

# ***Process Based Management***

***CAM-I Conference***

***Sept 7, 2006***

*Lorne McLean*  
*IBM Canada Ltd*

## **AGENDA**

IBM Background

Business Transformation

Market Based Development

Product Innovation

Process – so what's it about?

Key Process Management

Lessons Learned

Then and Now

Summary



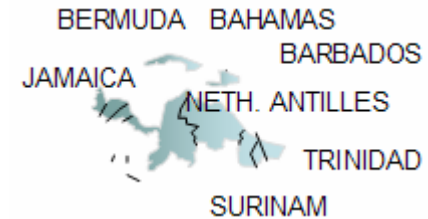
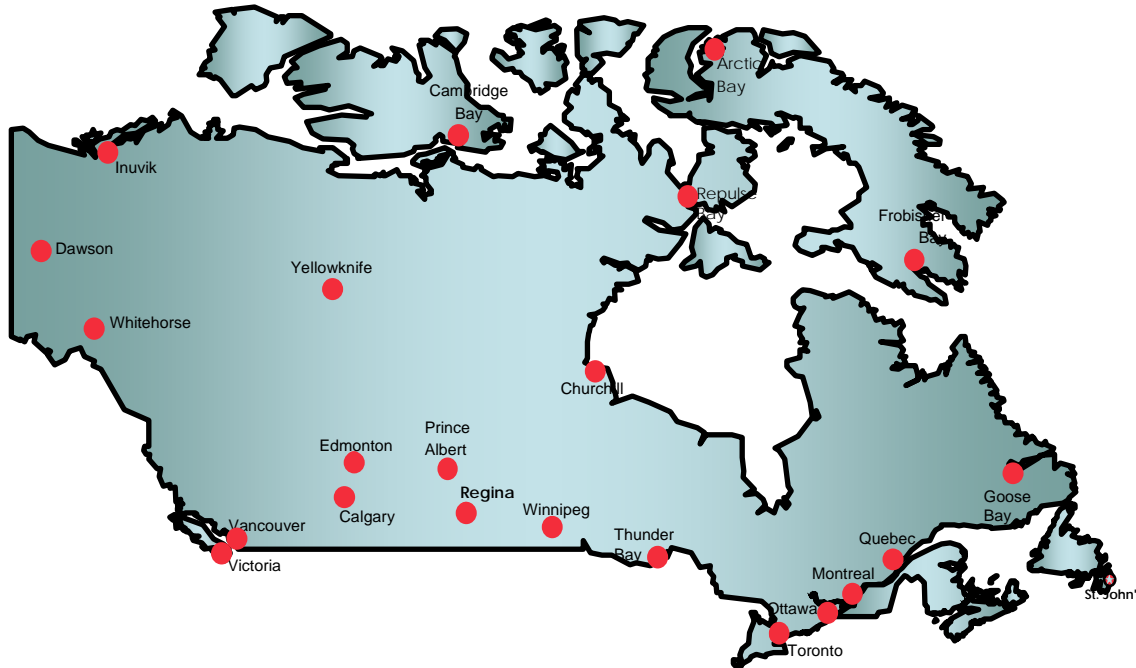
## ***IBM Corporation***

- 329,373 employees
- 174 countries
- \$91B Sales
- 24 development labs
- Research labs
  - 8 locations / 6 countries
- 12th year as patent leader



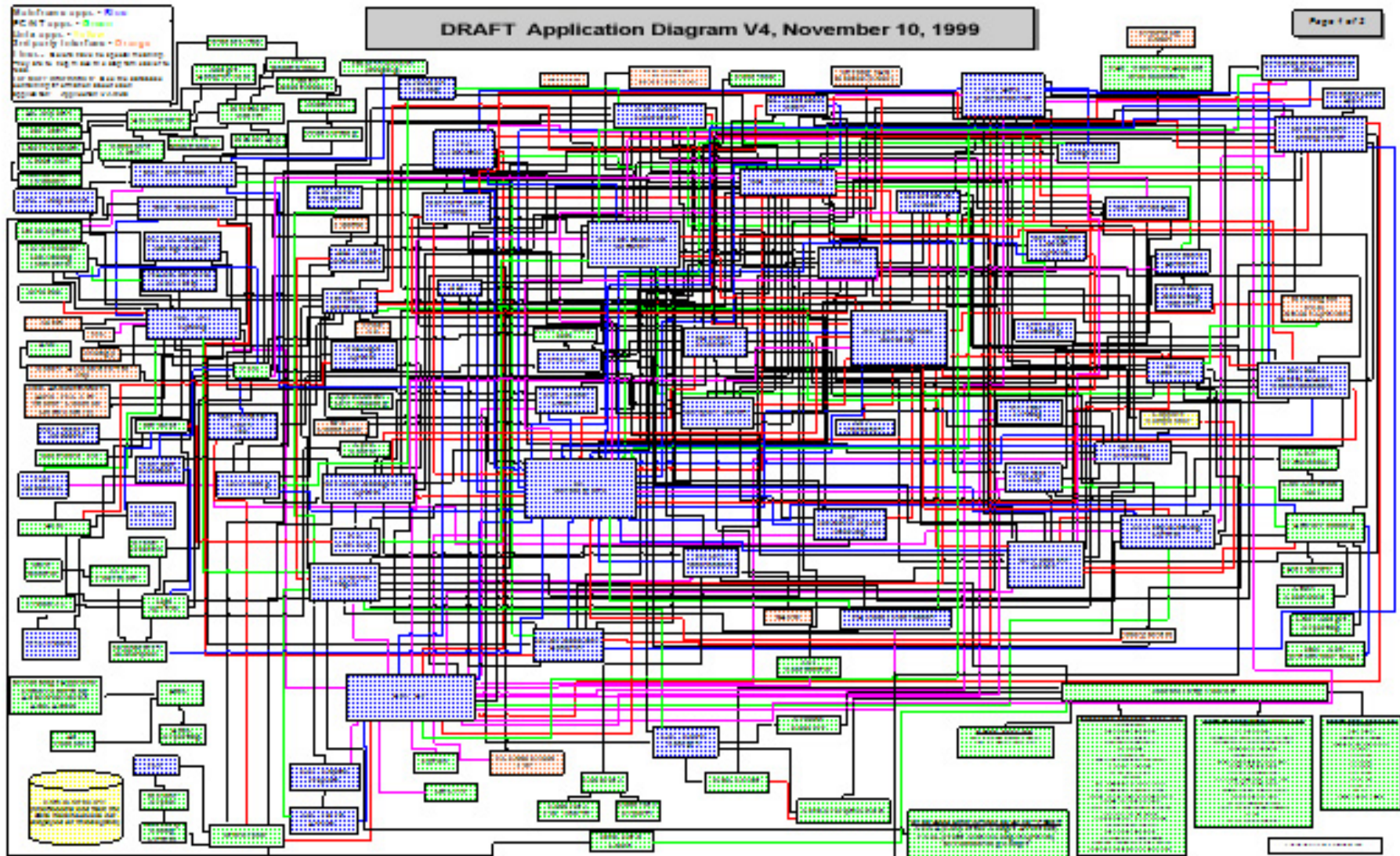


## ***IBM Canada and Caribbean North***



- 89 year history in Canada
- 20,000 employees
- 2,000 Canadian Business Partners
- Employee & Corp. Donations \$7M
- Locations – all provinces, all major cities
- \$1.7B in exports annually
- Top Canada R&D investor, \$1B last 4 years
- 2500 emp. 2 high tech dev. labs
- 2700 emp. in microelectronics

# CIO's Reality

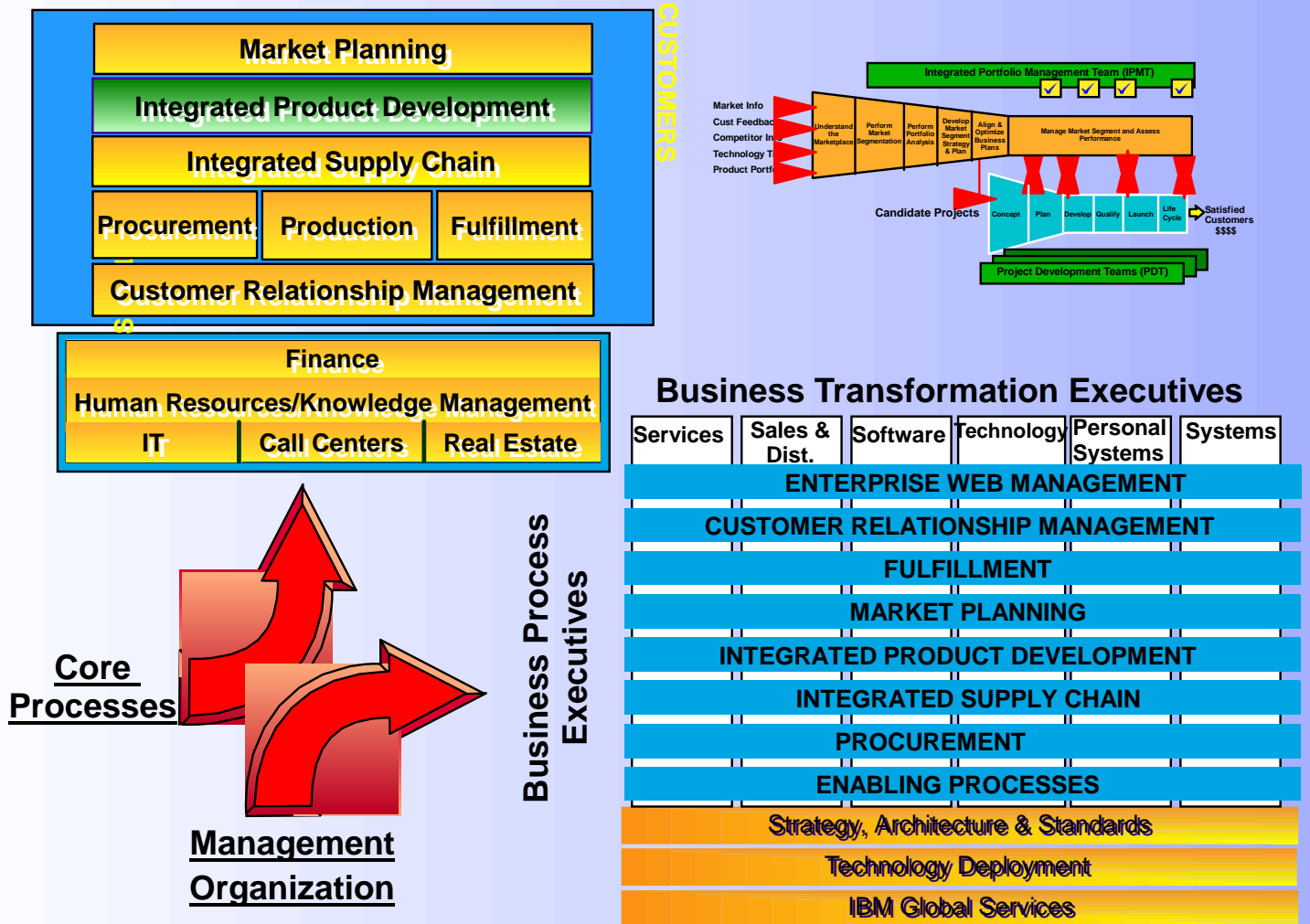




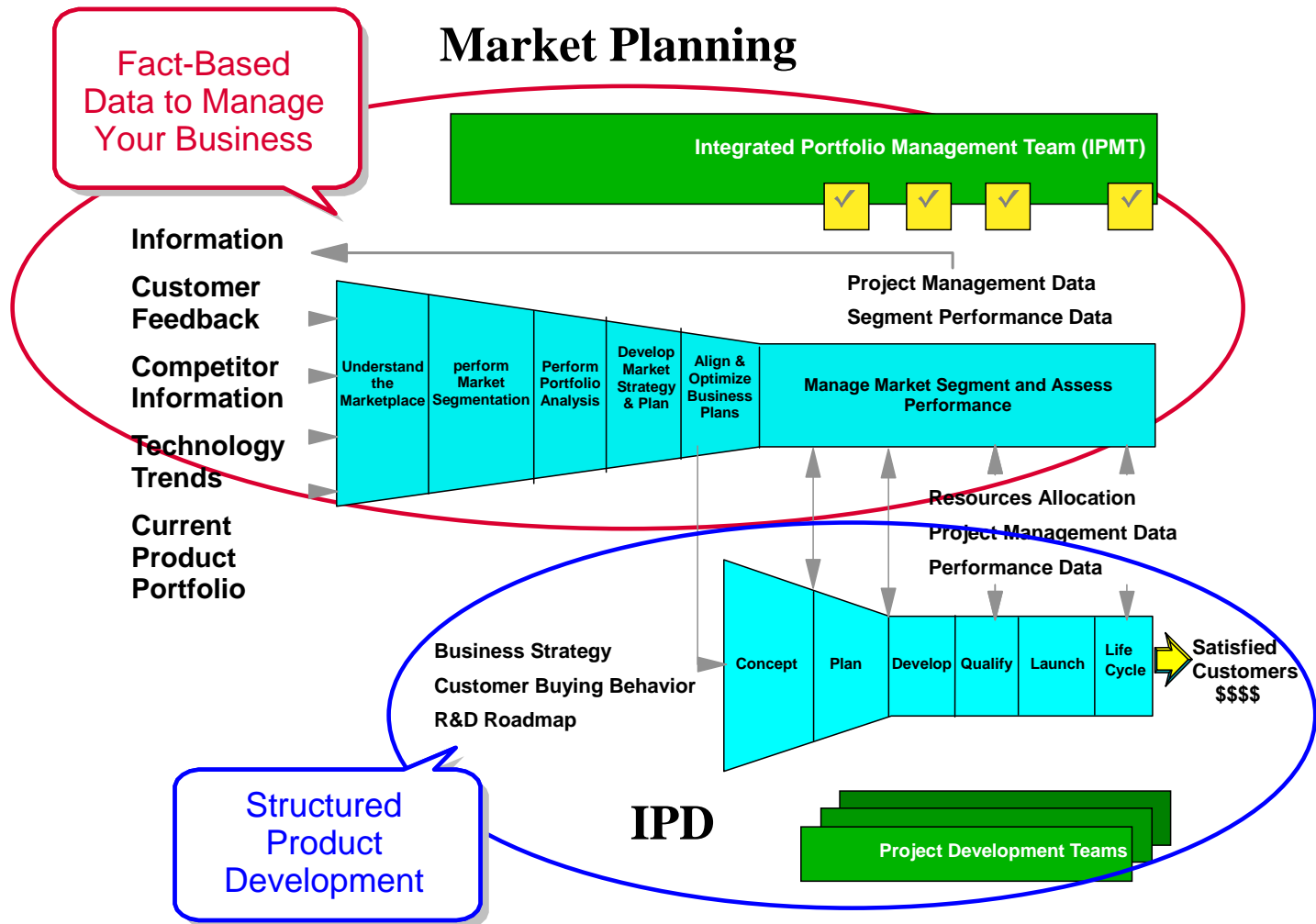
# IBM's Business Transformation Approach



## Management Organization & Core Processes



# Market Based Development



## Transforming Core Processes

Critical to process speed and flawless execution is the right management structure.

- Each process assigned to a member of CEC
- Member reports regularly on:
  - Status of the design
  - Deployment
  - Implementation
  - Benefits realized
  - Owner assigned - Business Process Executive
- Power shifts from unit toward Processes
  - 75% reduction in average time to market
  - Upswing in on-time delivery and cust. satisfaction
  - Cost savings in excess of \$9B



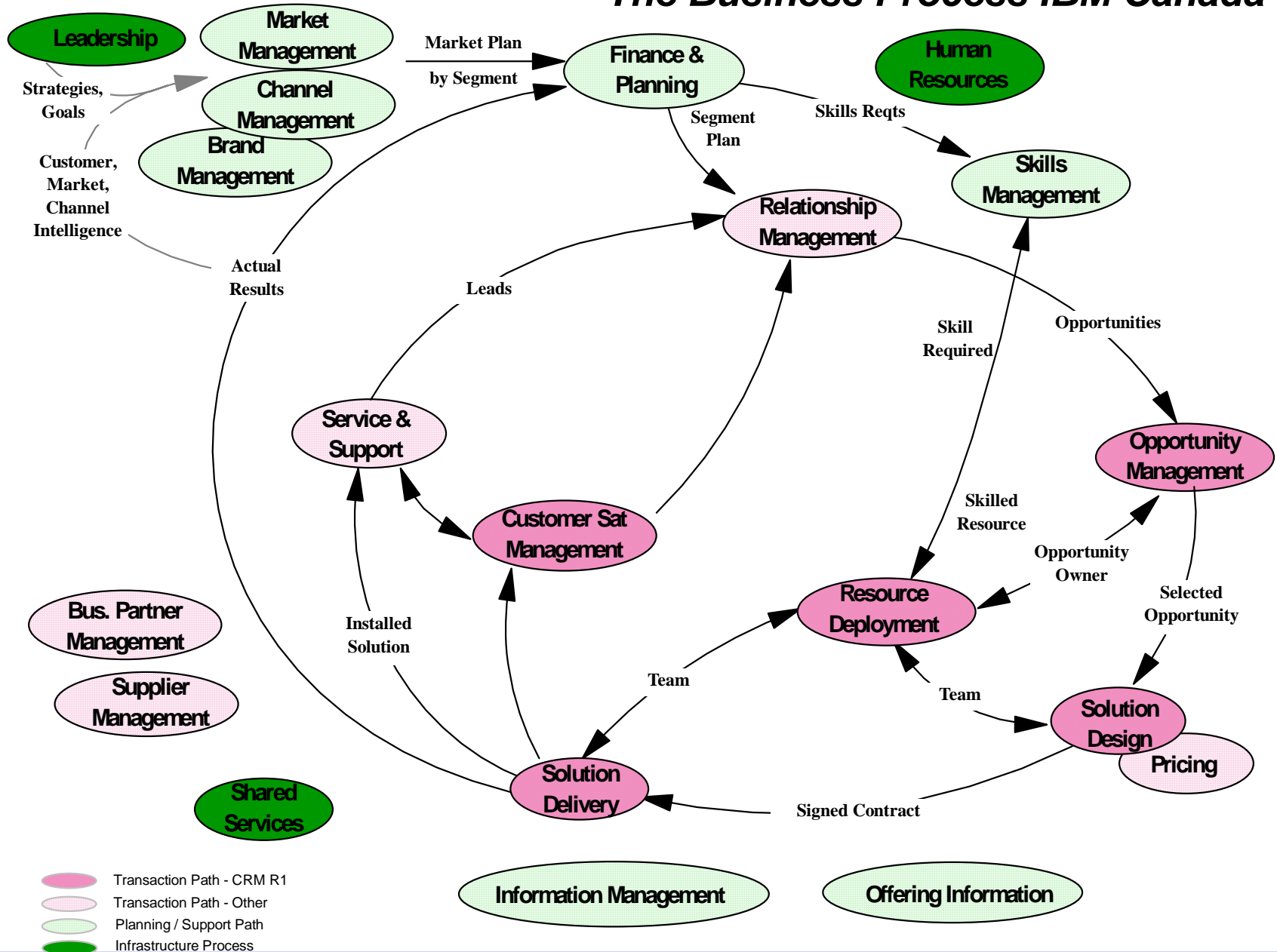
# Management of Product Innovation

## Overall value-oriented Benefits

**Managing Innovation in a consistent and integrated way let companies achieve evident improvements**

| Market Planning  | Portfolio Management  | Platform Management  | Pipeline Management   | Engineering Management |
|--|---|--|---|------------------------|
| <ul style="list-style-type: none"> <li>▪ Grow 2-10x faster than market</li> <li>▪ Improve profitable market share by 2x</li> <li>▪ Increase new product profitability by up to 80-90%</li> <li>▪ Reduce abandoned projects by 50%</li> <li>▪ Increase innovation by 10% in key market segments</li> <li>▪ High level requirements for technology enablers and governance to support and guide Market Planning</li> </ul> | <ul style="list-style-type: none"> <li>▪ Lower total costs due to fewer part numbers and higher part reuse</li> <li>▪ Reduced product development schedule</li> <li>▪ Risk and complexity reduction by robust platform architecture</li> <li>▪ Quantify part data quality and redundancy reduction</li> </ul> | <ul style="list-style-type: none"> <li>▪ Faster TTM</li> <li>▪ Improved quality and reduced rework</li> <li>▪ Reduced total development cost</li> <li>▪ Team based management</li> <li>▪ Skill Management</li> <li>▪ Fact-based decision making</li> <li>▪ Project- / Program-Management efficiency</li> </ul> | <ul style="list-style-type: none"> <li>▪ Search and validate data</li> <li>▪ Build models</li> <li>▪ Define needs and methods</li> <li>▪ Increase manufacturability</li> <li>▪ Increase percent of time spent to design functions</li> <li>▪ Reduce abandoned projects</li> <li>▪ Model reuse</li> <li>▪ Part number reduction</li> <li>▪ Part reuse</li> <li>▪ Supplier Integration</li> </ul> |                        |

# The Business Process IBM Canada



# Process – *So what's it about?*

- **Definition: starts with, ends with, vital for clarity**

## Only 2 Important Elements

Time:

Process time not equal to cycle time

Defect:

Did it work?

- **Process Improvement** (prioritize on 1 or 2 above)
  - mandatory to separate information from process to avoid confusion
    - shorten processing time, remove white space & non- value add steps
    - correct defects, improve quality
- **Key process management**
- **Senior Executive sponsorship is crucial**
- **Most importantly it's about Value Creation:**
- **Value for all stakeholders is created by **Process Improvement****
  - 1) Satisfied shareholders      2) Proud Employees
  - 3) Delighted Clients          4) Successful Partners
  - 5) Enhanced communities

Think of value as (+, -, =)

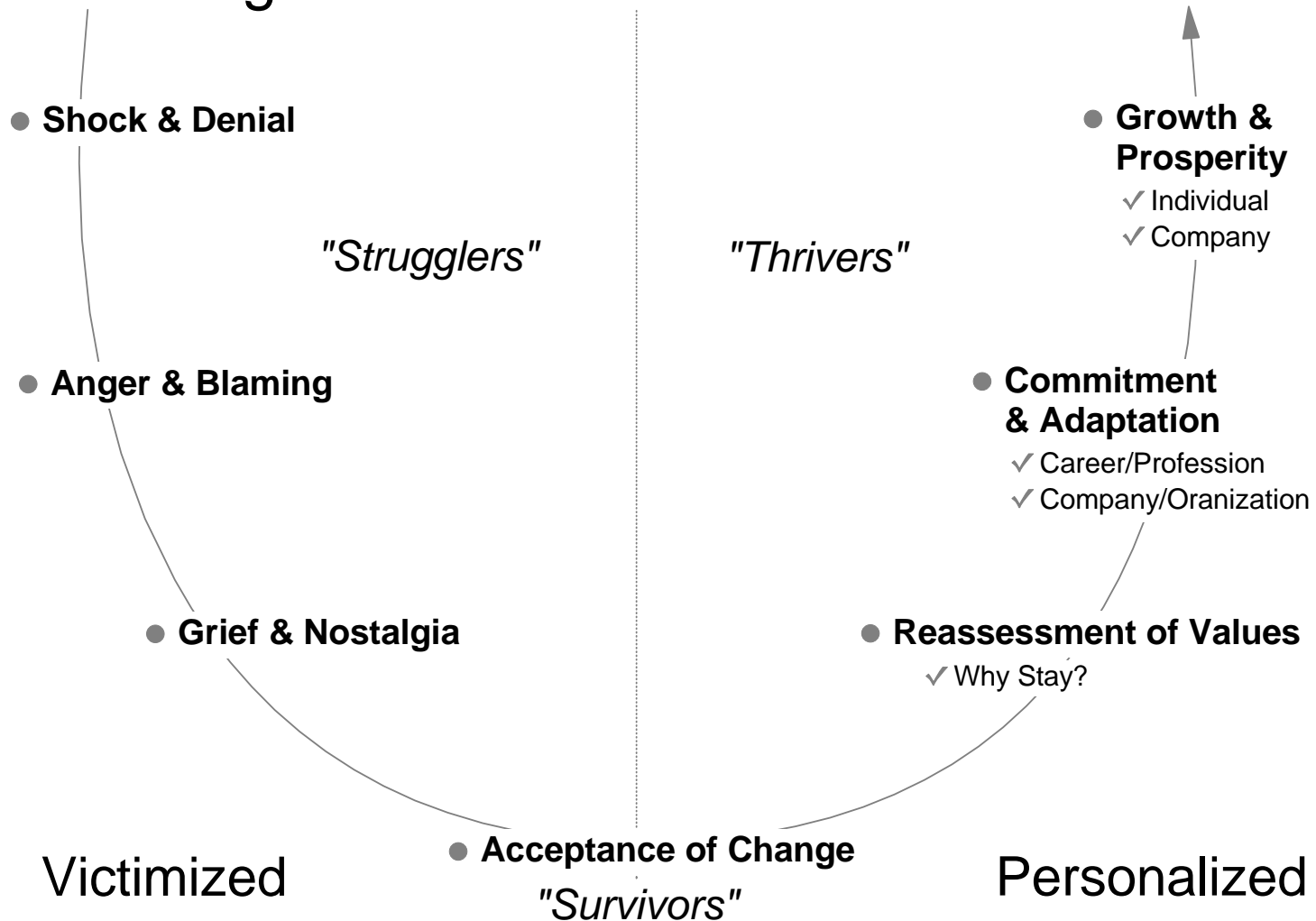
## Key Business Process Management

| <i>PROCESS</i>      | <i>OWNER</i> | <i>MAP</i> | <i>INDICATORS</i>   | <i>RESULTS<br/>CURRENT</i> | <i>C-1</i> | <i>C-2</i> | <i>BEST OF<br/>COMPETITION</i> | <i>OBJECTIVE<br/>YE 1 YE 2</i> |     |
|---------------------|--------------|------------|---------------------|----------------------------|------------|------------|--------------------------------|--------------------------------|-----|
| SKILLS              | F.VINCENT    | YES        | SKILLS<br>VITALITY  | 76                         | 70         | na         | TBD                            | 78                             | 80  |
| SERVICE<br>DELIVERY | G.MCGEORGE   | YES        | SW PD               | 8                          | 11.5       | 15         | TBD                            | 5                              | 4   |
| PARTS<br>DELIVERY   | G.CAIN       | YES        | ACQUISITION<br>TIME | 2.1                        | 2.3        | 2.5        | 2.3                            | 2.0                            | 1.9 |

## Lessons Learned

- Identify All Major Business Processes Where The Work Product Impacts The Customer
- Assign Ownership For Each Major Process
  - Executive
  - Operations
- Measure and Review Each Process Monthly
  - Service Level
  - Satisfaction
  - Compared to B.O.B.
- Implement a Closed-Loop Management System Discipline That Ensures Continuous Improvement in Each Process
- Establish a Management Education Plan That Covers Goals, Strategy, Common Language and an Overview of The Available Techniques
- Establish an Education Plan to Provide Managers and Professionals With Explicit Skills / Techniques
- Change Incentive System so no Less Than 20% of Variable Compensation is Devoted to Service Level or Satisfaction (ie: How Well we Have Served Our Customers)

# Organization / Personal Transition



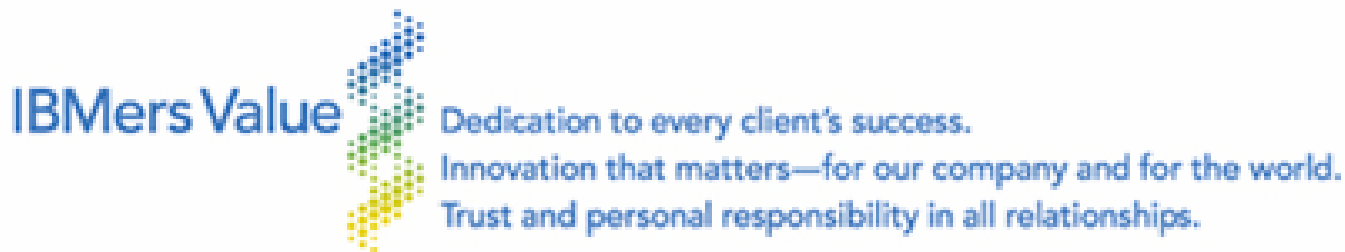


## Then & Now!

### Our values

Enterprises built to endure stand on a foundation of core values. In 2003, we undertook the first disciplined reexamination of our values in nearly 100 years.

Through ValuesJam — an unprecedented 72-hour discussion on the global intranet — IBMers came together to define the essence of the company. The result: values that serve today as a touchstone for everything we do and how we do it.



# ***Process Management***

---

## ***Summary***