

European Works Council

Make tangible improvements urgently, the credibility of IBM's Engagement Survey is at risk

The IBM EWC was informed about the European results of the Engagement Survey 2023. The inclusion index slightly declined but is still very positive, which is recognised and welcomed. However, the **engagement index declined 1,4%** compared to 2022, our geography ranks lowest worldwide with an overall score that lies almost 10 points below the global average. Apart from DACH, all European markets showed a decline, with UKI, France and NCEE ranking lowest. Career perspective and opportunities to prepare for a next role within the company need attention in most markets. For the 6th consecutive year, Compensation & Salary was mentioned as the #1 topic driving the most negative impact on engagement around Europe. The membership is positive about the increased participation rate but observes that more than one third of all European IBMers again did not join the survey. The IBM EWC believes that this indicates a lack of interest, faith and trust amongst employees that something useful will be done with the outcome. Even though the team has no indication that IBM is tracking answers of individual respondents, we recommend making the survey fully anonymous by erasing the email login. This could increase participation.

IBM senior management shared their main areas for improvement, e.g. career perspective and opportunity. The IBM EWC welcomed this action item but noted that Compensation & Salary is again not on IBM's list. The membership questioned this and asked IBM senior management what is the point for employees of completing the survey if year on year no visible improvement is made regarding their most critical feedback points. In the view of the IBM EWC, it is of utmost importance to make tangible improvements urgently to avoid that the credibility of the survey and of IBM senior management is at risk. The membership referred at the meeting to IBM's **Linkage Research, a scientifically validated model** developed by IBM Workforce Research several years ago, that shows clear correlations between employee satisfaction, client satisfaction and business performance. Based on this model, IBM can predict for every point of increased employee satisfaction, how many points client satisfaction and business performance would go up too, and vice versa, even five years out. The IBM EWC believes that the findings of Linkage Research are still valid today and calls upon IBM senior management to restore and repair the linkages. Without significant investment in Compensation & Salary and especially a fair and equitable increase and distribution of the base salary, the membership foresees that our company is unable to sustainably bend the curve towards long term growth.

The IBM EWC is concerned about the significant percentage of IBMers who said in the survey that they don't believe that IBM is headed in the right strategic direction to drive growth. Over the past decade, IBM's financial position has sharply declined, with global revenue shrinking from \$107 billion in 2012 to \$57 billion in 2022. Meanwhile, key competitors flourished. Therefore, the IBM EWC believes that **a clear and compelling strategy** is paramount for IBM's future success. The team repeatedly asked IBM senior management to provide clarity and detailed insight in IBM's overall strategy and the implications for Europe. At the meeting an overview of our strategy was presented around Hybrid Cloud and Artificial Intelligence, i.e. Red Hat Open Shift and watsonx as the two key platforms. This did not articulate a comprehensive overview of all components of IBM's portfolio, i.e. hardware, software, consulting & engineering and infrastructure services. The membership expressed its concern that the current strategy is regarded as a 'big bet' as we rely only on just two elements for our future, where competition in these two areas is extremely strong.

The EWC observes a **lack of Research & Development missions in Europe** supporting our strategic direction and requests IBM senior management to leverage the creativity and innovation power of European employees by revitalising and upscaling our European R&D missions for RedHat and watsonx. Inspiring and supporting local clients with experts and scientists from European R&D-sites is regarded as essential. While IBM Ecosystem is presented as the most important Go-to-

Market route to leverage IBM's growth strategy, the IBM EWC observed that revenue contribution through IBM Ecosystem remained relatively stagnant around one-fourth of IBM's overall revenue mix over the past two years. The IBM EWC is concerned about potential negative impact on employment of especially our face-to-face sellers and requests IBM senior management to ensure that they have sufficient career perspective and opportunity. The future of IBM Consulting and the implications of IBM's Ecosystem model is uncertain, considering the numerous system integrators partnering with IBM. The lack of overall comprehensive insight in IBM's strategy and the impact for Europe continues to hinder the IBM EWC's ability to anticipate and play its role effectively.

With the introduction of the new Checkpoint system, it has become easier for managers to give their employees lower ratings and where needed a **Performance Improvement Plan (PIP)**. IBM senior management stated that PIP is part of IBM's high performance culture. Between 5-10% of European employees received a PIP from their manager this year. The membership has the impression that this is a growing number. Sellers all over Europe, who have during the year not made sufficient progress in reaching their sales target and/or in uploading sufficient opportunities in their pipeline, qualify for a PIP instantly, even when developing their business requires a longer lead time. For consultants the criteria were not provided. However, the IBM EWC knows from daily life that PIPs relate to limited billable or chargeable utilisation rate. Performance management was presented as a careful and considerate process and a PIP should only be given after a series of coaching sessions. However, the IBM EWC received feedback from European colleagues who were caught by surprise, in some cases PIPs seemed to be the result of 'forced distributions' from upline management. The membership requests IBM senior management to stop such bad practice immediately.

In 2022, IBM introduced 'Pathfinder', a voluntary coaching program which actively supports individual IBM employees in their internal mobility journey. IBMers can engage one-on-one with a professional external career coach and make use of a range of virtual tools, paid by IBM. At the meeting, IBM senior management introduced '**Career 360**' as an extension to Pathfinder for individual employees who have been looking for an internal role for three months. Career 360 was explained as a strictly voluntary program which helps employees in complete confidence to assess and reflect on their openness to change, on the development of adjacent skills and on exploring internal and external labour market opportunities. Findings are strictly private and only shared between coach and employee. IBM senior management stipulated that there is no pressure on individual employees to leave the company. Although the IBM EWC welcomes the extension with Career 360, concern remains that employees would take it as a signal that they are not welcome anymore at IBM. This can create additional stress, which is one of the three main topics already driving a negative impact on engagement.

In approximately 20 years, IBM **fully dismantled its entire European production and manufacturing capability**. The IBM EWC was informed during the summertime, that after the de-facto closure of our system and asset recovery manufacturing plant in Montpellier, France, early 2023, now also the last European production site for storage products in Vác, Hungary, will be closed and dismantled before the end of 1Q 2024. IBM Storage products for Europe will then be manufactured and shipped from Mexico. With the closure of Vác the shutdown of IBM's entire European manufacturing capability is a fact and marks the end of an era, where since 2000 around 10.000 IBMers worked in a broad range of manufacturing plants all over Europe. The IBM EWC regrets that our company no longer offers our clients products 'made in Europe' and that IBM Europe has become fully dependent on the manufacturing and delivery of products from other geographies. The team welcomes that a fair solution was agreed for the colleagues in Vác after constructive negotiations between the local unions and IBM senior management.

IBM European Works Council,
Brussels – November 16, 2023