



IBM Human Resources

# Human Resources Webcast

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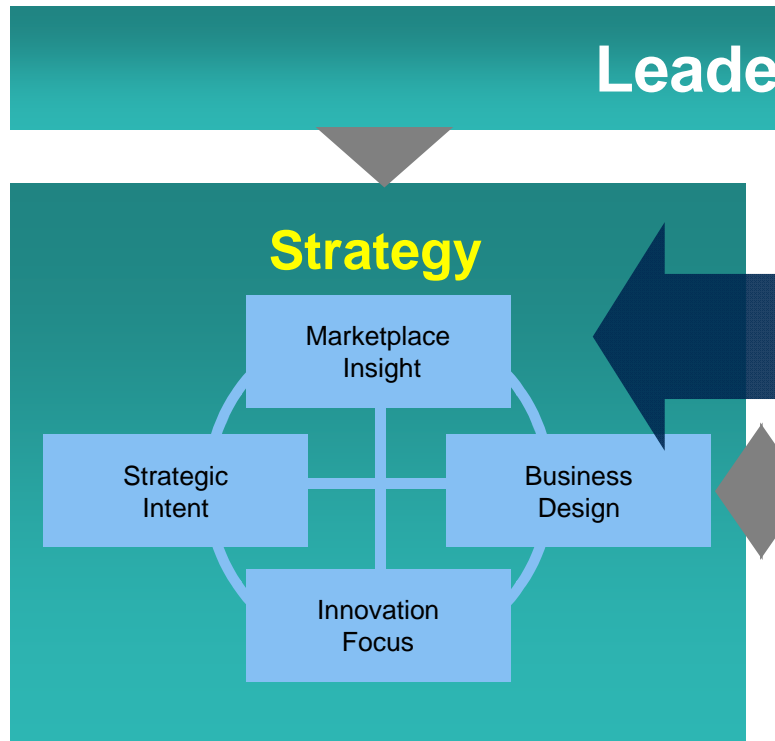


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## Today's Topics

- IBM's 2006 Priorities
- Compensation and Benefits Strategy
- Performance Attrition
- Performance Team and Integration & Values Team
- Workforce Management Initiative/Opportunity Marketplace
- Manager Feedback Results
- Global Pulse Survey
- HR in 2006

## IBM's 2006 Priorities: Going on Offense!



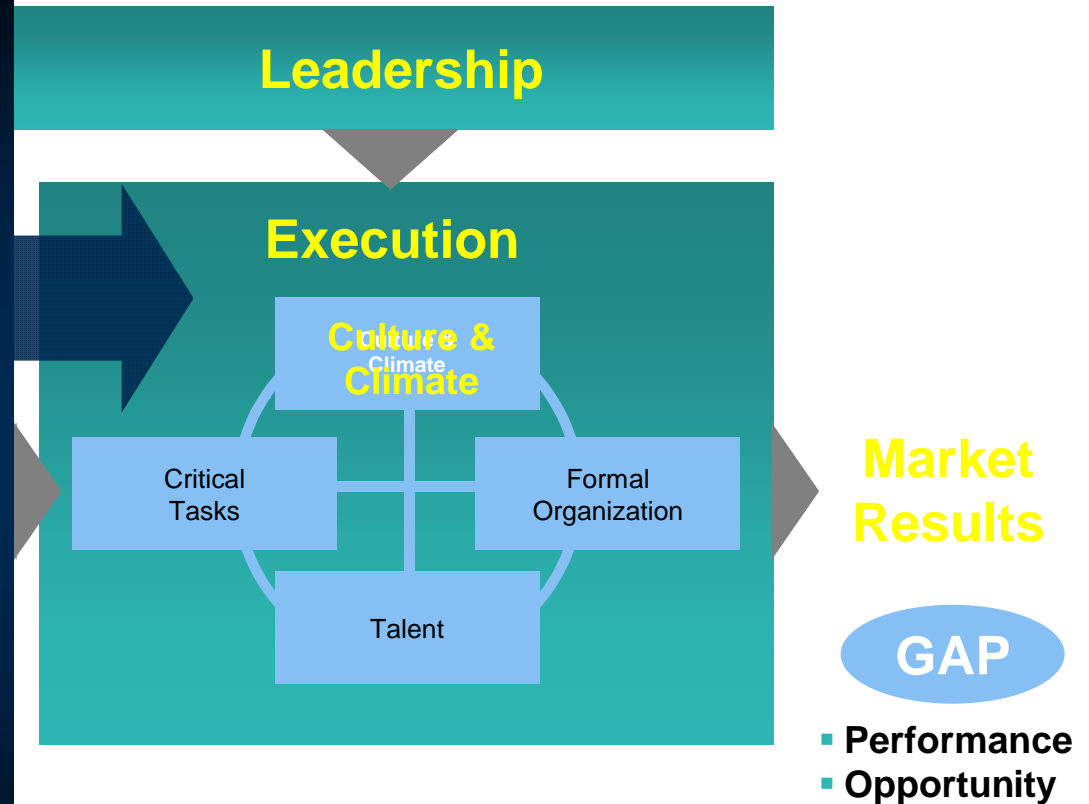
Economic landscape changing.  
We've staked the future on  
innovation and integration.

- Establish IBM as innovation partner to capitalize on business value opportunity
- Take share in systems/software
- Capture future services opportunities
- Drive global integration to improve productivity

# Changing Our Culture through Leadership

## Playing offense requires dramatically different leadership

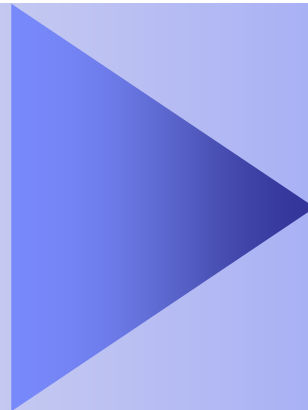
- Integrating IBM is our day job
- We must unleash the full potential of IBM through leadership
- Dramatic change is required and we are the ones to lead it



# Leadership Challenge: A Complex Transformation

→ We all acknowledge the complexity of the transformation required:

**Internally focused  
Inventors  
Silo'ed & Independent  
Limits & Inspections  
Overly Cautious**



**Marketplace & Client-centric  
Innovators  
Integrated & Interdependent  
Trust & Accountability  
Strategic Risk-Takers**

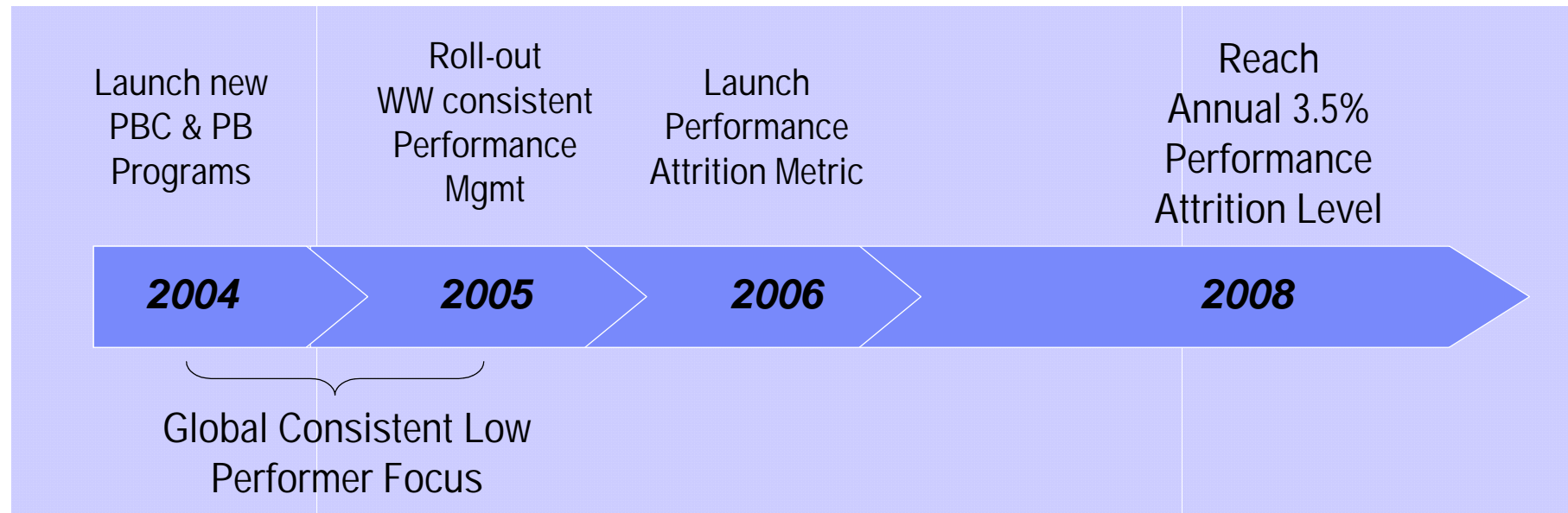
## 2006 Compensation & Benefits

### **Continue competitive total compensation programs within constraints of overall business affordability**

- Major steps taken in all geographies to address costs associated with overly competitive retirement programs which now should provide us more compensation flexibility going forward
- Larger SIP budget than in 2005 with continued focus on needs for countries experiencing growth and specific job families
- Worldwide Performance Bonus pools, continued emphasis on rewarding our highest performers and on-going focus on retention of highest performers and next generation leaders
- Alignment of executive compensation with new I&VT and PT missions of driving long-term growth through integration

# Evolution towards Performance Attrition Metric

## *IBM Journey to High Performance Culture*

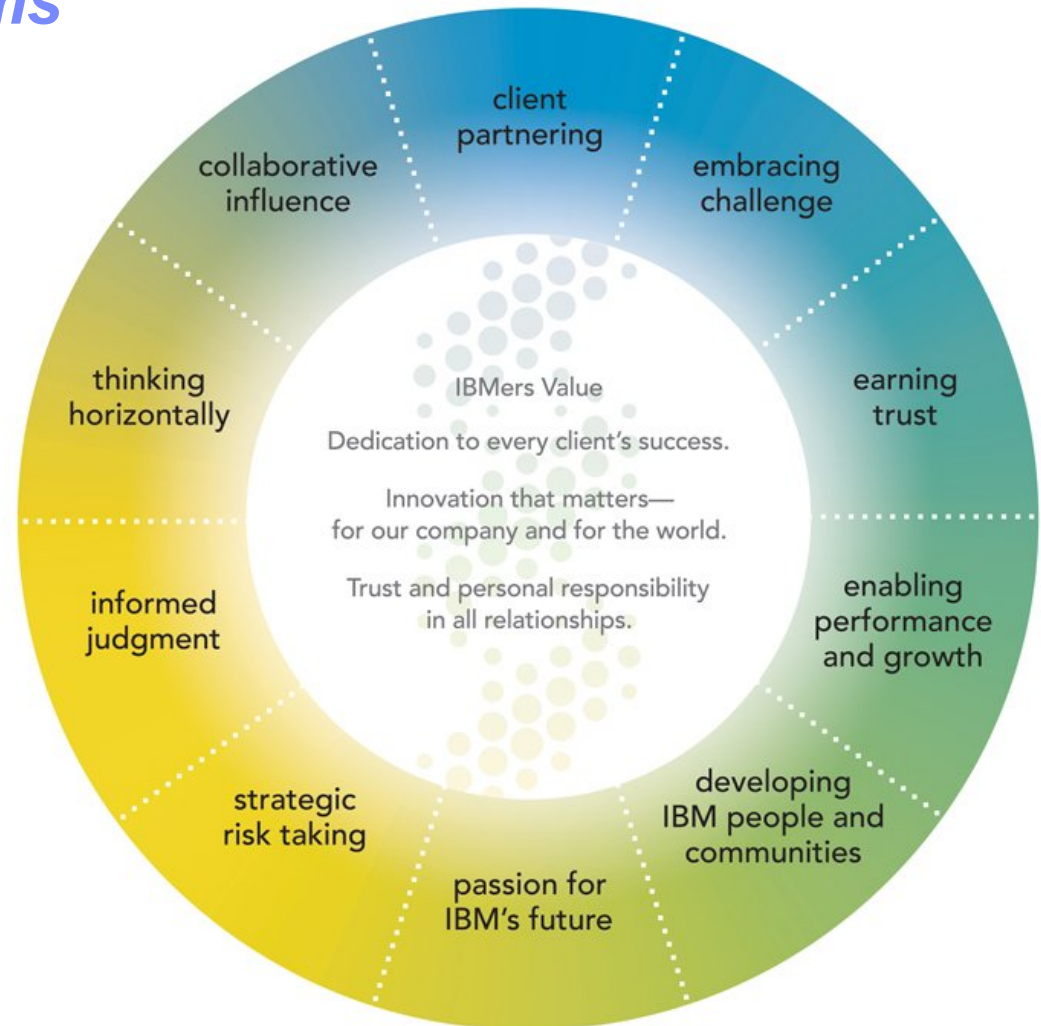


- **Mixed results with Managed Attrition and MIS; not driving the desired behavior**
- **Need both a new metric and clear accountability**
- **Performance Attrition = MIS, PBC 3 & 4 resignations and PBC 2 managed out**

# Living the Values & Leadership Competencies

## *New IBM Leadership Teams*

- **Get your head in the marketplace**
- **Pursue innovative possibilities**
- **Do what you say you'll do**
- **See what's needed & make it happen**
- **Model constructive conflict**
- **Do what you think is right for IBM**





## Performance Team

### **Collective responsibility for the success of IBM by**

- ▶ Insuring accountability for results
- ▶ Enabling cross-unit integration
- ▶ Performance Team consists of SVP's, Top P&L General Managers, key functional leaders

## Integration & Values Team

### **Accountability for**

- ▶ Actively leading integration efforts to improve IBM's effectiveness and growth
- ▶ Aligning and communicating IBM Strategies
- ▶ Lead consistent with the IBM Values

# Workforce Management Initiative (WMI)

## Workforce Management Supply Chain

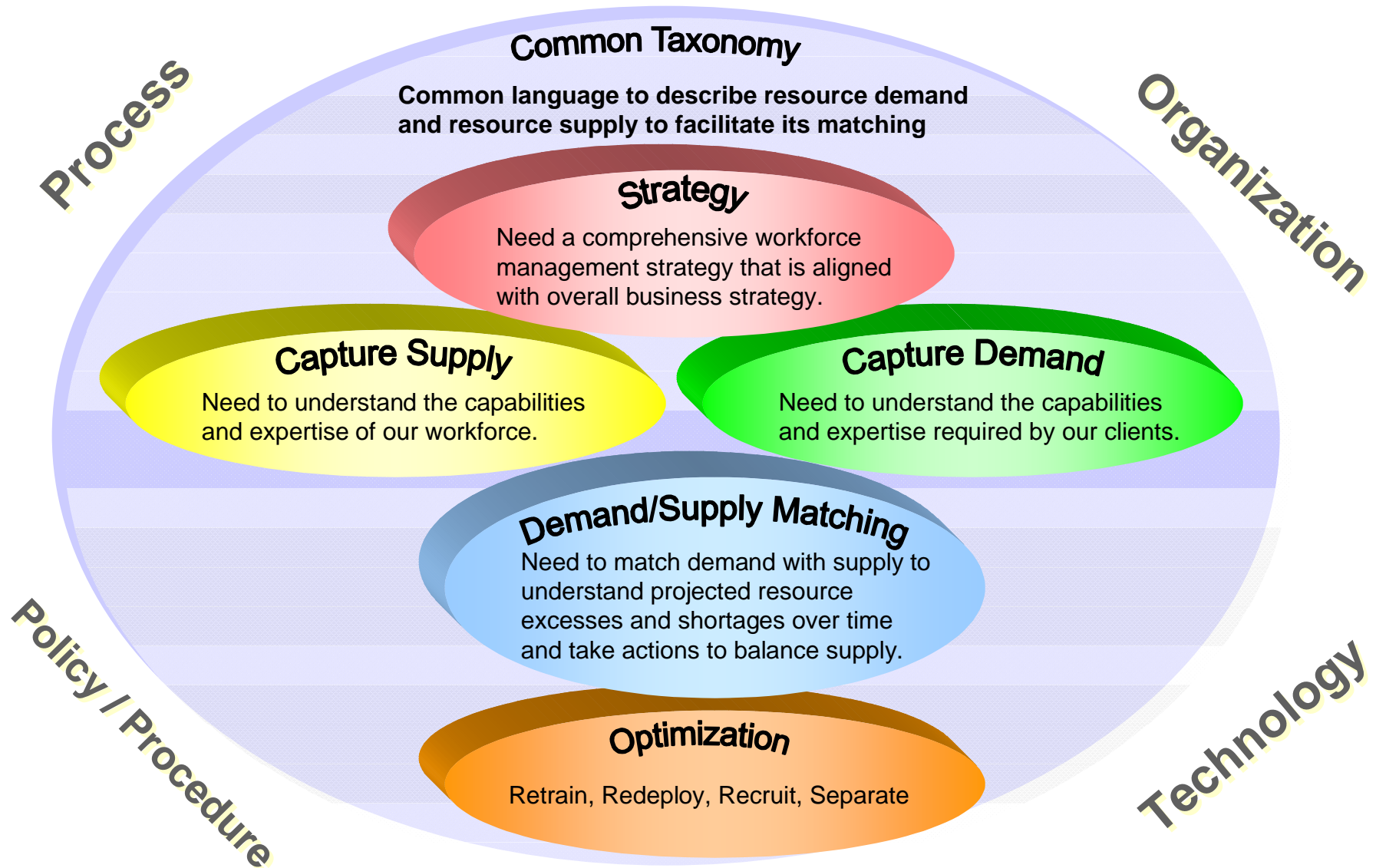
*The right person, with the right skills, at the right time, place and cost*



### The WMI Program is transforming processes and tools to:

- Capture global employee expertise detail in a common way (Expertise Taxonomy)
- Analyze supply/demand in a regular workforce planning cycle (RCP)
- Guide sourcing decisions to match capacity plan and workforce strategy (Opportunity Marketplace / Channel Control)
- Improve employee visibility opportunities and improve recruiting/hiring effectiveness for AP and Pan Europe IOT (OM/ATS)
- Provide personalized learning direction thru (LMS)
- Utilize workforce effectively by matching expertise to available projects (Professional Marketplace and Global Resource Deployment System - GRDS)
- Enable sourcing of contractors through preferred suppliers at best rates (Contractor Sourcing Application)

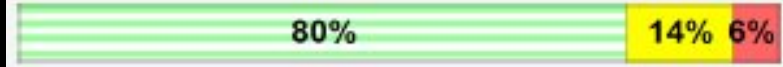
# Workforce Management Supply Chain



# Manager Feedback Program - 2005 Results

**Overall, how good a job do you feel is being done by your immediate manager?**

Global cross-industry average benchmark = 71%  
 Global cross-industry best benchmark (avg top 2 companies) = 85%



- Strengths of IBM managers include:
  - Being supportive (82% Favorable)
  - Earning trust (80% Favorable)
- Areas for improvement
  - Guiding employee development (68% Favorable)
  - Providing performance feedback (71% Favorable)
- Write-in comments are consistent with rated questions results
- Geographies and business units show similarity in the rated questions. An exception is BCS where facilitating collaboration is also among the weaker areas

Geos		Average % Favorable
Americas		83%
Asia Pacific		78%
Northeast		77%
Southwest		71%
Functions		Average % Favorable
Communications		79%
Finance		81%
Human Resources		80%
Legal		86%
Marketing		80%
Sales Operations		81%

Units	Average % Favorable	Participation Rate
CHQ	85%	76.7%
ISC	78%	78.3%
Global Finance	82%	75.2%
Research	80%	62.8%
S&D	82%	74.8%
STG	82%	74.3%
SWG	81%	67.1%
BCS	77%	63.6%
AMS	78%	* 58.4%
Delivery	79%	
ITS	79%	
SO	73%	

\* During cycle, participation rate tracked at Global Services Level (excluding BCS)

## ESI Trends: IBM Total, by Geography - Jan 06

- The Global Pulse Survey ESI is stable, except for Southwest Europe where significant progress was achieved



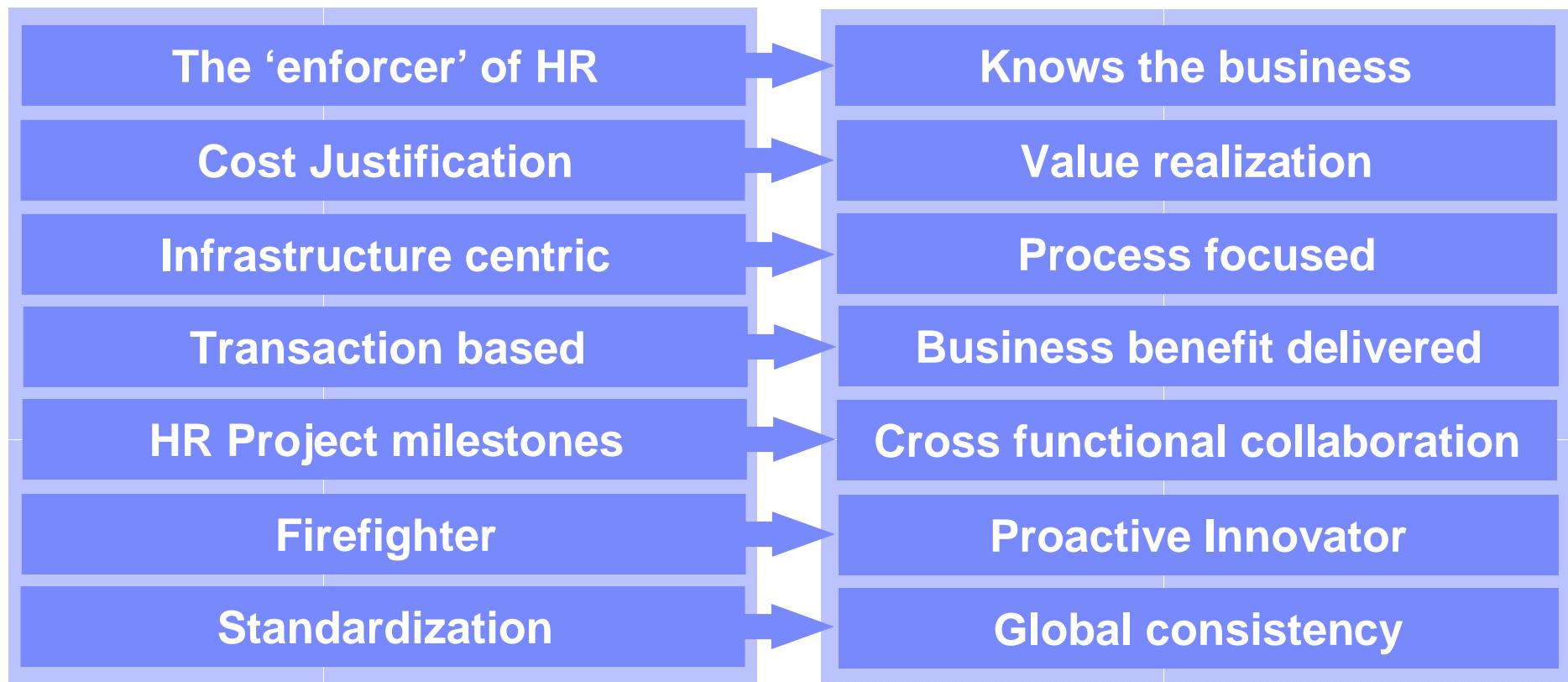
## ESI Trends: US Pension Groups - Jan 06

- Trends for all 3 US pension groups are stable
- The US pension change does not have an impact on ESI.



# Changing the Role of the HR Leader

- Apply Talent & Workforce Management to deliver business value
- Enable collaboration and innovation
- Lead enterprise transformation

**HR 2.0**

# HR Teams 2006

	Strategy	On Demand Globalization	HR Development
<b>Leader</b>	Mike Markovits	John Silverthorn	Patricia L Burton
<b>HROT Sponsors</b>	Karen Calo Karen Salinaro	Barbara Brickmeier Tom Fleming	Diane Gherson Donna Riley
<b>Goals</b>	<p>Benchmark of the top 10 HR functions at worldwide level, finding their key differentiators and defining our gaps to those levels of performance.</p> <p>Review the HR Strategy Model to propose an update in order to be more reflective of our business strategy.</p>	<p>Review the dynamics and processes in place to improve the integration of employees coming to IBM through acquisitions + SO/BTO deals.</p> <p>Streamline &amp; improve productivity in one HR process per quarter</p>	<p>To develop processes to ensure that OM and WMI are integrated into Talent Management, reviewing the implications for the HR function in terms of training &amp; skills sets required.</p> <p>Career Paths for HR Professionals</p>



# Personal Leadership



**IBM Values**

# Questions, Comments and Ideas

To submit a question:

- ▶ Click on the "Ask a question link" in the lower left side of your webcast page
- ▶ Type your name, location, and question
- ▶ Click the Send button

