

IBM

ASEAN General Business

Succeeding in tough economic times with Smart Manufacturing Solutions.

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Agenda

- Change
- Succeeding in the New Economic Environment
- Manufacturing Value Chain
- Smarter Manufacturing Solutions of the Future
- Winning the Manufacturing Race

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Change

The World's population is growing rapidly, but not evenly.

Year	1950	1975	2000	2025	2050
Population (Bn)	2.5	4.3	6.1	6.9	9.2

Source: IBM Institute for Business Value analysis, "The World of the Future," United Nations, 2006; The World's IB Population Assessment 2006, "Unsustainable World" BBC April 15, 2006

Emerging economy & BRIC

Globalization

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Current economic environment.....

A different kind of downturn – Traditional responses will not suffice

Long and Difficult

- Unprecedented constraints on access to credit and capital; Unwinding of over-leverage
- Falling demand, increased price sensitivity as consumers and enterprises cut back
- Disruptions in supply chains, partner and customer arrangements

Transformative

- Restructuring of industries: Firms fail, sold off overnight
- New regulatory regimes
- Stress on global inter-dependencies

Typical cost management will NOT be enough

Firms must examine working capital & investment: identifying opportunities to restructure, reduce, and preserve capital as well as streamline operations

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Change led us to believe.....

Our world has become.....

Smaller & Flatter

- Pervasive connections and communications
- Emerging markets
- Open trade

Riskier

- Systems-level complexity
- Viral spread of information
- Widening gap between information available, and information effectively managed.

Smarter

- Instrumented
- Interconnected
- Intelligent

... And tomorrow's leaders will capitalize on the new opportunities created

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Lessons from top performers.....

An analysis of early winners points to strategies for success

Top performers during 2008...

Average Stock Price Change 2008

Category	Change (%)
Overall S&P 500	-40%
Top Performers (n=61)	24%

Criteria for Top Performers:

- Market Cap >\$1.4B
- 52 week stock price change >5.0%

Exhibited three strategies

- Focus on Value
- Exploit Opportunities
- Act Quickly

Source: Google Finance, IBM S&C analysis. Performance period is 12/27/07 to 12/18/08

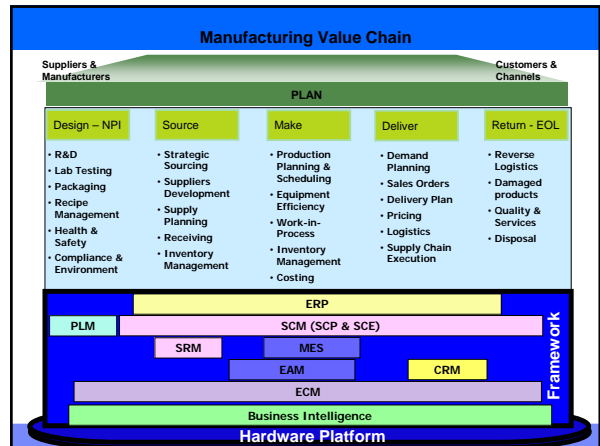
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Lessons from top performers..... Companies need to do three things:

Succeeding in the New Economic Environment

1. Focus on Value 49% of Top Performers	2. Exploit Opportunities 39% of Top Performers	3. Act with Speed 12% of Top Performers
<p>Do more with less</p> <ul style="list-style-type: none"> • Cut costs strategically • Conserve working capital • Protect cash reserves • Increase flexibility, responsiveness <p>Focus on the core</p> <ul style="list-style-type: none"> • Create value for clients • Reduce non-core costs • Shift from fixed to variable costs <p>Understand your customers</p> <ul style="list-style-type: none"> • Target value-oriented customers • Reduce complexity 	<p>Capture share</p> <ul style="list-style-type: none"> • Disrupt weak competitors • Focus on growth markets • Acquire bargain-priced assets <p>Build future capabilities</p> <ul style="list-style-type: none"> • Protect and acquire critical talent • Establish corporate infrastructure for growth • Invest in innovation <p>Change your industry</p> <ul style="list-style-type: none"> • Understand the downturn will reshape your industry • Profit from business model innovation • Explore new revenue models • Cultivate strategic partners 	<p>Manage change</p> <ul style="list-style-type: none"> • Overcome the "change gap" <p>Empower leaders</p> <ul style="list-style-type: none"> • Establish strong, aligning leadership • Communicate strategy clearly and often <p>Risk & Transparency</p> <ul style="list-style-type: none"> • Reduce risk and increase transparency

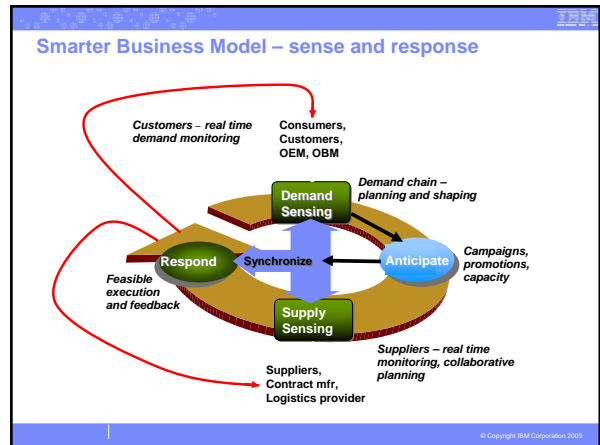
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SMART Manufacturing Solutions of the Future. It will be Instrumented, Interconnected & Intelligent

<p>Instrumented</p>	<p>Automated Transactions & Smart Devices</p> <ul style="list-style-type: none"> • Use of sensors, actuators, RFID, & smart devices to automate transactions: inventory location, shelf-level replenishment detection, transportation locations & bottlenecks • Supports real-time data collection & transparency from POS to manufacturing to raw material • Sense-and-respond demand/supply signals allow "predict and act"
<p>Interconnected</p>	<p>Optimized Flows</p> <ul style="list-style-type: none"> • ERP to SCM to PLM to MES... system integration across the network. Standardized data and processes. • Collaborative decision making through decision support and business intelligence - starting with the customer • C-Suite risk management programs for integrated financial controls with operational performance - monitored and measured
<p>Intelligent</p>	<p>Networked Planning, Execution & Decision Analysis</p> <ul style="list-style-type: none"> • Simulation models to evaluate trade-offs of cost, time, quality, service and carbon and other criteria • Probability-based risk assessment & predictive analysis • Networked planning/execution with optimized forecasts & decision support

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Know your business... win your manufacturing race

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Waiting is not an option.....

WE'RE THINKING OF MAYBE CONSIDERING SOME ACTION, PERHAPS STARTING NEXT YEAR.

Decision leads to action.....

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Thank You

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