

# European Works Council

## ***Statement – Massive and historic workforce rebalancing across Europe, the second in 2020***

"At IBM we have a culture of perpetual transformation", Chairman of IBM Europe Martin Jetter said. "We have continuously reinvented ourselves for more than 100 years, not many companies can say that". He added that "we are at a turning point and I am optimistic about our future. I am convinced that now is the moment to rebalance our structure, it is a once in a lifetime opportunity. The lion's share of the \$ 2.3 billion budget globally available is reserved for Europe. It won't be an easy ride, but we can do this together".

In line with these statements and despite solid financial performance by IBM Europe in the third quarter of 2020 - Europe was again the best performing geography - the IBM EWC was informed at today's Extraordinary Meeting of a massive and historic 'traditional' **workforce rebalancing action** across Europe, the second in 2020. France and Italy are reported as countries in scope of this action, but at the meeting it was confirmed that headcount numbers for both countries were not yet available due to local circumstances. The EWC requests that IBM senior management provides the missing numbers as soon as possible. Combined with the restructuring action in the first quarter of 2020, it is estimated that approximately one fifth of employees in Europe will be removed within one year. This is an unprecedented figure and situation to the EWC.

The total planned impact of the current headcount reduction is significantly larger than the downsizing actions in 2018, 2019 and in the first quarter of 2020. The impact varies by country but can on average be described best as an up to one fifth reduction. As a percentage of current European staff, the restructuring is felt most by **BeNeLux** and **DACH**, followed by the combined **Nordic** countries and **UKI**. Practically all European countries are confronted with double digit declines; as a proportion of actual in-country headcount numbers, the biggest impact is felt in The Netherlands, Belgium, Germany, Finland, Denmark, Ireland Sweden and the UK. IBM's footprint in both Estonia and Latvia seems to be marginalized; with reductions of around 80% the company's presence is expected to end.

The EWC observes that significant reductions are planned within IBM's strategic units **Cognitive Applications** and in **Cloud & Data**. The EWC cannot understand or support this reduction and calls upon IBM senior management to maintain and expand staffing levels in our strategic growth areas. The number of IBM sellers in **Global Markets** and the support staff in **Enterprise Operations & Services (EO&S)**, such as Enterprise Operations, Q2C and Enterprise Asset Management will be downsized significantly as well, with both missions accounting for roughly ten percent of the current restructuring.

IBM plans to launch a new and **revised Go To Market (GTM) model**, which comprises new segmentation and is aimed at more digital selling and making better use of IBM's ecosystem. The membership understands the need to introduce a new GTM model, but believes that staffing levels in our customer facing units like Global Markets should be largely maintained. Where required, IBM should invest in the re-skilling and up-skilling of sales colleagues, not in laying them off.

Almost half of the total European reduction target is aimed at **GTS**. This is most significantly felt in Germany, where around one third of the European GTS reduction takes place, followed by the GTS missions in the UK, Spain, The Netherlands, Slovakia and Bulgaria. The EWC calls upon IBM senior management to revisit and balance the proposed reduction targets in close alignment with in-country management and to postpone possible optimisations until more clarity has been provided regarding the announced spin-off to 'NewCo'. We are deeply concerned about the unprecedented impact this restructuring will once again have on the employees affected, their ability to deliver contracted services and maintain customer satisfaction. This will lead to increased workload and pressure, which could be detrimental to employee's mental health and wellbeing. This is not supportive to the NewCo spin-off. A detailed transition plan should be developed to ensure a smooth handover of work and continuity of service levels. The EWC requests that a more detailed breakdown between IS and TSS staff in scope of this restructuring is provided urgently, together with an explanation of the types of roles involved.

Martin Jetter stressed that IBM will conduct the restructuring in a **socially responsible way**, respecting local processes and approaches. Employees in scope will be offered outplacement support and financial advice to enable them to make balanced decisions. The EWC repeated that workforce rebalancing actions around Europe should always be voluntary and focus on maximising mutual agreements and 'job-to-job' solutions. These solutions comprise, for example, internal redeployment, Bridge to Retirement and subco-replacement options, where the EWC calls upon IBM senior management to actively support so-called

'domino solutions' and cross LoB transfers. Furthermore, IBM should ensure attractive and generous separation packages, to allow IBMers to leave the company as ambassadors.

The EWC is **not convinced that restructuring is the answer to the challenges at hand**. Winning the hybrid cloud platform with RedHat and delighting clients by helping them on their journey to cloud and AI, requires in the view of the EWC significant investments. The sense of urgency to speed up IBM's transformation is well understood and fully supported. However, the EWC believes there is a clear mismatch between IBM's analysis of the current situation and the company's action plan. The creation of a new GTM model and development of our ecosystem are regarded as important and relevant attributes to grow the business. Conducting another, massive restructuring is not. In the view of the EWC, the primary focus of IBM senior management is to improve affordability and financial ratios.

The EWC believes that we are at a turning point in our history, the **future and viability of our company** are at stake. The membership cannot see a compelling and inspiring vision, with clear and tangible actions and robust investments, that offer employees a perspective that they can buy into. The membership cannot support another workforce rebalancing action of this size and scope, at this time. More headcount reductions are not a sustainable and strategic approach to increase IBM's presence and visibility in the marketplace and to address client opportunities with dedication and conviction. Laying off knowledgeable IBMers will most likely benefit our competitors.

The EWC therefore urges IBM senior management to revisit its current approach. The membership requests that a series of **investments and alternative solutions** are actively investigated and implemented, that could support the transition of our company in a sustainable way, for example:

- request IBM's IBV to conduct an analysis of top client issues and design tangible actions before 2Q 2021;
- revisit planned reductions in our strategic areas, i.e. Cognitive Applications, Cloud & Data and Security;
- double the number of sellers and certified Red Hat experts in IBM Public Cloud before 2Q 2021;
- double the number of digital sellers before 2Q 2021, stop attrition in IBM's Digital Sales Center in Dublin;
- double the number of experts in IBM's Business Partner organisation before 2Q 2021, to develop and grow our ecosystem;
- position sellers at ecosystem partners, to function as liaisons and ambassadors at IBM's expense;
- invest in re-skilling and up-skilling of face to face sellers and of GTS employees, to be redeployed into digital sellers and technical and commercial (pre)sales roles in IBM's strategic growth areas;
- offer our top 500 clients free trial solutions or IBM Garage sessions to reinforce relations and intimacy;
- hire new employees with the latest skills, develop attractive introduction programs, build and foster internal communities, provide active career coaching and planning ensuring they remain at IBM;
- launch a brand image campaign to position IBM and RedHat as the leaders of the hybrid cloud;
- develop an internal campaign for IBMers who remain, offer them perspective and minimise attrition;
- align and revisit IBM's current measurement system and simplify sales plans;
- rebalance the number of executives around Europe to optimise IBM's cost structure and align with the reduced size and scope of 'RemainCo';
- delegate decision power to Europe and local CGM's to increase local speed and relevance in the market;
- allow alternative cost reductions if restructuring targets are not met voluntarily.

IBM senior management stated at today's Extraordinary Meeting that it regards the current workforce rebalancing action as a separate event from the spin-off of IBM's Managed Integrated Services business into **NewCo**. However, the IBM EWC believes that the two are closely connected. By restructuring the entire company first, IBM is attempting to create a good starting position for NewCo. After both actions, IBM's footprint in **RemainCo** will significantly differ from the company's current form and size. The EWC concludes that in several European countries, local IBM organisations will be left with half - and in some cases less - the current staffing levels. The EWC wants to understand how well positioned RemainCo will be to address all challenges in a highly competitive market. The membership raised questions about the viability and future perspective of both NewCo and RemainCo. What are the planned investments to establish a renewed and distinct footprint and identity in their respective markets and their attractiveness and visibility as new employers? Clients can only be delighted and served well by engaged employees.

The EWC requests IBM senior management to **continue the dialogue** and to apply a more holistic view and approach to bring the spin-off of NewCo and position of RemainCo into the information exchange and consultation process. Anticipating the impact and implications of all organisational changes, the membership calls upon IBM to allow additional time to consult experts where needed and to act with prudence and diligence. Local information and consultation processes should start as a matter of urgency.