IBM Digital Business Group

Talent: Transforming to Next Generation Digital Talent

Focus on strategic cities to magnify impact through scale – key battle grounds where Digital Centers and Developer Advocacy Teams will be co-located (95% by 2020) attracting the next generation of digital talent.

**Winning the Talent War**
- Prioritize talent acquisition partnerships and programs to enable a continuous, high-quality talent pipeline.
- Increase technical acumen to unleash IBM's potential.
- Improve attractiveness of culture and work environment for diverse talent.

**Re-Profiling Current Talent**
- Prioritize talent solutions to retain critical talent in key battleground cities (Dublin, Dallas, San Francisco, Berlin, etc.).
- **Continuous talent refresh** – Focus on programs to create room for new talent to build skills for key growth areas in Cloud and Cognitive.

**Investing Skills That Matter**
- Next generation digital talent success profile to define requirements, gaps and action plans.
- Product, applied skills and learning programs to win Cognitive and Cloud battles vs competition.
- Leverage external credentials and digital badges to accelerate skills.

### Sustainable DBG Culture to Unleash IBM

- **Establish strong leadership to drive a winning culture**
- **Communicate & advocate for impact**
- **Share and celebrate success to create momentum**
- Continuous ingrained feedback leveraging NPS

**Expected Outcomes**
- 5 pts Increase in Employee Engagement by YE 2018
- 55% Early Professional Hires in 2020
- 10% annual talent refresh
- 95% level 2 Digital Mastery and 90% External DM certification

IBM
### 2016 Analytics People Priorities & Key Initiatives

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<tbody>
<tr>
<td><strong>ACTION:</strong> Drive investment tradeoffs to achieve sustainable mix and cost; enhance forecasting of future resource shifts based on Analytics’</td>
<td><strong>ACTION:</strong> Data driven approach to provide further clarity of skill value, gaps and excesses. Remix and refresh critical skill areas.</td>
<td><strong>ACTION:</strong> Enhance recruitment capabilities to better acquire scarce, highly skilled, high-value talent.</td>
<td><strong>ACTION:</strong> Differentiate investment in people programs to create positive IBM employee experiences. Use EPH development tracks to grow and retain skills.</td>
<td><strong>ACTION:</strong> Establish and maintain &quot;healthy&quot; attrition targets. Embed &quot;Up or On&quot; mindset to enable managers and employees to drive appropriate career transitions.</td>
<td><strong>ACTION:</strong> Boost and amplify Analytics' culture through leadership development, vitality &amp; inclusion, and recognition programs.</td>
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<td><strong>Key Initiatives:</strong></td>
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<tr>
<td>- AUDDI predictive analytics</td>
<td>- Analytics Skills Value Council</td>
<td>- Strategic learning plan</td>
<td>- Analytics Talent Scout</td>
<td>- Analytics Talent Scout</td>
<td>- Band D Executive Connections</td>
</tr>
<tr>
<td>- Watson Analytics RM dashboard</td>
<td>- Targeted Skills Remix</td>
<td>- Experiential Learning Opportunities</td>
<td>- Technical Summit</td>
<td>- Technical Summit</td>
<td>- TENT-BTL pipeline program</td>
</tr>
<tr>
<td>- Rolling MIS / RA planning</td>
<td>- Technical leadership refresh</td>
<td>- ExPro sourcing</td>
<td>- Targeted ALAP</td>
<td>- Targeted ALAP</td>
<td>- Reward Culture contributions</td>
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<tr>
<td><strong>Outcome:</strong></td>
<td><strong>Outcome:</strong></td>
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</tr>
<tr>
<td>- Metrics and predictive analyses made available to managers to shift from reactionary resource execution toward predictive resource planning</td>
<td>- Improved skills portfolio and next generation technical leadership</td>
<td>- Reduced time to recruit and land critical skills (EPH and ExPro)</td>
<td>- Reduced top contributor and EPH attrition</td>
<td>- Increased attrition among low contributors in low value roles</td>
<td>- Leadership reinforcing a culture where employees maximize their contributions and pipeline of transformational future leaders</td>
</tr>
<tr>
<td>- Increasing accuracy of SVF data, usability to guide decision-making on other talent key initiatives</td>
<td>- Increasing accuracy of skill value, gaps and excesses.</td>
<td>- Improved quality and depth of candidate pool</td>
<td>- Employees maximize their contributions and are better prepared for future opportunities</td>
<td>- Improved quality and depth of candidate pool</td>
<td>- Pipeline of transformational future leaders</td>
</tr>
</tbody>
</table>

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Affordable Resources

Key Points

- **YE 2016 h/c: 20,024**
  - 8% net reduction YTY (-1,645)
  - Restructuring required $68M (-1,484)
  - NA, Europe largest take outs

- **Continue key hiring: 1,386**
  - EPH: 679 - immersion in development tracks
  - ExPro: 707 - target hiring from key competitors
  - Key skill areas
    - Data Scientists / architects
    - Visual designers / Front-end developers
    - Digital Sellers / Consultative Sales
    - Solutions Offering Management
    - Industry Marketing

- **Dynamic Attrition Actions**
  - Maintain steady attrition to offset hiring
  - Reduce regretted attrition
  - Drive career transition of low contributors in low value roles

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Hybrid Cloud – Talent Fall Plan Overview

1. Go To Market Transformation
2. Invest in strengthening our flagship offerings to drive growth
3. CMS: Labor Productivity “Lift & Shift”

Invest in key offerings and drive revenue growth

..... while reducing headcount

Objective: Grow revenue 4% to $11B, while driving a 30% headcount reduction in SG&A

Integration and Analytics

Invest to beat the competition
- Significantly ramp up recruitment engine to tap into talent pools aligned with investment areas ((Development, Data Science, OM)) to support hiring that will outpace voluntary attrition
- Right size OM/Developer ratio (1:35 vs 1:12) drive a more aggressive performance management approach to enable us to hire and replace, and fund an influx of EP’s to correct seniority mix (46% benchmark vs 21% actual)

Cloud Managed Services

Increase labor productivity
- Displace 300 major market resources (primarily contractors) and hire in GR countries (Costa Rica, India, Poland and Romania) to achieve GR remix and labor productivity
- Co-locate 200 resources in 2 main locations

Go To Market

Drive revenue growth while reducing headcount capacity
- Target a challenging SG&A reduction of 22% YOY; requiring a significant reduction in our workforce of 2500 resources (30%) from our pool of low contributors and declining skills, with possible impact to recent hires, hot skills and top contributors due to complex execution model by country
- Develop resource plans to achieve affordable HC targets utilizing methods tailored to each country:
  - Building High Performance
  - Reduce Surplus headcount across playbook countries; Market led execution with clear alignment to WW and GEO management and HR teams
  - Utilizing various reduction initiatives such as resource action, shifting sales and technical resources to Business Partners, exiting from non-strategic countries, and shifting headcount from major cities to strategic locations.

Awaiting headcount dynamics & financials from Jim

<table>
<thead>
<tr>
<th>Year</th>
<th>Dev.</th>
<th>Revenue</th>
<th>Cost</th>
<th>Total Expense</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10%</td>
<td>4%</td>
<td>0%</td>
<td>(16%)</td>
<td></td>
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</tr>
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</table>

SG&A, (26%)
Go To Market Transformation

1. Strengthen our Talent priorities
   - Drive career progression through newly published promotion guidelines for skills development
   - Develop seller capabilities through Q1 "fast start" initiatives and on-going Hybrid Cloud specific enablement
   - Drive technical skills boot-camp to deepen expertise
   - Deploy role-based enablement and digital credentials on prioritized solutions, and key technical skills

2. Embed our Plays
   - Accelerate digital model, with a focus on Digital Technical Engagement, and re-organize to enable a more efficient organization while maintaining client coverage

3. Close critical gaps
   - Client Facing Technical Sellers
   - Portfolio Sales Reps (F2F)
   - Digital Sellers and Digital Technical Engagement Leader (DTE)

4. Execute
   - Drive 30% reduction in headcount; YE'18 headcount target of 6,470 (reduction of 2,500 resources)
   - Transform to a digital engagement model optimized to deliver revenue growth
   - Align with simplified offering portfolio, reducing 27 sales specialties to 6 offerings

Targeting a challenging SG&A reduction of 22% YOY, requiring a significant reduction in our sales workforce of 2,500 resources (30%) from our pool of low contributors and declining skills, with possible impact to recent hires, hot skills and top contributors due to complex execution model by country.

Develop resource plans to achieve affordable headcount target using new and innovative ideas and utilizing methods tailored to each country:

1. Building High Performance
   - Minimize disruption and maximize motivation
   - Extension of BAU performance management approach
   - Performance acceleration letter to be sent to employees on incentive plans that outline the actions to achieve expectations (>75% Tl in their last quota)
   - Enable early exits in 1Q'18

2. Reduce Surplus headcount across playbook countries; Market led execution with clear alignment to WW and GEO management and HR teams.
   - Identify target population; declining skills, poor sales track record, and/or low performance
   - Adopt management system, led by Market GM with assistance from "squads" to enable execution, utilizing weekly management cadence to drive to closure
   - Exit headcount via voluntary, involuntary, or location based strategies

3. Utilizing various reduction initiatives such as resource action, shifting sales and technical resources to Business Partners, exiting from non-strategic countries, and shifting headcount from major cities to strategic locations.
**Invest in strengthening our flagship offerings to drive growth**

1. **Invest to beat the competition**
   - Hiring will outpace voluntary attrition in key areas (Development, Data Science, OM)

2. **Analytics Platform** – Re-engage with developer and data scientist communities to enable new investments, shed redundant HC costs and transfer skills to core portfolio areas

3. **Cloud Integration** – Recruit technical & developer top talent to win in private cloud

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<tbody>
<tr>
<td><strong>Analytics</strong></td>
<td><strong>Developer</strong></td>
<td><strong>Integration</strong></td>
<td><strong>Professional</strong></td>
</tr>
<tr>
<td>Deepen Cloud skill base for global scale, security, networking; Site Reliability Engineering (SRE); instrumentation / analytics; and shift resources to Cloud Native &amp; XaaS; Growth Offerings</td>
<td>Offering Manager</td>
<td>Microservices, Kubernetes, Containers / Docker, Open Source - k8s, GCP, UX Design / Implementation</td>
<td>Engage Strategic Sourcing &amp; Talent Attraction</td>
</tr>
<tr>
<td><strong>Integration</strong></td>
<td><strong>Integration</strong></td>
<td><strong>Integration</strong></td>
<td><strong>Professional</strong></td>
</tr>
<tr>
<td>4-3-3 Strategy; 4 Trends, 3 Buyers and 3 Core Offerings demonstrates our commitment to invest in key skills to be competitive, grow revenue, and take share.</td>
<td>Technical Evangelists / Developer Advocates; Offering Mark / Design; Cloud Native Application / Software Developers</td>
<td><strong>EPH &amp; New Collar</strong></td>
<td></td>
</tr>
<tr>
<td>Right size OM / Developer ratio (currently 1:35 vs baseline of 1:12), drive a more aggressive performance management approach to enable us to hire and replace where needed; and fund an influx of EPs to correct seniority mix (46% benchmark vs 21% actual)</td>
<td><strong>EPH &amp; New Collar</strong></td>
<td></td>
<td>Utilize Brass Ring search to identify existing, active EP by skills, degree, etc.</td>
</tr>
</tbody>
</table>

**Professional**

- Utilize Talent Landscape reports to identify best markets for Hybrid Cloud skills AND hire into these locations
- With BU leaders, TAL to capture 2-4 growth and investment 8-10 profiles with large volume hiring commitments and engage pipeline development
- Stand-up sprint teams with participation by TA and line hiring teams to deliver up to 30 hires in 6 week agile sprints
- With BU leaders, engage event pipeline development for interview day(s) by role and location.

**EPH & New Collar**

- Utilize Skilledset Analysis report to identify Universities in NA and Europe producing graduates with skills identified by BU as key success criteria

- Engage Talent Attraction to develop Hybrid Cloud specific marketing messages for EP, New Collar and Professional candidate markets
- Increase social eminence of Hybrid Cloud business leaders through blog posts, engagement in user groups, etc and share with TA teams in order to extend market reach and recognition as IBM leader in Hybrid Cloud.
CMS: Labor Productivity “Lift & Shift”

1. **Increase labor productivity**
   - Lift/Shift 300 FTE from MM to GR
   - Significant investments will be made in GR to ensure growth for 2018 revenue is 100% GR* (reaching GR Remix @ 75%: 25%)
   - Automation, Accountability and Autonomy are keys to success for increased labor productivity (actions to reduce total by 20%)

2. **Embed our Plays**
   - Displace 300 major market resources (primarily contractors) and hire in GR countries (Costa Rica, India, Poland and Romania) to achieve GR remix and labor productivity
   - Co-locate 200 resources in 2 main locations

3. **Close critical gaps**
   - Site Reliability Engineering (SRE), UX Design / Implementation
   - Chef Automation, SAP, Key front-end and developer ecosystems including: Node.js, Swift, Java, Perl, Python, Hadoop / Spark
   - Premium Support, DC Ops & Customer Support, Networking / IS, Systems, Facilities management, Outage prevention, Abuse 24x7 coverage and SOC

4. **Execute**

   **“Lift & Shift” Hiring - Overall Implementation Plan**

<table>
<thead>
<tr>
<th>Wave</th>
<th>Projected Quantity</th>
<th>Kickoff</th>
<th>Resource Approval Target</th>
<th>Planned Exit Dates Of Existing Resources</th>
<th>Hiring &amp; Onboarding Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wave 1</td>
<td>68</td>
<td>9/15/17</td>
<td>9/19/17</td>
<td>9/29/17</td>
<td>4Q '17</td>
</tr>
<tr>
<td>Wave 2</td>
<td>70</td>
<td>10/4/17</td>
<td>10/18/17</td>
<td>11/10/17 &amp; 11/20/17</td>
<td>1Q '18</td>
</tr>
<tr>
<td>Wave 3</td>
<td>66</td>
<td>10/23/17</td>
<td>11/6/17</td>
<td>12/15/17</td>
<td>1Q '18</td>
</tr>
<tr>
<td>Wave 4</td>
<td>60</td>
<td>1/1/17</td>
<td>1/18</td>
<td>10/18</td>
<td>1Q '18</td>
</tr>
<tr>
<td>Wave 5</td>
<td>1</td>
<td>4/4/18</td>
<td>4/18</td>
<td>2Q '18</td>
<td>2Q '18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>265</strong></td>
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</table>

**Co-Location Strategy**

In 2018 initiate the next co-location phase in North America:

- Going forward, hire in designated IBM / CMS strategic site locations

- Employees that are within the mobility zone (50 miles) of IBM’s strategic maintain/special case locations must return to the IBM office.
Early Professional Hiring

- Winning with Talent

1. Shift headcount mix towards greater % of Early Professional hires
2. Increase Top Talent from Investment Universities
3. Build on Hybrid Cloud momentum in the New Collar Apprenticeship program (first business unit to establish cohort) and Military Fellowship program
4. Rem.ark portfolio towards in demand skills

Objectives and Initiatives

- Retain & Attract
  - Shift mix of Early Pro hiring to IUI programs (+30%) vs Non IUI
  - Hire 2018 interns from IUI schools to create pipeline for IUI conversion in 2019
  - Prioritize Female and Under Represented Minority hiring with the TBH team
  - Incorporate the "Cognizant" program into the fabric of Hybrid Cloud employees/executives so they are advocates for our brand at recruiting and hiring events

- Headcount Mix
  - Achieve 50% EPH mix by utilizing the TBH to replace headcount lost to attrition for our technical tracks
  - Invest heavily in the New Collar Apprenticeship program and look to scale to additional sites in Emeryville, Ca. and Austin, Tx for New Collar Programs (Apprenticeships & Military Fellowship)

- Estimated allocation by GM and Geography

- Estimated allocation by Job Category and Geography

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