sigma

*Methods and tools are primarily associated by phase, but can add value across the continuum*
Our scenario-based Toolkit guides practitioners to methods and tools for solving common business challenges, e.g.,

"Improve the end-to-end productivity (cycle-time, cost, quality) of a major business process by at least 50% to meet committed goals"

**Toolkit for Process Transformation: Business Scenario 1 Guidance**

<table>
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<tr>
<th>Recommended Project Steps</th>
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| 1.1 What are the key process performance measures? Are reliable measurement systems in place? | • Enterprise Process Framework  
   • Business Process Manager |
| 1.2 How do these measures relate to the customer, end-user, and business critical requirements? | • Voice of the Customer  
   • Key Performance Indicators  
   • Organization Change Plan |
| 1.3 What are the current performance results, including variability across any different process versions by location or organization)? What gaps exist among current, forecasted and required process performance? | • Lean Six Sigma measurements  
   • Business Structure Modeling  
   • SPSS predictive analysis |
| 1.4 Have process activities been documented as they are actually performed? Which of these activities add customer value? Are there work elimination plans for those that don't? | • SIPOC  
   • Blueworks Live  
   • Value Stream Mapping  
   • Business Process Manager |

Example link to the Business Architecture method
Example links to the Lean Six Sigma method
Example link to the Better Change method
Example link to a Business Analytics tool
Example link to a Software tool
Business Process Management (BPM) Building Blocks

...empowering business and IT users to easily manage change...

Processes can mix structured and unstructured activities, according to business needs

Flexible integration interconnects applications and services across the organization

Business rules and analytics provide flexibility for repeatable decisions that change frequently
IBM Products for Business Process and Decision Management as key enablers to Smarter, more agile processes

Simpler, Smarter...
Here are several recent examples of BPM/BMRS deployments delivering Smarter, more agile processes

**Business Outcomes Achieved**

**Mid-Market Deal Registration** – Deliver PTI improvement by reducing deal registration cycle time with rules-based work-flow automation.

**Supply Chain Alerts** – Over $2M annual savings for timely notifications when supply chain disruptions occur.

**Cross-brand Pricing Estimator** – Reduce pricing proposal implementation from 14 to 1-4 days and deployment to new countries in days versus weeks.

**GTS Cloud Sales Enablement** – Integrated work-flow, rules and monitoring to reduce partner “register to welcome kit” cycle-time from days to hours.

**GMU Geography Location Code Assignment** - Enabled GMU reps to update rules (direct) for geography location code assignments, reducing cycle time from several weeks to just a week for more than 50 countries.

**Maintenance Technical Services** – Increased IBM Client satisfaction through proactive notification of exposures in clients’ IT inventory by applying rules derived via analytics. Delivered for IBM Client, Kaiser.

**Infrastructure Optimization** – Reduced cycle time by 75% to complete the analysis required to migrate from Physical servers to Virtual servers. Proof-of-value delivered.

**Business Agility Enablement Cloud** - Application teams rapidly acquire shared instances of BPM and Decision Management software in minutes to implement solutions that achieve business agility.
Best practice methods and tools drives radical simplification: Denied Parties List and Informal Supplier checking

Business Challenge

- Needed a new, rapid process for onboarding informal (potential) suppliers that requested sufficient information to validate the supplier to participate in sourcing events and contracts against Denied Parties List (DPL), Unsupported Supplier List (USL), Unsupported Supplier List with Special Considerations (USL-SC) and the Partnership Executive Program (PEP) for better controls and less manual activity
- Because sourcing and contracts processes were moving to the IBM Emptoris Suite, needed to align with the Emptoris software process for onboarding new suppliers.

Solution

- **Value Stream Analysis (VSA)** was used to assess each process step as adding compliance value, or not.
- **BlueworksLive** was used to document the as is and to be informal supplier onboarding processes, including the DPL, USL and PEP list checking processes.
- Several brainstorming workshops were held with key process participants to further simplify the processes and map them to the Emptoris Suite.
- BlueworksLive detailed process and sub processes were revised after understanding the Emptoris Supplier Lifecycle Management (SLM) and Virtual Supply Master (VSM) modules

Benefits

- We reduced the onboarding cycle time for informal suppliers from a day or longer to **under an hour** by staging the questions to the new suppliers. A new informal supplier can be sourcing event or contract ready in under a half hour if necessary.
- The quality of the supplier information is improved due to the streamlining and simplification we have accomplished by modelling the detailed processes in Blueworks Live.
Best practice methods and tools drives radical simplification: IBM GTS-GBS management self-assessment of controls

Business Challenge

- Excessive management time required to prepare, aggregate and report compliance status for internal business controls related to US legal requirements.

Solution

- Value Stream Analysis (VSA) was used to assess each process step as adding compliance value, or not.
- BlueworksLive was used to map the process to display the VSA and identify prudent ways to reduce the time spent on process tasks without compromising the essential integrity of this key business process.
- Stakeholder interviews were conducted to determine which data are really required for a successful compliance process, who truly needs to review the data, why they need it, and how frequently reviews are needed.

Benefits

- 50% reduction of management time to prepare, aggregate and report compliance status.
- Importantly, the process was simplified by identifying and removing non-value added activities and report elements prior to considering automation.
Best practice methods and tools drives radical simplification: IBM Integrated Technology Services opportunity-to-order

Business Challenge

- ITS leadership sensed that process inefficiencies were beginning to diminish sales-force effectiveness.
- ITS sales force was spending twice as much time on non-value added tasks than on client-facing activities.

Solution

- **Value Stream Analysis (VSA)** was used to assess each step as customer value-add or non-value add
- **BlueworksLive** was used to map the process to display the VSA and simulate and validate cycle time improvements for each process path
- Eliminated low-value activities in three process areas and empowered sellers to make decisions with fewer approvals.
- Established a process fast-path for smaller-value, less-complex, and lower-risk transactions.

Benefits

- Reduced the average cycle time of small value sales transactions by more than 50%, resulting in millions of dollars in annual benefit
- Sellers gained additional time with their clients
In this example, we applied business rules in lieu of formal IT changes and dramatically reduced pricing quote cycle time.

**Cross-brand Solution Pricing**

**Business Problem**

- No standard or easy way to rapidly price cross-brand solutions. Spreadsheet-based approach solves part of the problem but is not scalable or easily repeatable and pricing can take > 2 weeks.
- Challenge is for both direct and channel sales.
- No easy way to link/integrate current solution into other business processes.
- Distribution of spreadsheet solution to 23 countries via email.
- Significant time to update prices and business rules.
- Deployment to new country takes several weeks.
- Quotation errors.
- Lack of ability to track the status of proposal requests.

**The Solution**

- Scalable web based solution using IBM BPM products (Websphere Operational Decision Management) to significantly reduce cycle time for end-to-end price quotation process for IBM cross-brand systems.

<table>
<thead>
<tr>
<th>Efficiency Benefit</th>
<th>Example</th>
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<tbody>
<tr>
<td>Eliminate manual data entry</td>
<td>Automated price updates in minutes versus several days</td>
</tr>
<tr>
<td>Reduce process cycle time</td>
<td>Reduce deployment time to new countries from 30+ days to 7 days</td>
</tr>
<tr>
<td>Audit compliance</td>
<td>Leverage native capabilities for version control and audit in hours versus days</td>
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<tr>
<th>Effectiveness Benefit</th>
<th>Example</th>
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<tbody>
<tr>
<td>Faster business rules changes</td>
<td>Reduced dependency on IT resources to make business rule changes – reduce turn around time by more than 50%</td>
</tr>
<tr>
<td>Consistent execution</td>
<td>Centralized business rules allows for consistency across web and mobile channels</td>
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<tr>
<th>Business Agility Benefit</th>
<th>Example</th>
</tr>
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<tbody>
<tr>
<td>Support new business models</td>
<td>Discounts at the country level and product level can be managed by the business process team. Multiple product pricing configurations in hours versus several days</td>
</tr>
</tbody>
</table>
We have achieved agility level 3.5 by applying several BPM elements and evolved an innovative, agile, web-based pricing solution.

Prior State
- End-to-end process cycle time too long
- Inefficient manual data entry for prices
- Business rules are hidden
- Dependence on IT resources to change business rules
- Ad hoc audit compliance
- Deployment to new countries takes weeks

Current State Achieved
- Reduce process cycle time by more than 50%
- Automated price updates
- Externalized business rules
- Reduced dependency on IT resources for business rules changes
- Deployment to new countries in days
- Dynamic business processes modification with KPIs monitored via dashboard

We have achieved Level 3.5 applying these BPM components:
- Business Process Manager 7.5
- WebSphere Application Server
- Websphere Operational Decision Management
- Db2 9
BPM technology provides the capabilities needed to automate the Deal Registration process.

Collaborative process discovery and definition in BlueworksLive.

Automation and enablement of solution workflow in BPM and business rules in ODM.

1. Automate workflow & decision making
2. Reduce errors and improve consistency
3. Standardize resolution across geographies
4. Leverage existing systems and data
5. Monitor for business events and initiate actions
6. Real-time visibility and process control

Customer Benefits:
- Huge Reduction in Manual Work, Errors
- Faster, More Consistent Issue Resolution
- Easier to Manage the Business
- Consistent Case Handling
Deal Registration

- A global cross-brand simplified and enabled Deal Registration process
- Initiate with key brand to reduce cycle-time from 152 hours to <24 hours
- Create web portal to leverage other types of programs in future
- Leverage BPM and ODM capabilities for workflow and business rules

Business Partner Pain-points

- Manual process using spreadsheets
- No on-line request status
- Cycle-time too long

Goal: 84% improvement in end-to-end cycle-time to register deals

Benefits

2012
- Achieved 68% reduction in end-to-end cycle-time and 5% win rate improvement

2013
- Cycle-time reduction to <24 hours is yielding 3% to 5% win rate improvement
IBM Enterprise Process Owners use Smarter roadmaps to help guide and deliver desired process improvements

**Smarter Enterprise Transformation Portfolio**
- **Smarter** transformation initiatives by process
- Aligned to Client experience, employee experience, and shareholder value
- Select high-impact initiatives that enable tactical or strategic **Smarter** enterprise plans
  - BPM, analytics, social are strategic capabilities for enabling targeted IBM business outcomes
The Road to a Smarter Enterprise *Six Principles to Consider*

- **Start a movement**
  - Engage the workforce
  - Jams and social software are great enablers

- **Establish clear transformation governance**
  - Appoint business, process and IT leaders to councils
  - Key decision-makers must have accountability for results

- **Transformation requires a data-driven discussion**
  - Analytics can improve operational performance
  - Enable fact-based decisions

- **Radically simplify business processes**
  - Design processes from viewpoint of users, not process owners
  - Establish standards & eliminate process steps that don’t add value

- **Invest in transformative innovation**
  - IT doesn’t create transformation, but can be great accelerator
  - Experiment with new ways to stimulate work environment & fuel new thinking

- **Embody creative leadership**
  - Takes new approach to lead global, multi-generational workforce
  - Leadership competencies must evolve for new realities