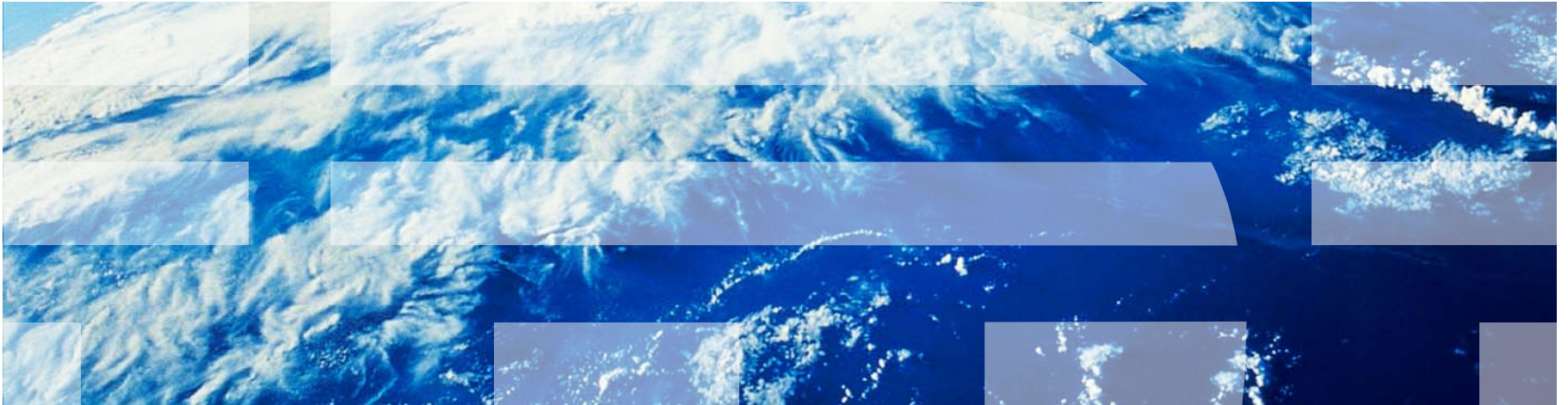


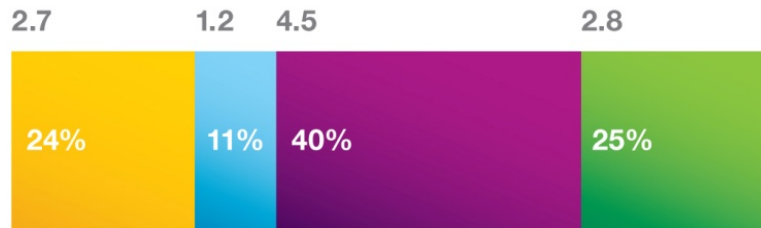
Global Services Business Models and Labor Flexibility



IBM's changing business mix ...

Segment Pre-tax Income* (\$ in billions)

2000**



2009



■ Hardware
 ■ Financing
 ■ Services
 ■ Software

* Sum of external segment pre-tax income not equal to IBM pre-tax income

** Excludes Enterprise Investments and Stock-based Compensation

... and business model

International

(mid-19th to early 20th century)

Most operations are centered in the home country, with overseas sales and distribution.



Multinational

(mid-20th century)

Creates smaller versions of itself in countries around the world and makes heavy local investments.



Globally Integrated Enterprise

(21st century)

Locates operations and functions anywhere in the world based on the right cost, skills and business environment.



Against a backdrop of social and economic transformation

- 2 billion on the Web
- 1 trillion connected devices
- 500 million registered users of Facebook
- 1 of 8 couples married in the US meet online.
- 76 billion searches on the Google every month; in 2006 it was 2.7 billion.
- 8 of the top 12 IT jobs changed in one year



and of global shifts ...

Mature markets retain economic power

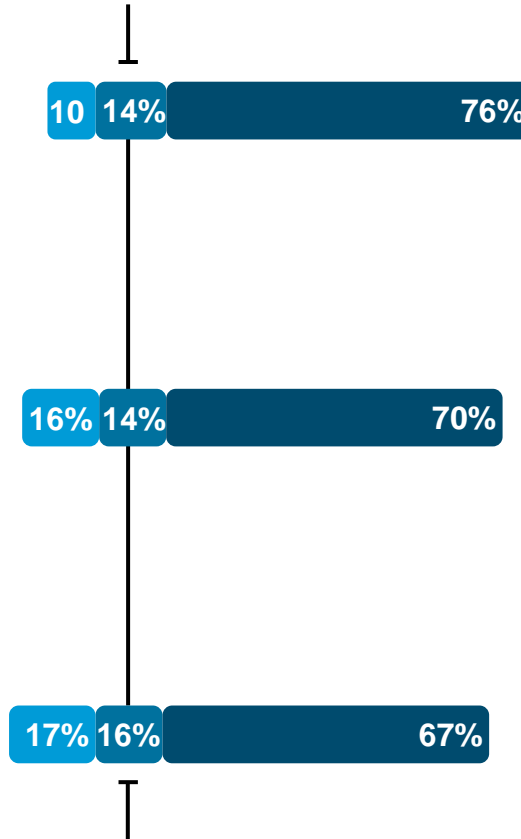
Consumer demand, economic power and innovation skewed towards mature markets

Small government, light regulation

Move or return to unrestrained markets with limited state ownership or regulatory reform

Slow down or reversal of globalization

Increased protectionism, dominance of local interests and local requirements



Rapidly developing markets gain economic power

Consumer demand, economic power and innovation shifting to rapidly developing markets

Big government, heavier regulation

Greater government involvement, more regulation and government as a stakeholder in strategic businesses

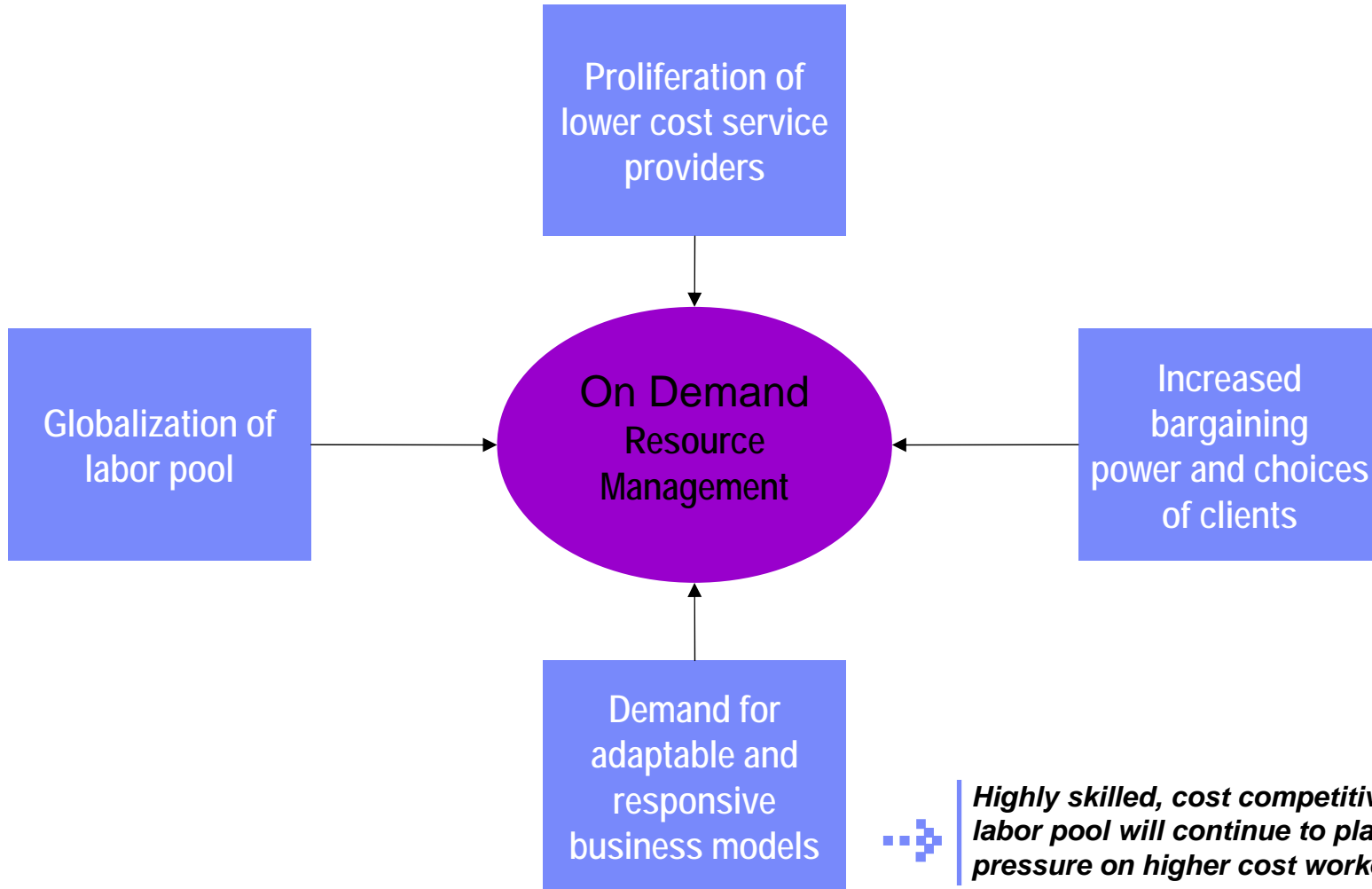
Continued globalization

Global capital flows, trade, access to markets, skills and knowledge

■ Not at all/to a limited extent
 ■ To some extent
 ■ To a large/very large extent

Source: 2010 IBM CEO Survey Q8: Which of these future scenarios for the next five years do you consider more realistic?

... driving workforce and resource management shifts



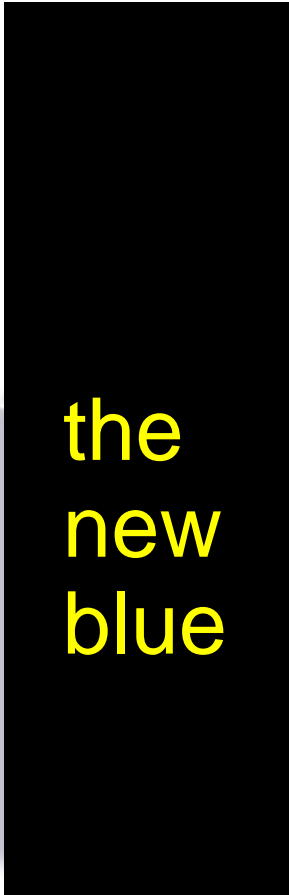
Highly skilled, cost competitive, global labor pool will continue to place pressure on higher cost workers

And new workforce management models

IBM Annual Report 1963

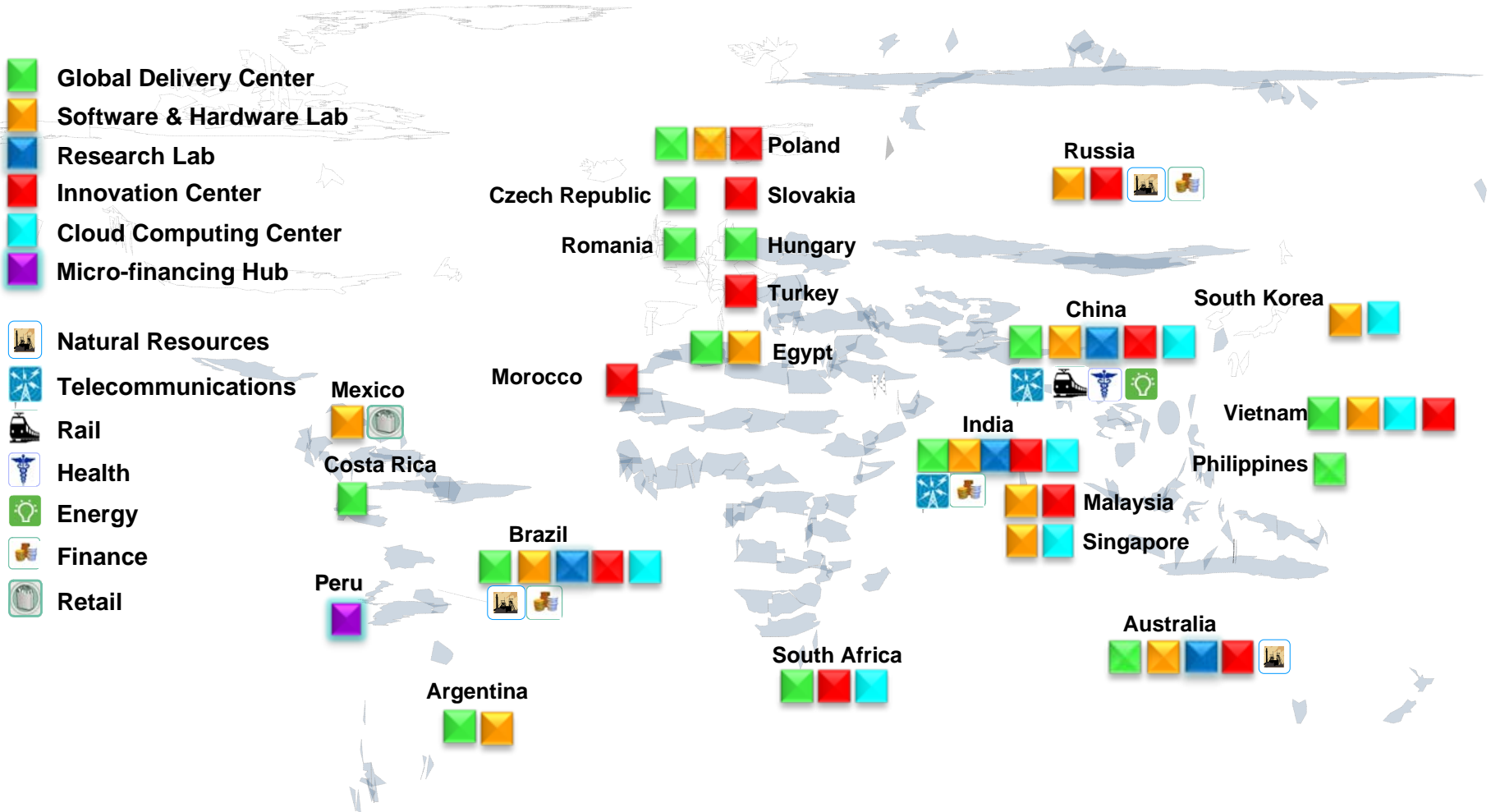


At IBM

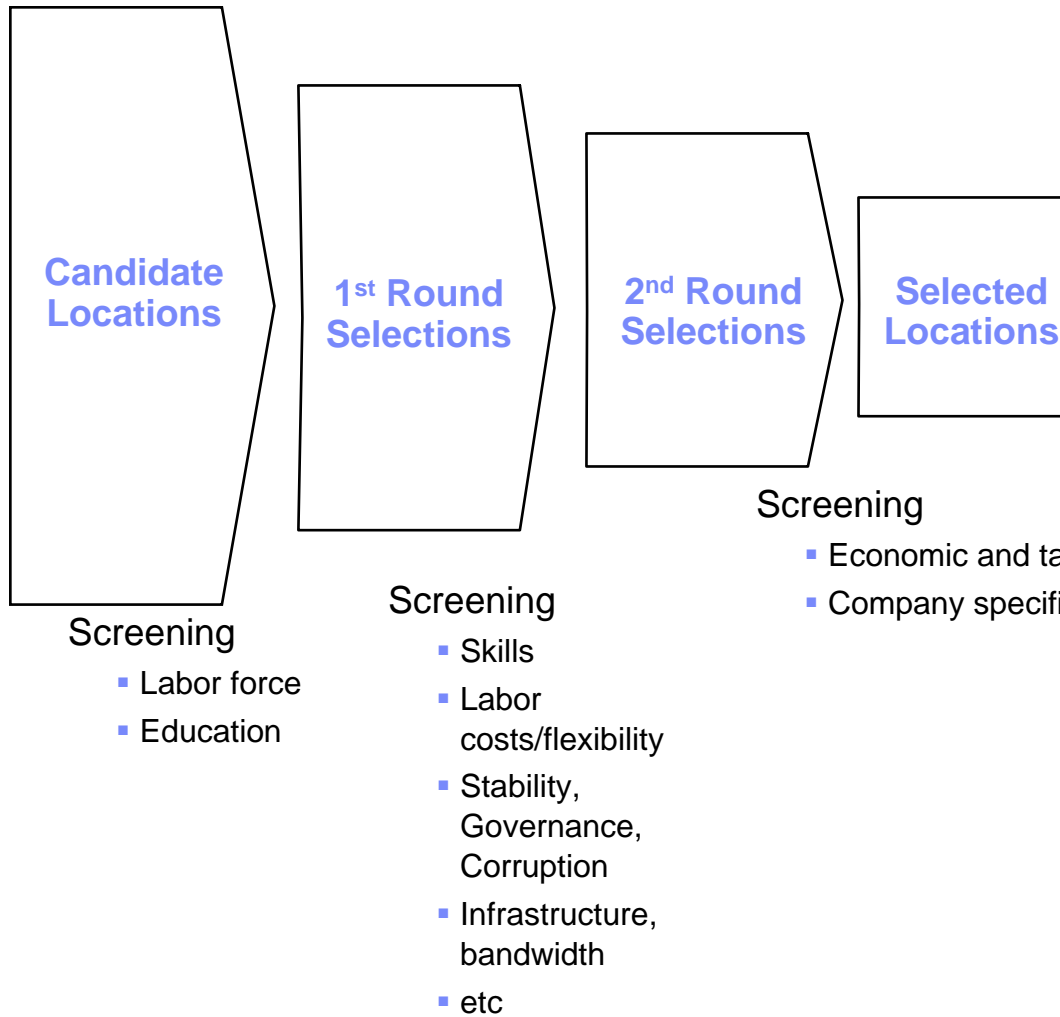


Anywhere on the planet, anytime

IBM has invested in growth markets in services delivery



Site selection screening: example



Labor policy challenges

- Global delivery countries labor and employment frameworks
 - Dated legislation
 - Uneven interpretation and enforcement
 - Courts uncertainty
- Societal / cultural alignment
 - Employment of women
 - Working hours
 - Globalization
- Labor relations models
- Visa restrictions on intra-corporate transfers
- Skills development not aligned with contemporary business, technology



Issues in focus

- Contract prohibitions or restrictions
 - Core/permanent tasks – fixed term
 - Duration
 - Chaining
 - Agencies, part-time
- Probation periods
- Working time
 - On call time
 - Hours of work
 - Days worked
 - Nights / holidays
- Benefits mandates
- Dismissal / redundancy
 - Seniority / priority
 - Notice periods
 - Notice to third party – permissions
 - Payments
 - Rehiring
- Information and consultation
 - Organizing mandates



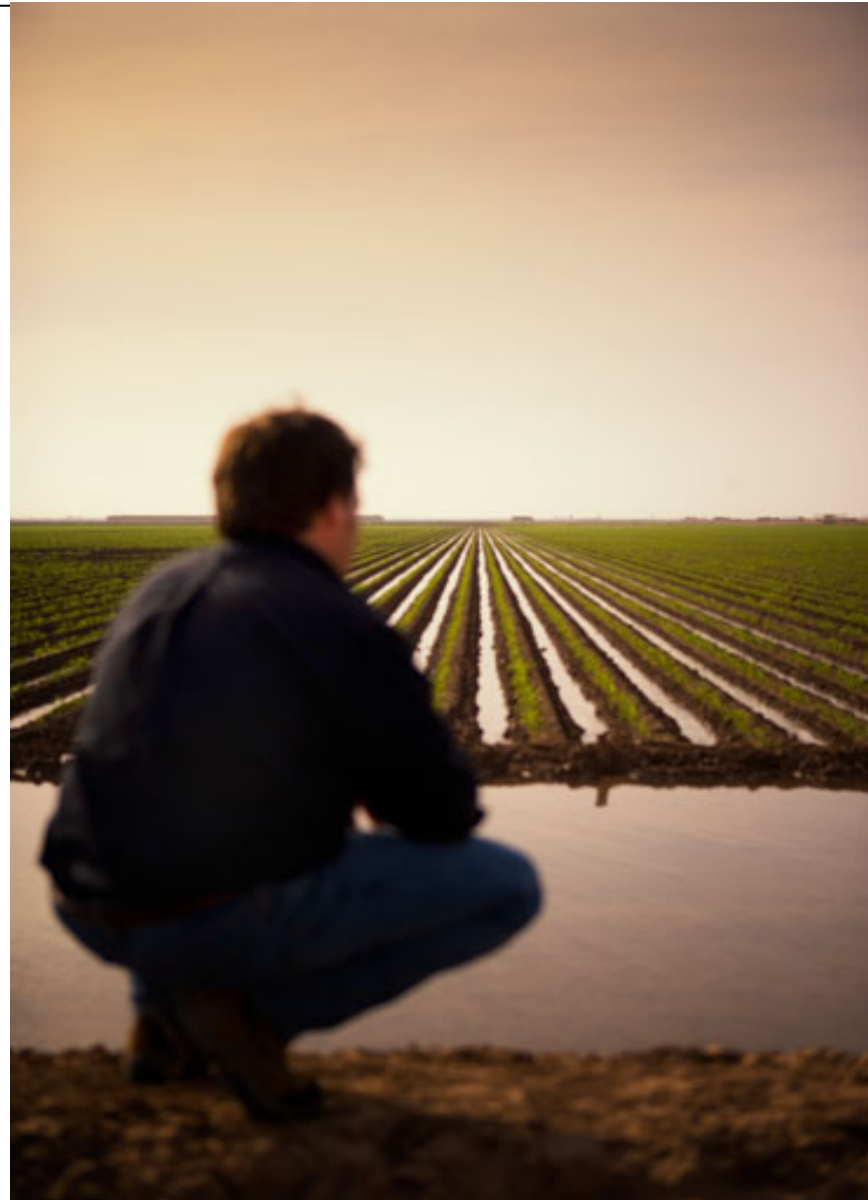
Policy example - India

- Dated legal framework
 - Highly bureaucratic
- Restrictions on downsizing
- Limitations on employment of women
- Restrictions on use of contractors
- Uneven enforcement
- Wide discretion with officials



Considering policy choices

- 1. Increase adaptability of businesses and their employees**
- 2. Address new skill needs**
- 3. Smooth cross-borders transfers of employees**



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