



THE MARKET

Businesses everywhere, in every sector, have to compete with the ceaseless march of globalisation and the incessant competitive activity it creates. Today's business leaders must look for new ways to stand out clearly in markets that are constantly in a state of flux. This new era brings with it a seemingly endless stream of new technological resources and business solutions that help organisations of every kind identify and grasp opportunities that surround them. The challenge is to find innovative ways to share knowledge, ideas and solutions, gain competitive advantage and stay ahead of the game.

ACHIEVEMENTS

During 2006, IBM once again gained an impressive list of innovation credentials. It was the ninth consecutive year that IBM was awarded more than 2,000 U.S. patents. However, it is the results that IBM achieves for its customers that make it the world's third best global brand (source: Interbrand 2006).

Examples of IBM's innovation-focused approach include:

Facing increasing pressure to raise productivity and cut drug development costs, a leading global pharmaceutical provider was determined to bring new drugs to market faster. Working with IBM Global Business Services, the company replaced its in-house Electronic Data Capture (EDC) application and re-engineered its processes worldwide to extract maximum value from the new system. This reduced the time spent gathering data from weeks to near real-time and made clinical trial information processing more efficient, so drugs can be developed more quickly.

Tennis Australia hosts one of the world's most important sporting events, the Australian Open, the Grand Slam of the Asia Pacific in Melbourne. For the past 14 years, IBM has worked with Tennis Australia to help it meet increasing business demands, to optimise revenue streams through



business consulting and e-commerce plus increase the efficiency with which the Australian Open is organised and run. The result is that more courtside statistics, analysis and insights are available each year, and tennis fans around the world are brought even closer to the action.

HISTORY

IBM's character has been formed over nearly 100 years of doing business in the field of information handling. Nearly all of the company's products were designed and developed to record, process, communicate, store and retrieve information – from its first scales, tabulators and clocks to today's powerful computers and vast global networks.

IBM helped pioneer information technology over the years, and it stands today at the forefront of a worldwide industry that is revolutionising the way in which enterprises, organisations and people operate and thrive.

In 1924, the Computing-Tabulating-Recording Co. (CTR) was renamed International Business Machines Corporation (IBM) under the leadership of Thomas J. Watson, Sr. IBM provided companies in America and Europe with the latest in machinery ranging from commercial scales and industrial time recorders to meat and cheese slicers, along with typewriters and tabulators.

During the Great Depression of the 1930s, IBM managed to grow while many in the U.S. economy floundered. While most businesses had shut down, Watson kept his workers busy producing new machines even while demand was slack. Thanks to the resulting large inventory of equipment, IBM was ready when the Social Security Act of 1935 brought the company a landmark government contract to maintain employment records for 26 million people.

Watson created a major division in 1932 to lead the engineering, research and development efforts for the entire IBM product line. The following year, IBM completed one of the finest modern research and development laboratories in the world at Endicott, New York. 1933 saw the addition of an entirely new product unit – the Electric Writing Machine Division – to IBM's organisation.

The Second World War saw IBM's first steps toward computing. The Automatic Sequence Controlled Calculator, also called the Mark I, was completed in 1944 after six years of development with Harvard University.

In the 1950s, IBM developed a range of mainframes, compatible with multiple printers, drives and other peripherals, establishing IBM as an industry leader.

After nearly four decades as IBM's chief executive, Thomas J. Watson, Sr., passed the title of president on to his son, Thomas J. Watson, Jr. who foresaw the role computers would play in business. He led IBM's transformation from a medium-sized maker of tabulating equipment and typewriters into a computer industry leader.





In 1969, IBM changed the way it sold technology by 'unbundling' the components and offered them for sale individually, which gave birth to the multibillion-dollar software and services industries, of which IBM today is a world leader.

The 1980s was the beginning of a new era in computing. With the Personal Computer, or PC, the IBM brand began to enter homes, small businesses and schools. John F. Akers became CEO in 1985 and focused on streamlining operations and redeploying resources. This significant investment in research produced four Nobel Prize winners in physics, and achieved breakthroughs in mathematics, memory storage and telecommunications.

Louis V. Gerstner, Jr. arrived as IBM's chairman and CEO on April 1, 1993. Despite mounting pressure to split IBM into separate, independent companies, Gerstner decided to keep the company together. He recognised that one of IBM's enduring strengths was its ability to provide integrated solutions for customers – a unique IBM advantage.

In 1995, Gerstner articulated IBM's new vision – that network computing would drive the next phase of industry growth and would be the company's overarching strategy. Services became the fastest growing segment of the company, with growth at more than 20 per cent per year.

In May 1997, IBM dramatically demonstrated computing potential with Deep Blue, a computer programmed to play chess on a world-class level. In a six-game match in New York, Deep Blue defeated World Chess Champion, Garry Kasparov. This was the first time a computer had beaten a top-ranked chess player in tournament play, and it ignited a public debate on how close computers could come to approximating human intelligence.

As the new century opened, IBM moved confidently into a future it had helped to create, linked to the presence of global networks that are connecting every computer, and soon perhaps, every electronic device in the world.

THE PRODUCT

One of the core values collectively defined by IBM today is that innovation matters, and the shape of today's business world reflects this. Over the years, IBM has learned how and where to apply innovation to help businesses get results. And although it has always delivered innovation to

clients, today IBM goes much further. Now it helps them innovate and collaborate to reach their goals. As companies realise that their continued success depends on completely rethinking their approach to innovation, the real role of the technology is to enable business transformation. Furthermore, at the heart of each transformation there has to be a core business insight – and increasingly it's this that is the most important capability IBM demonstrates. In fact, such an insight drove the organisation's own restructuring process, with IBM Global Business Services also aligned to meet specific customer requirements.

RECENT DEVELOPMENTS

The company's innovations benefit more than just its customers. With a fundamental belief in progress, science and the improvability of the human condition, IBM believes its responsibility is to create opportunity and prosperity for businesses, industries, society and the world. Each year, IBM Corporate Community Relations invests over USD\$140 million globally in a range of large-scale programs, focusing primarily on innovative uses of technology, to help raise standards of living and achievement.

For instance, two years ago, IBM announced that two advocacy groups, the Human Rights Campaign and Gay Men's Health Crisis, are now part of its new research effort to help battle AIDS, by using the massive computational power of the World Community Grid. IBM has also been fundamental in supporting the Global Pandemic Initiative, which seeks to help monitor, control and prevent widespread outbreaks of infectious disease through a collaborative effort by more than 20 worldwide health agencies.

PROMOTION

Between 1993 and 2004, IBM climbed from the 282nd position in Interbrand's league table of the world's best global brands to number three. Here it has remained ever since (source: Financial World, Interbrand 1994 and Business Week, Interbrand 2006). It achieved this rise by making huge strides in its marketing strategy. In 1993, IBM was using 70 different advertising agencies. With no central theme and a mixture of layout styles, typefaces and even logos, the brand identity had been severely eroded. So, IBM made the decision to consolidate its communications with one core communications

partner around the world.

Ogilvy & Mather was appointed to develop the first global advertising campaign launched by IBM. The result, 'Solutions for a Small Planet', ran in 47 countries and 26 languages. It was the first step in repositioning IBM as a market-focused, service-orientated solutions provider. But it was the next development that helped the brand reclaim its leadership. As IBM became aware of the enormous benefits that the internet could provide to businesses of all kinds, the company's solutions and communications had to reflect and deliver this new vision. IBM launched its second integrated global campaign, alerting and educating the market about the potential of 'e-business'. In 2006, the 'What Makes You Special?' campaign was launched, establishing the need for businesses to start thinking differently about innovation, and weaving it into their thinking, their products, their people and their goals.

BRAND VALUES

IBM has a fundamental belief in progress, science and the improvability of the human condition. With its unique capabilities, IBM believes it has a responsibility to create opportunity and prosperity for businesses, industries, society and the world.



THINGS YOU DIDN'T KNOW ABOUT IBM

- IBM has employed five Nobel Prize laureates. Gerd K. Binnig and J. Georg Bednorz, two such laureates, still work at the company.
- In 1996, as IBM scientists experimented with ways to add ever more processing power to a microchip, they used the tip of a scanning tunnelling microscope (STM) to form the letters 'IBM' out of 35 individual atoms. The STM has since evolved into the IBM Atomic Force Microscope (AFM), an essential tool of the nanotech era.
- The organisation's most high-flying intranet is 354 kilometres above our heads, in the International Space Station. IBM has been computing in space since Explorer I in 1958 – participating in the Mercury, Gemini and Apollo missions, as well as the Mars Rover expedition.
- IBM processed nearly 50 million kilograms of e-waste globally in 2006 and sent less than 1 per cent of that to landfill.