



IBM Global Business Services

Creating and managing Innovation – considering next generation ICTs

The Creation of Economic and Corporate
Wealth in a Dynamic Economy
17.01.2008



IBM is well known ...

- IBM develops more than 3,000 patents per year (Number 1 for more than 10 years)
- Spends 6.5bn \$ in R&D
- Customer focused – interactive research
- Innovation driven solution business (53% of revenue)
- Transformation from technology to business

5 Nobel Laureates

Scanning Tunneling Microscope
High Temperature Superconductivity
Electron Tunneling Effect

6 National Medals of Technology

Copper Chip Technology
Silicon-on-Insulator
SiGe
DRAM

5 National Medals of Science

Contributions to Magnetic Resonance Imaging

6 Turing Awards

High Performance Computing
First woman recipient in the history of this prestigious ACM award

59 Members in National Academy of Engineering

8 Inductees in National Inventors Hall of Fame

Laser-etched hair based on excimer laser surgery - foundation for LASIK surgery



... Innovation is our key priority in technologies and business services/solutions.

Today objectives

Digital world



Internet



Mobile communication



Next Phase ICT*



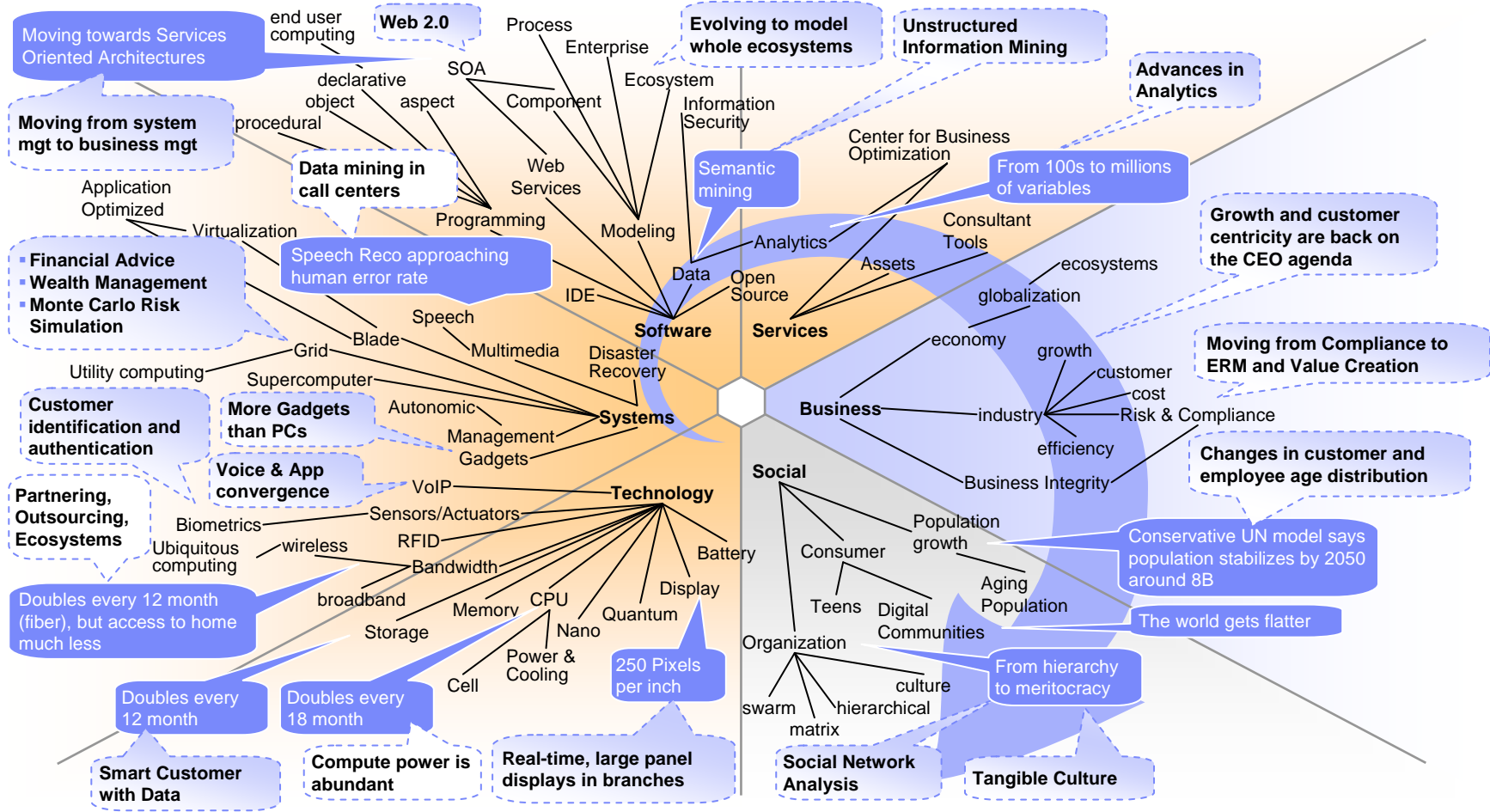
**Wealth/
Growth**



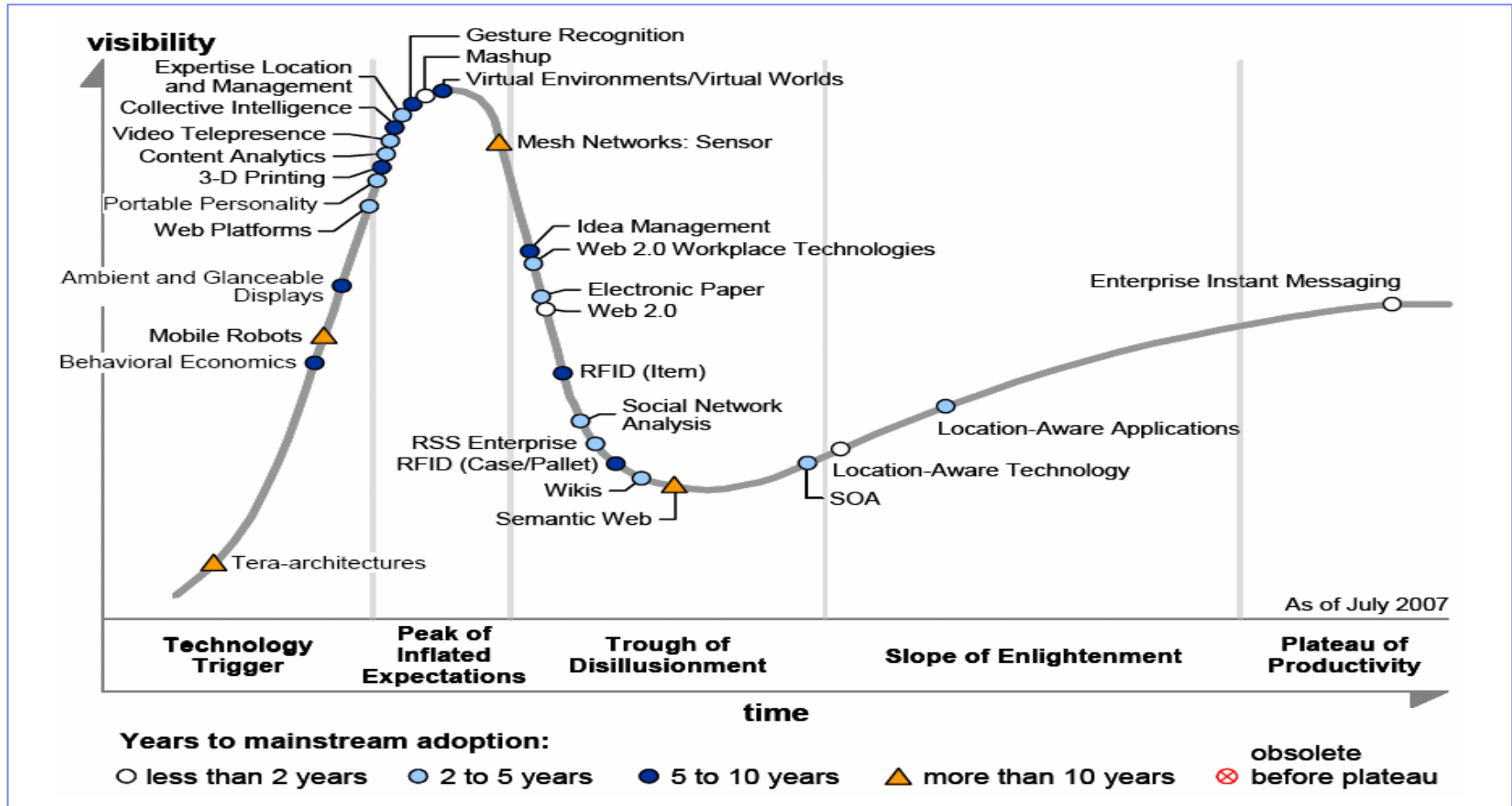
Innovation

* Information and communication technologies

ICT next phase

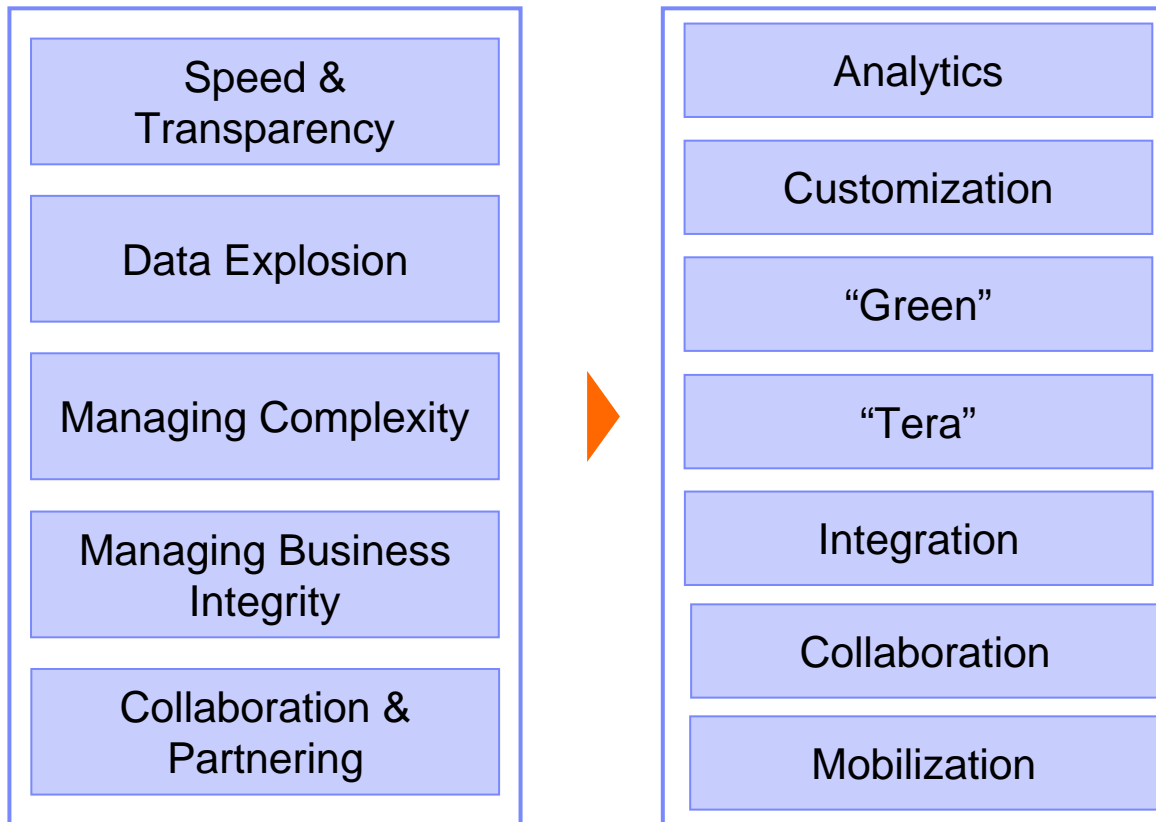


Technologies go through different phases



Source: Gartner (July 2007)

Trends 2008 – 2015



Key drivers in ICT (examples)

Customization , Data management, Analysis

- Client understanding –
- Life-time value analysis
- Risk management/mitigations
- New sources of data and better analytics through new business intelligence solutions
- Trend, pattern, text and speech analysis – further intelligent searching tools

Business process support

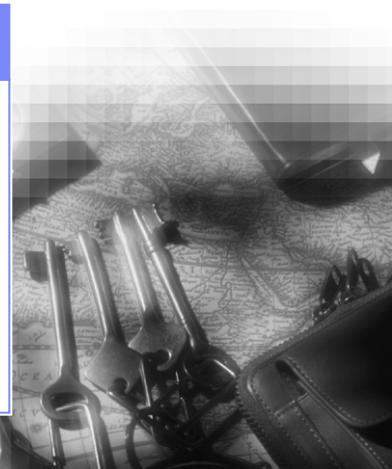
- Business process modeling, integration
- Automation
- Customization
- Flexible modulation

Collaboration, Connectivity

- Access everywhere
- Interactivity
- Security
- Networks
- Mashup
- “Connect everything”

Access, Mobilization

- Mobiles, new devices
- Privacy Technologies
- Biometric
- Speech control
- RFID
- Call-center technologies
- Collaboration technologies



Examples for business opportunities in the banking industry

- Transition to flexible and component based banking IT systems and infrastructures
- Extended integration internally and with partners
- Better linkage between customers and suppliers
- Extended order-to-pay approaches
- Financial transaction supply chain automation
- Financial analysis, portfolio optimization, simulation
- Dynamic and risk-based pricing
- Personalized services
- Biometric security systems
- Automation of processes
- Advanced payment systems
- Advanced money remittance



Successful innovators are looking beyond new products to unique business models and operations effectiveness

Products, Services & Markets

Develop new products and services, target new markets and audiences



My Spending Report

Automatic online display of all transactions, used by 25% of clients within 6 weeks of launch



"Keep the Change"

Rounds up card purchases and transfers difference to savings, adopted by 2 million customers including 800,000 new savings and 500,000 new checking accounts

Operations

Improve effectiveness and efficiency of core functional areas



Engine Room

Single back office for all operating groups spurs efficiency and enables white-labeling, driving C/I ratio from 58.1% (1996) to 41.8% (2005)



Insourcing

Low-cost, high-tech back office in India supports expansion of geographic footprint and customer base, including under-banked and HNW

Business & Enterprise Models

Refocus, restructure and extend the enterprise



MobileMoney

Joint venture with cell phone provider MTN provides mobile accounts, also to un(der)banked clients; uptake exceeded targets, multiple imitators

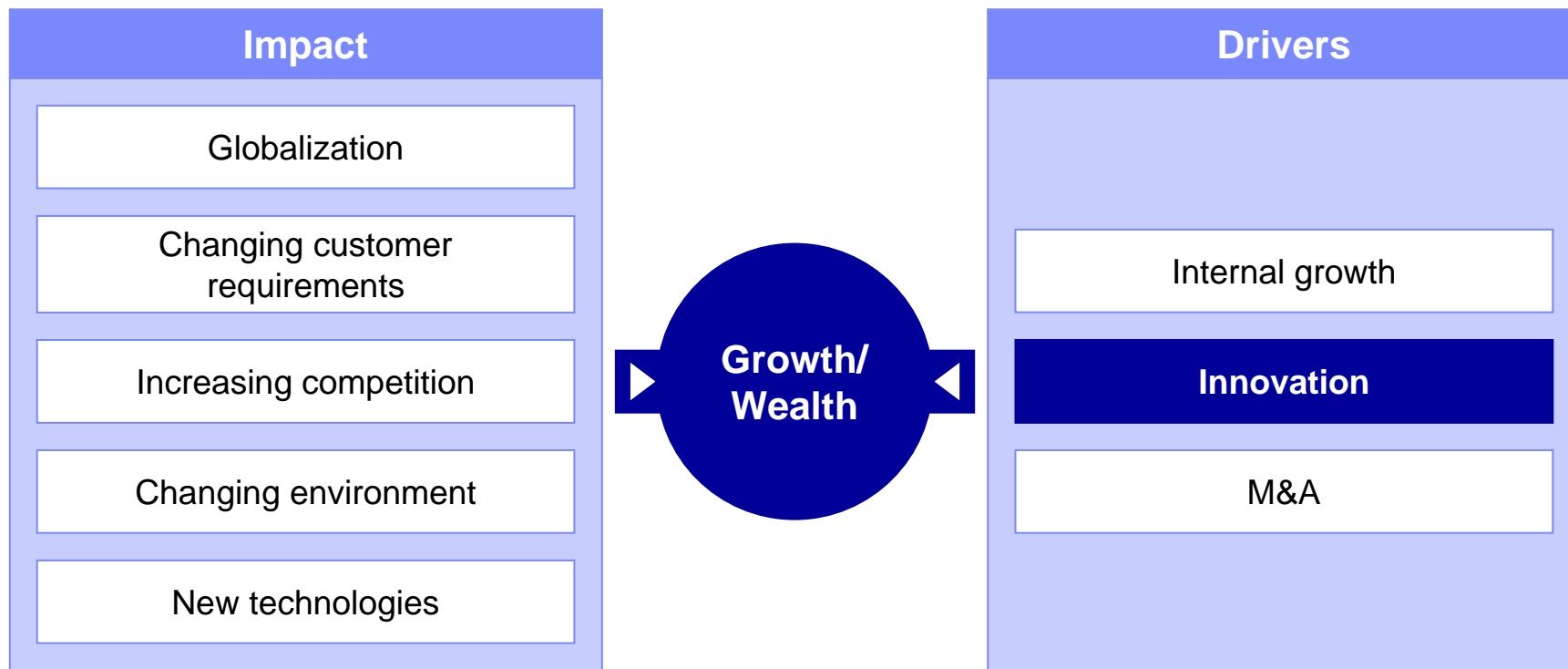


Adaptation

Business model tailored, as needed, to enable penetration of diverse, local markets around the globe, supporting 125 million clients in 76 countries

Source: Company web sites; IBM Institute for Business Value

Why innovation? Innovation is perceived as the main driver of success for companies



➤ More than 85% of CEOs believe Innovation is the key driver to grow the success.

Innovation is a major driver of success and wealth

Innovation **Management**

Opportunities

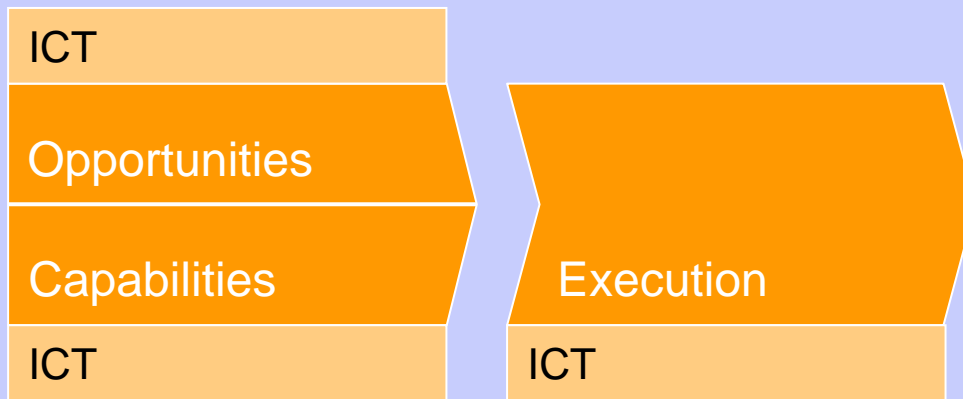
Capabilities

Execution

Creation
of Economic
and corporate
Wealth

Information and communication technologies are an important enabler

Innovation Management



Creation
of Economic
and corporate
Wealth
"Success"

Traditional innovation management is changing substantially

Innovation – yesterday

Products, Services, Market Innovation

R+D driven

Innovation – today

Integrated innovation management

From:

Technology as a differentiator

Development function and technology driven

Focus on Product Innovation

Closed and internal to enterprise

To:

Technology and business integration as differentiator

Research process and customer driven

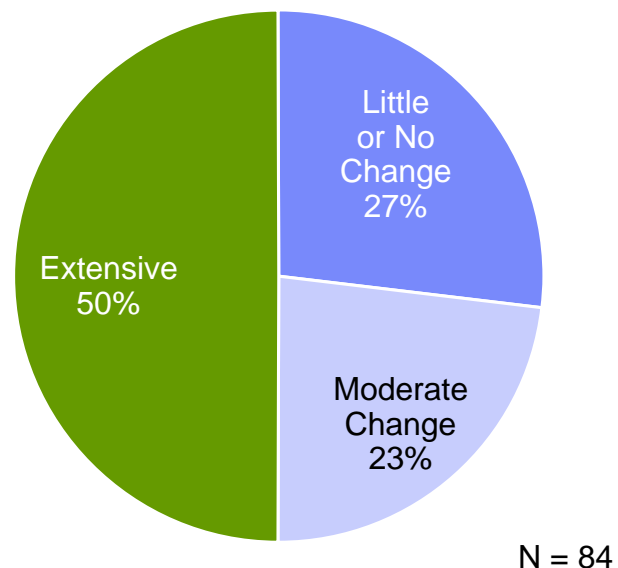
Broad innovation agenda, with a focus on new business models

Open and collaborative

Example: Banking CEOs recognize the need for fundamental change and the potential benefits of innovation

Extent of Fundamental Bank Change Needed over Next Two Years

Survey responses



Source: IBM 2006 CEO Survey

Bank CEOs on the Need for Change & Innovation

"... transformation is the theme"

"... new entrants have created new expectations and new innovation is coming in market ..."

"... applying innovation is key ..."

"... new actors are arriving on the market, innovative strategies are required ..."

"... technology can fundamentally change business models and entire industries ..."

Integrated innovation management can boost the innovation productivity of companies

Integrated innovation management

Innovation Agenda	1	Visioning & Strategic Planning
	2	Innovation Process Management
Innovation Areas	3	Products, Services, Markets Innovation
	4	Operations Innovation
	5	Business Model Innovation
Innovation Enablers	6	Integration of Business & Technology
	7	Collaboration & Partnering
	8	Innovation Culture
	9	Leadership

Visioning & Strategic Planning, Innovation Process Management

- To be innovative is not enough, everybody has to know what and how
- Extend the innovation portfolio to a broader scope
- Transparent, consequent and fast process (management)
 - Creation
 - Assessment
 - Realization
 - Recognition and reward

Is there a clear view about the importance of innovation for the companies success?

Is the companies vision reflected in an innovation strategy?

Is the Innovation Strategy known by everybody?

Is there an innovation infrastructure in place?

Are innovation objectives and KPIs defined and monitored through a formal process?

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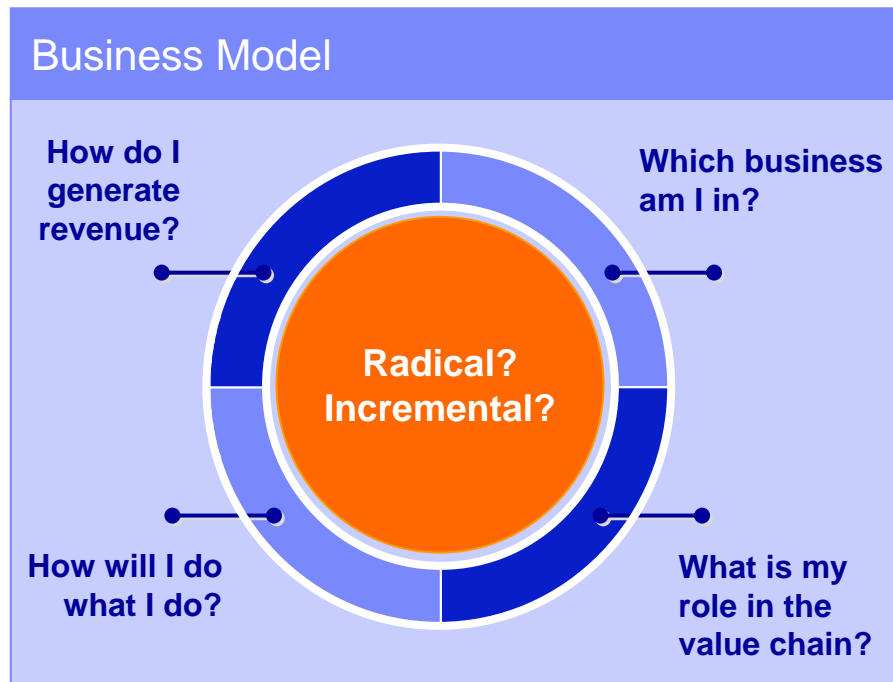
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Business Model Innovation



"The business model we choose will determine the success or failure of our strategy."

"Products and services can be easily copied, the business model is the differentiator."

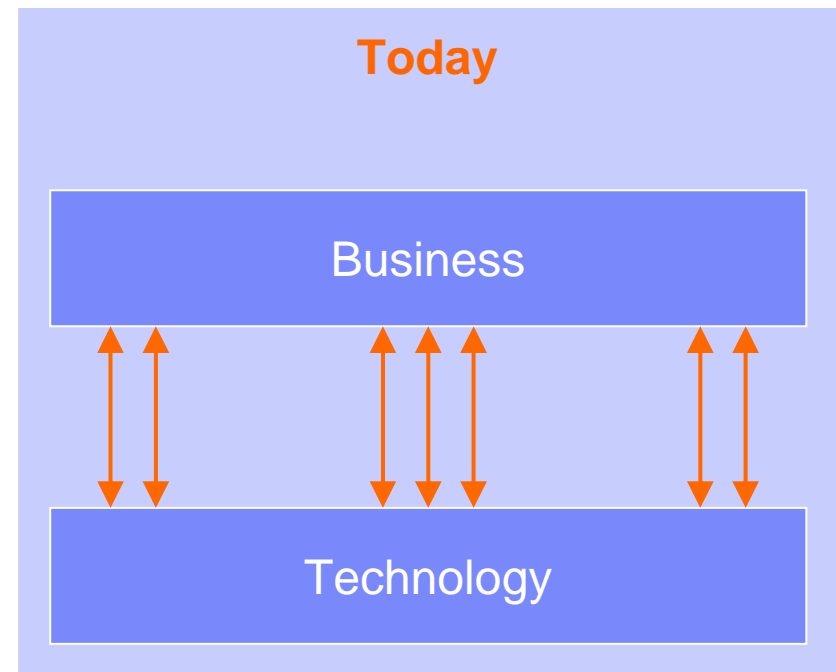
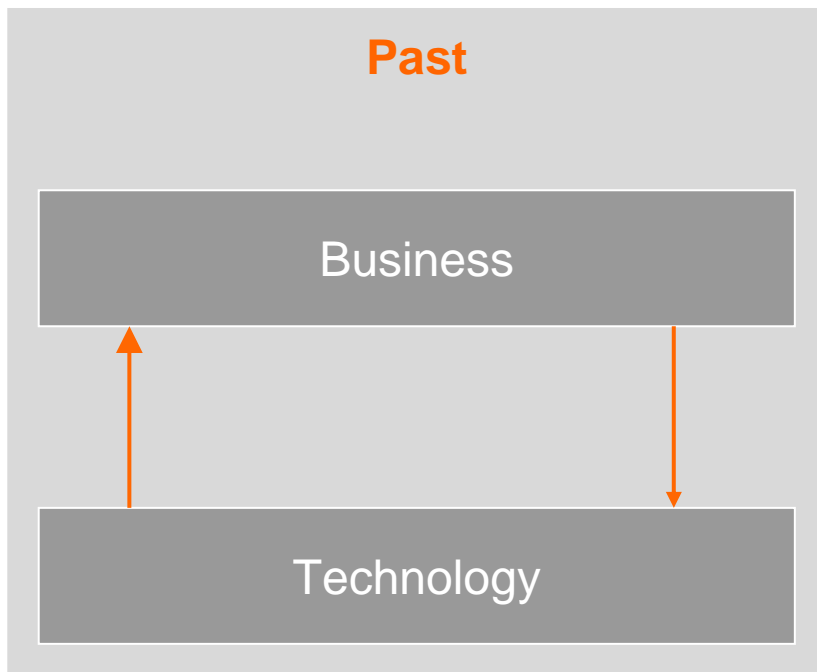
"More than 60% of all CEOs believe that BMI is the most important challenge within the next years."

Examples



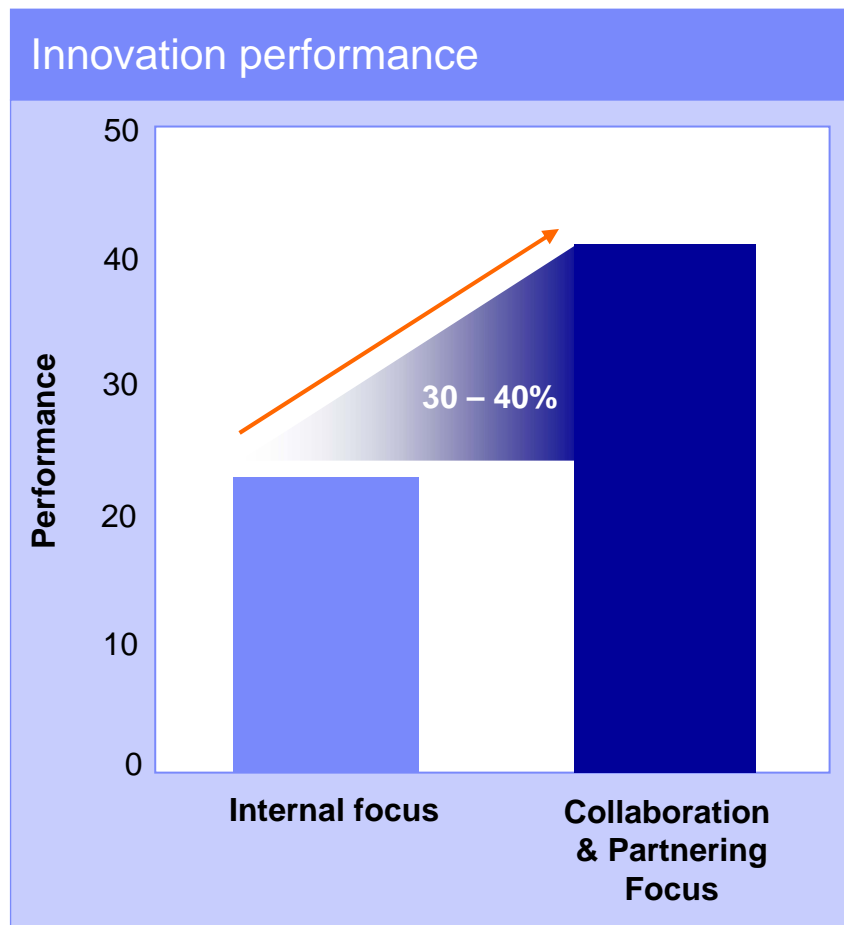
PayPal™

Integration of Business & Technology

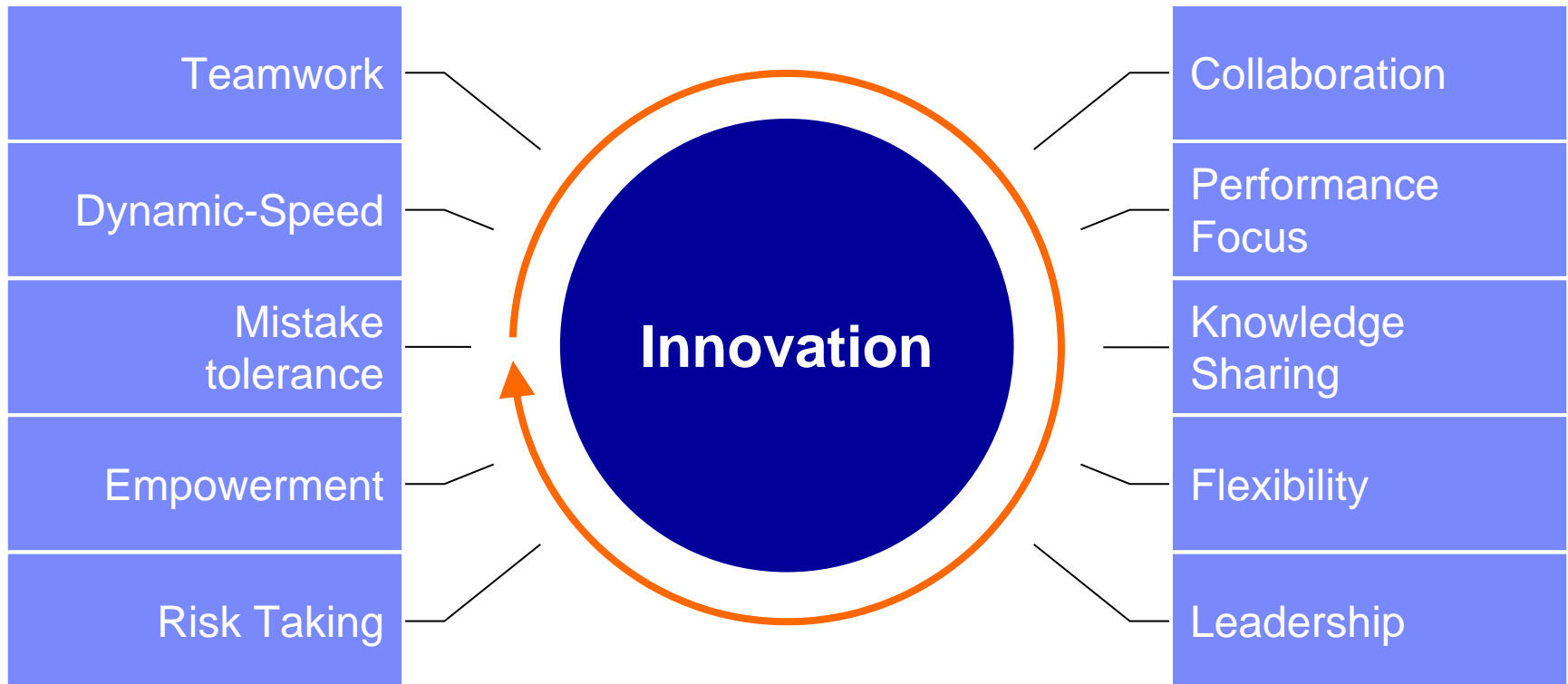


Collaboration & Partnering

- Innovation is increasingly performed in networks
- Innovation is more and more leveraged by input from outside of the company
- Identifying key elements, leveraging existing and new networks and transforming it to innovation is the key competence in the future
- Collaboration internally between all employees (e.g. innovation jam)
- Partnerships with all kinds of players including competition



An innovation culture typically comprises ...



2006 IBM leveraged the Jam approach to boost the innovation process

Welcome
to InnovationJam*

Ready to turn possibilities into innovations? You've come to the right place!
Explore this "Getting Started" site to lorem ipsum dolor sit amet, consectetur adipiscing elit.
Maecenas euismod. Pellentesque tristique sollicitudin nunc.

29 days until the jam

Objectives:
developing and assessing
innovation ideas in 6 key
themes

Participants

- More than 150,000 IBMs
- In more than 100 countries
- Within 3 days (flexible participation time)
- 3,000,000 views

Results

- 37,000 ideas elaborated, discussed and assessed
- Within 4 weeks selection of 10 "Big Ideas"
- Multiple new initiatives and collaborations
- IBM's CEO announced a \$100m investment in developing the 10 ideas

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Thank You

