

IBM: *Creating a Culture of Innovation*

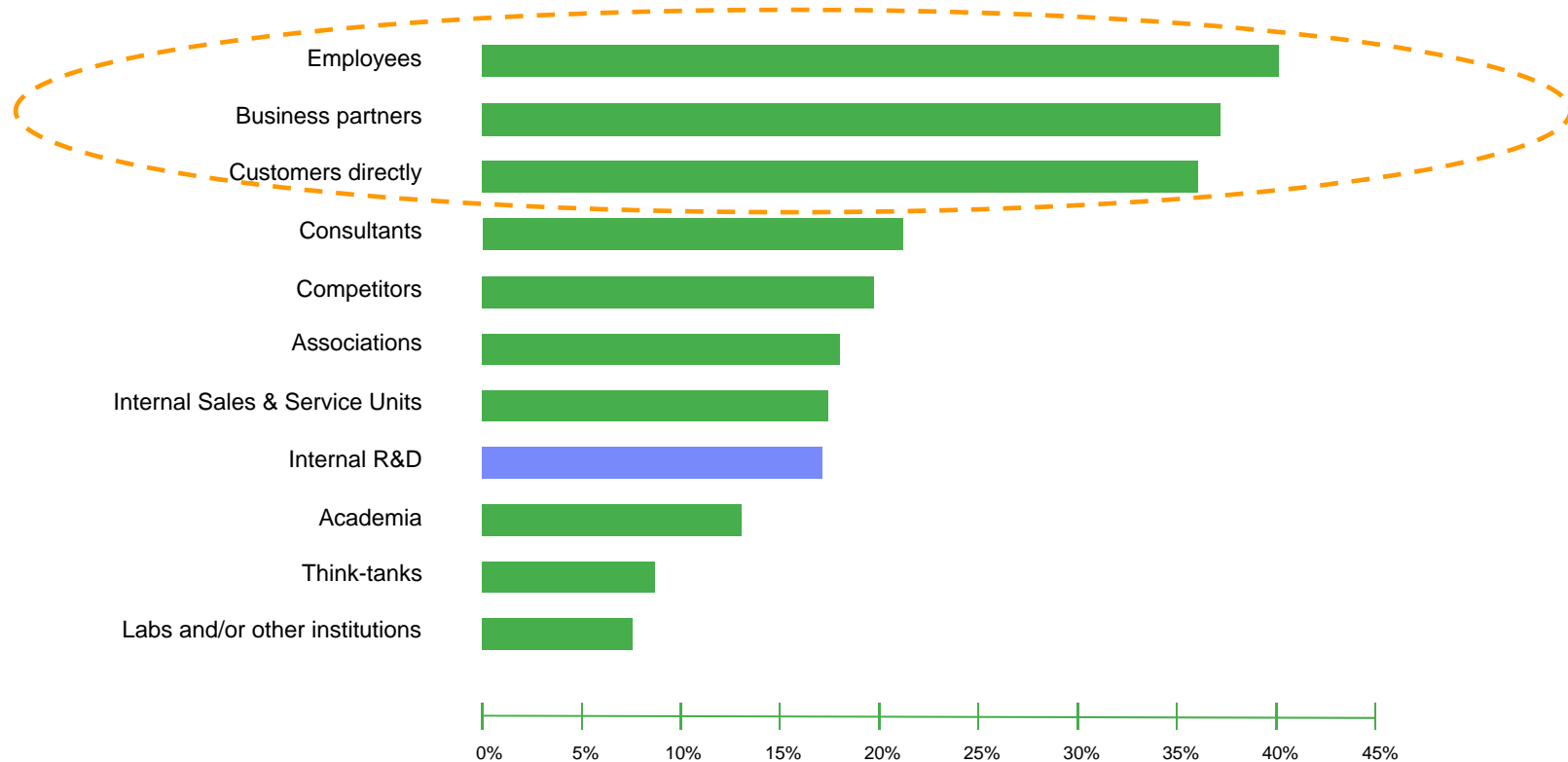


Innovation as a core discipline at IBM



Where does innovation come from?

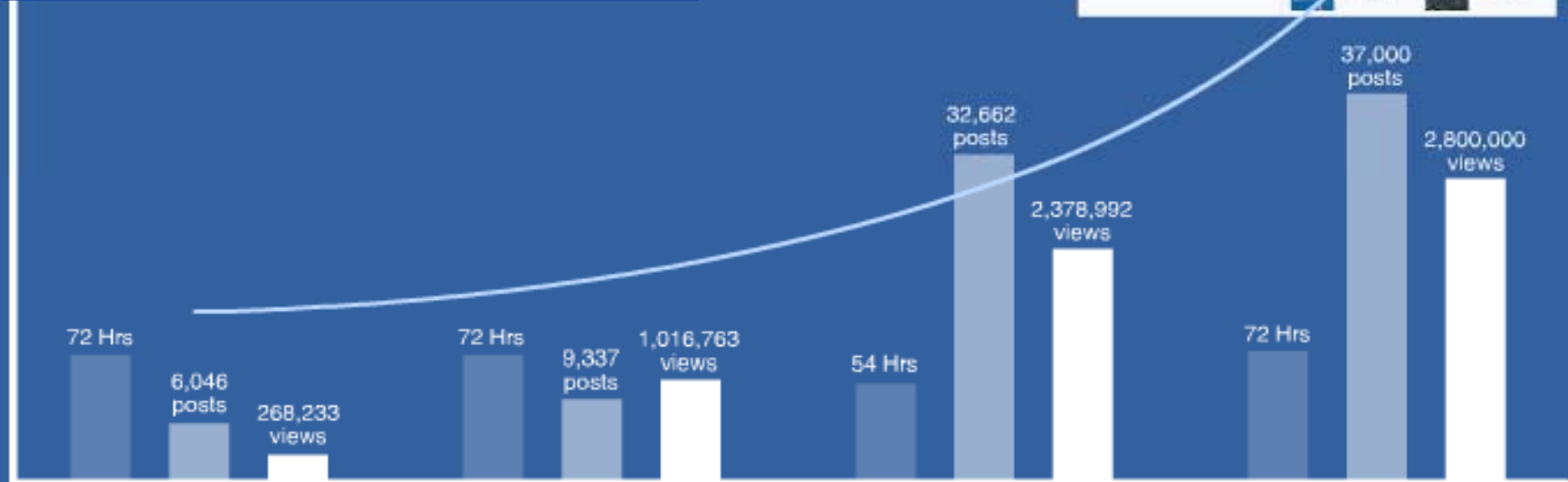
Collaboration sparks innovation



IBM Institute for Business Value, CEO Study 2006

In order to harness innovation from employees and business partners, IBM leverages Innovation Jams and Hubs *enterprise-wide discussion, collaboration and decision-making*

- Real-time threaded discussion
- Open idea-rating
- Equal access by all employees



WorldJam 2001
new collaborative medium to capture best practices on 10 urgent IBM issues

ValuesJam 2003
in-depth exploration of IBM's Values and Beliefs by employees

WorldJam 2004
focus on pragmatic solutions around growth, innovation and bringing solutions to life

InnovationJam™ 2006, 2008
IBM's clients, business partners and family members joined in a new collaborative exercise

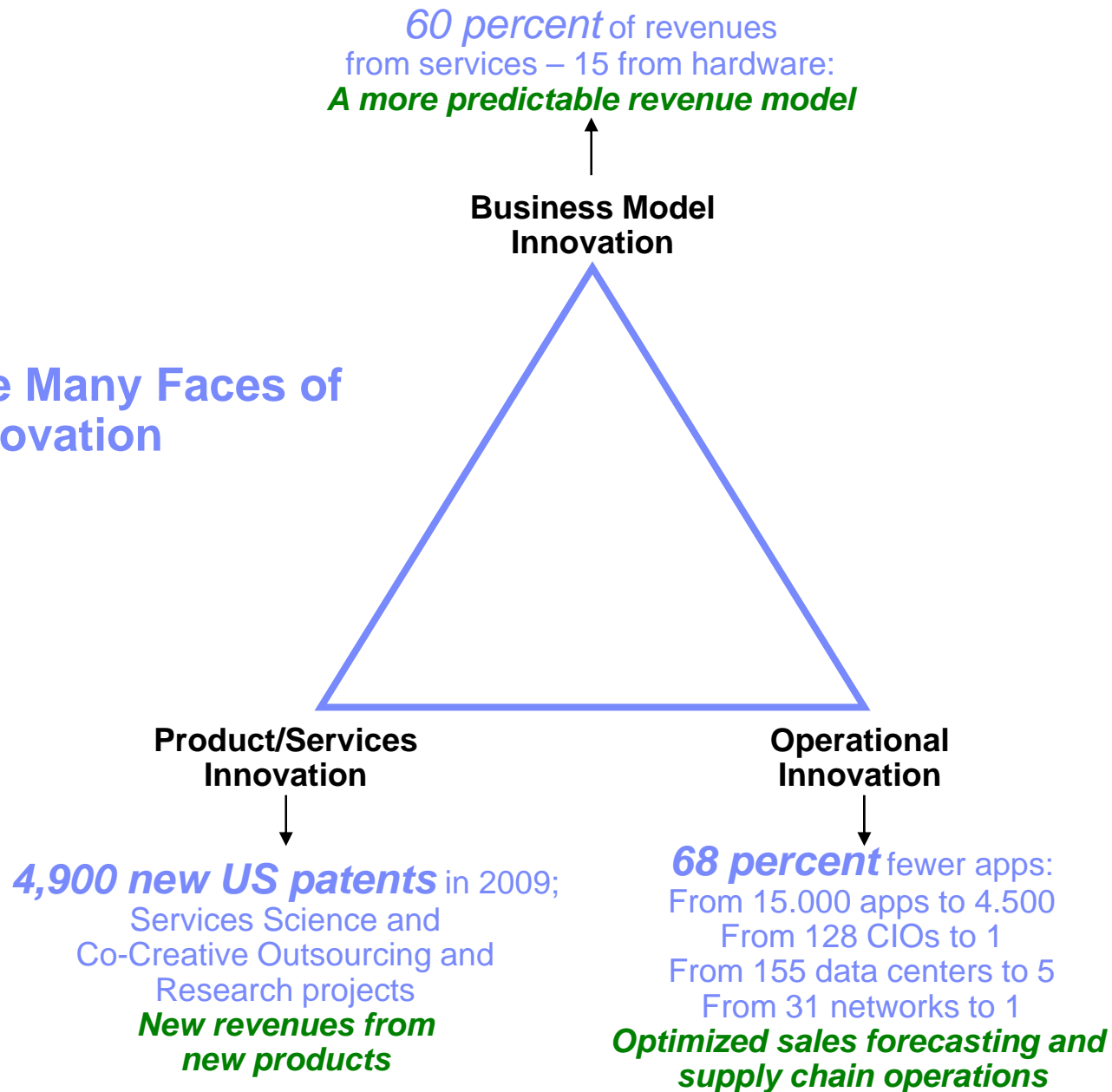
Innovation Hubs – Perpetually Running Innovation Marketplaces – Are Beginning to Yield A Noticeable Impact

The 24x7 innovation marketplace

- **Localized collaborative innovation model for directed results**
 - Next iteration of *ThinkPlace* program
 - Integrates Lotus Connections social network with idea sharing
 - Sharing business needs, innovation, implementation and recognition
- **\$778M estimated impact of idea programs:**
 - 45% new revenue opportunities
 - 37% time savings improvements
 - 18% cost savings improvements
 - cultural suggestions

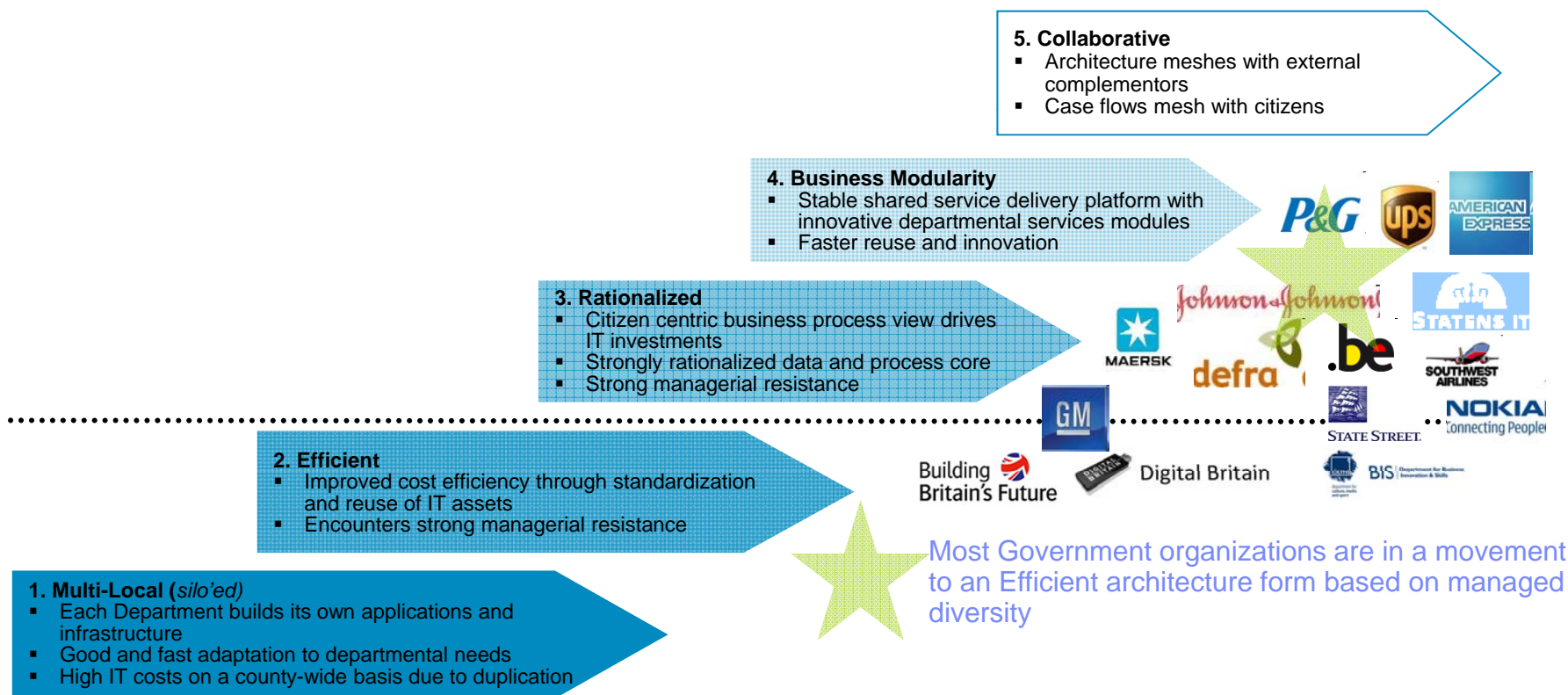


The Many Faces of Innovation



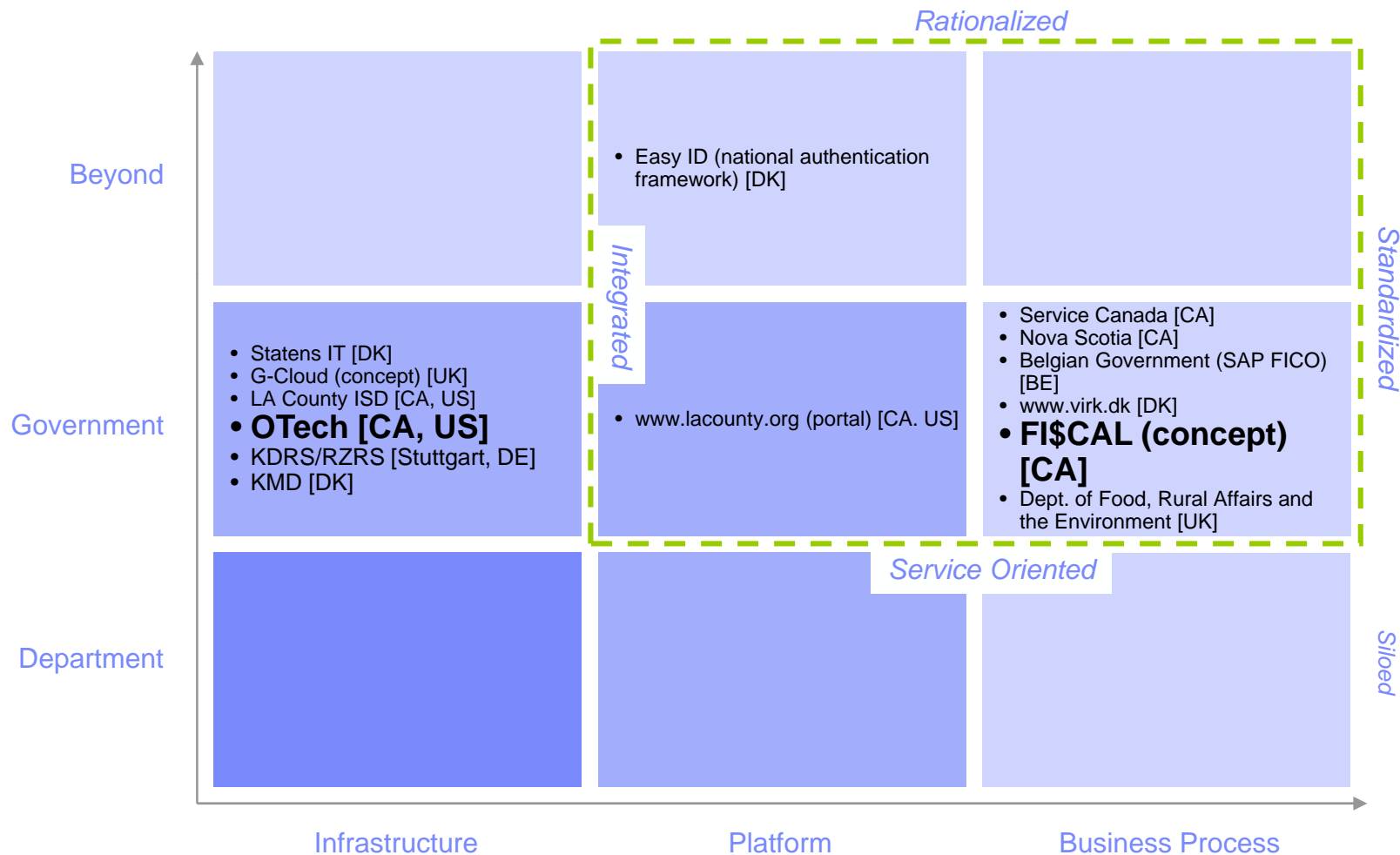
All Organizations – Private and Public – Progress Through Five Architecture Stages Driven by Operational Innovation

Over the course of the five stages, we see all organizations proceed to capture IT cost efficiencies and promote higher use of digitized case flows and analytical techniques to improve service levels to their constituents



Adapted from: J. W. Ross: *Creating a Strategic IT Architecture Competency: Learning in Stages*, MIT CISR Working Paper No. 335, April 2003, and Ross J., Draper W., Kang P., Gozum O., Tolle J.: *United Parcel Services: Business Transformation through Information Technology*, MIT Sloan WP No. 4399-03, September 2002

The Globally Integrated Organization (GIO): Shared Services Delivery Platforms Are Entering the Mainstream



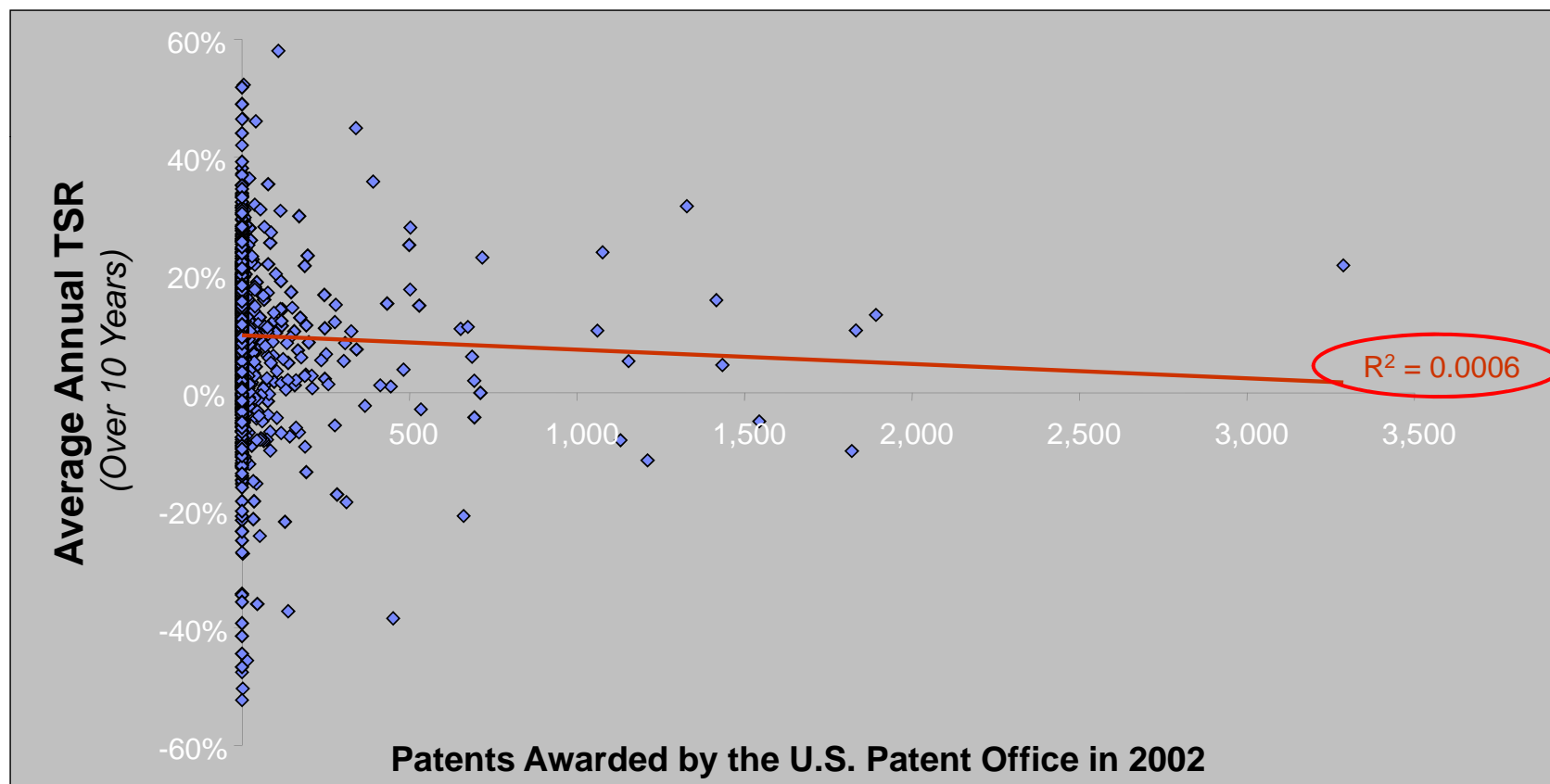
Scope of the SDP

Do investments in innovation make sense?

of Patents vs. Total Shareholder Return

(Global 1,200 companies, n = 1,111)

Growth and value creation are not linked to the amount of money spent on R&D or the Patents Filed

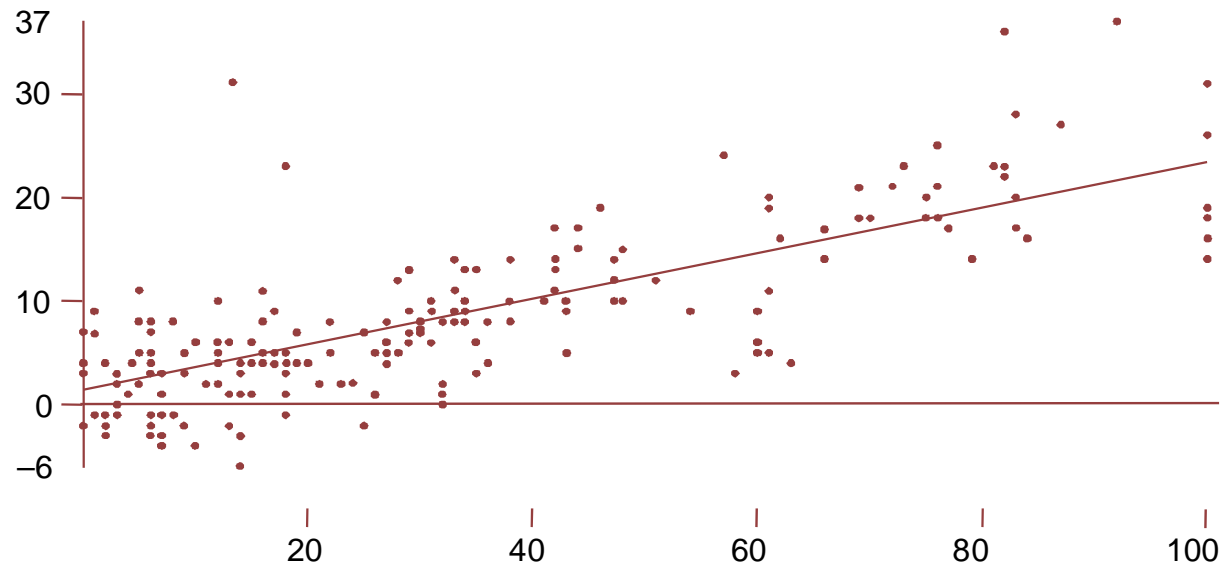


Source: IBM Analysis; US Patent Office; Compustat

Do investments in innovation make sense?

Annualized growth vs. proportion of turnover from new products
 ... but growth and value creation is linked to the ability to commercialize new services and products

Annualized growth in revenues over 5 years (%)



Average proportion of turnover from services and products introduced in past 5 years (%)

Source: IBM Research