

ABB LTD, CAPITAL MARKETS DAY, OCTOBER 4, 2016

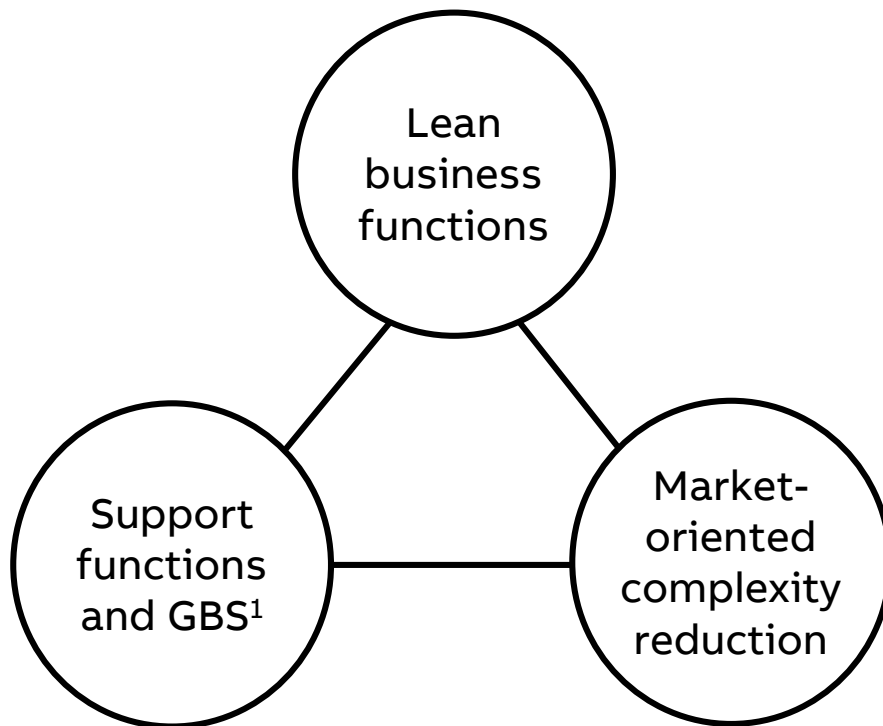
# White Collar Productivity

Transformation on track – target increased

Jean-Christophe Deslarzes, Chief Human Resources Officer

# White Collar Productivity

Transforming to a leaner, more agile and more customer-focused ABB



## Topics covered:

WCP starting point and achievements

Business function example: SCM<sup>2</sup>

Support function example: HR<sup>3</sup>

Market-oriented complexity reduction

# White Collar Productivity starting point

Recap from ABB Capital Markets Day 2015

Lean  
business  
functions

## Business functions

Fragmented footprint, scale not leveraged  
No common sales processes, customer face time underutilized  
Low automation levels  
Supply Chain Management spend mainly handled at local level

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Support  
functions  
and GBS

## Support functions

68 country-based shared service centers  
Low level of standardization (20%)  
Limited presence in low-cost countries (<20%)

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Market-  
oriented  
complexity  
reduction

## Organization complexity

5 Divisions, 8 Regions, 23 business units  
12 management layers and narrow span of control  
Inflated HQ covering classic HQ, business line and transactional activities

# Examples of transformational change

## Customers

### Marketing & Sales



Salesforce.com rolled out in 92 countries  
23,000 active users  
Single CRM<sup>1</sup> tool across all businesses



New customer interaction model “cost to serve”  
Implemented in 16 countries  
Covering multiple businesses across two Divisions

**\$90 mn investment in marketing & sales**

# Examples of transformational change

Driving our businesses

## Engineering



~1,500 engineers in centers in India and Czech Republic

Standard resource planning tools in 2 Divisions

## Supply Chain Management



ABB factories transitioning to transport management centers

Currently ~90 factories in 15 countries in transition

## Global Business Services<sup>1</sup>



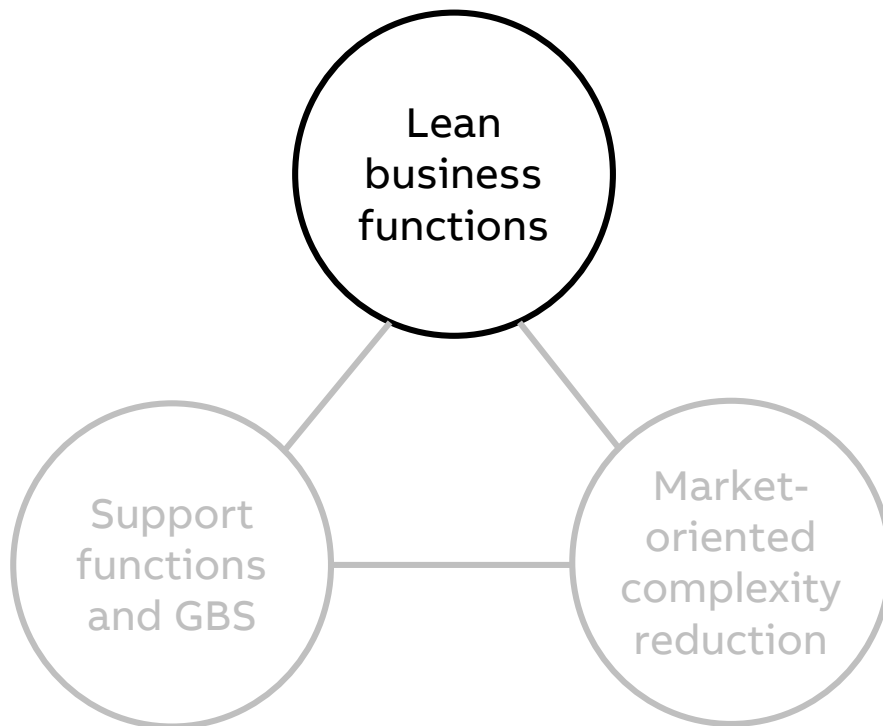
GBS implementation well on track, serving 24 countries

>2,000 employees in GBS centers

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# White Collar Productivity

Business function example: SCM



## Topics covered:

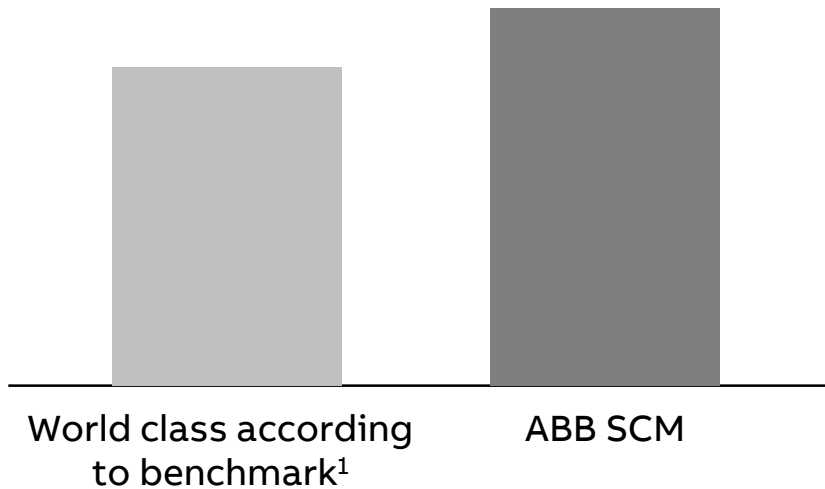
SCM transformation

*Daniel Helmig,  
Head of Supply Chain Management*

# Supply Chain Management

Delivering on cost reductions

## Annual cost reduction performance



Continuous savings performance over several years

Delivering a significant part of 3 – 5% annually reported CoGS<sup>2</sup> reduction

Recognized as leaders in SCM employee competence building

**World-class savings performance**

# Supply Chain Management

Our starting point: high savings performance, opportunities on productivity

## Transport & Logistics

### Fragmented

\$1.5 bn external spend managed mainly locally

>3,500 road forwarders

~60% of trucks less than full capacity utilization

## Transactional Procurement

### Plant level

26,000 orders per day managed on plant level

50% of plants without EDI<sup>1</sup> connection to suppliers

Number of buyers well in excess of benchmark

## Strategic Sourcing

### Low leverage

World-class cost reduction performance

Significant spend still sourced at plant level

Opportunities in optimizing our supply base

Below productivity benchmarks<sup>2</sup>



# Supply Chain Management

WCP enabled transformational change

## Transport & Logistics

### Transport Management Centers

#### Move to 10 TMCs<sup>1</sup>

15 out of 22 countries in transition (90 plants)

21st century logistics software live in first TMC

>30% lower cost for early TMC adopters

## Transactional Procurement

### Global Business Services

#### Move to GBS Centers

26 plants already live in GBS Krakow & Bangalore

USA, Europe & China plants transitioning in 2016

Roll-out of digital solution for 90% of transactions

## Strategic Sourcing

### Centers of Expertise

#### Create >250 category leads

BUs identified 130 categories to be managed globally

\$11 bn out of \$16 bn spend moves to global category management

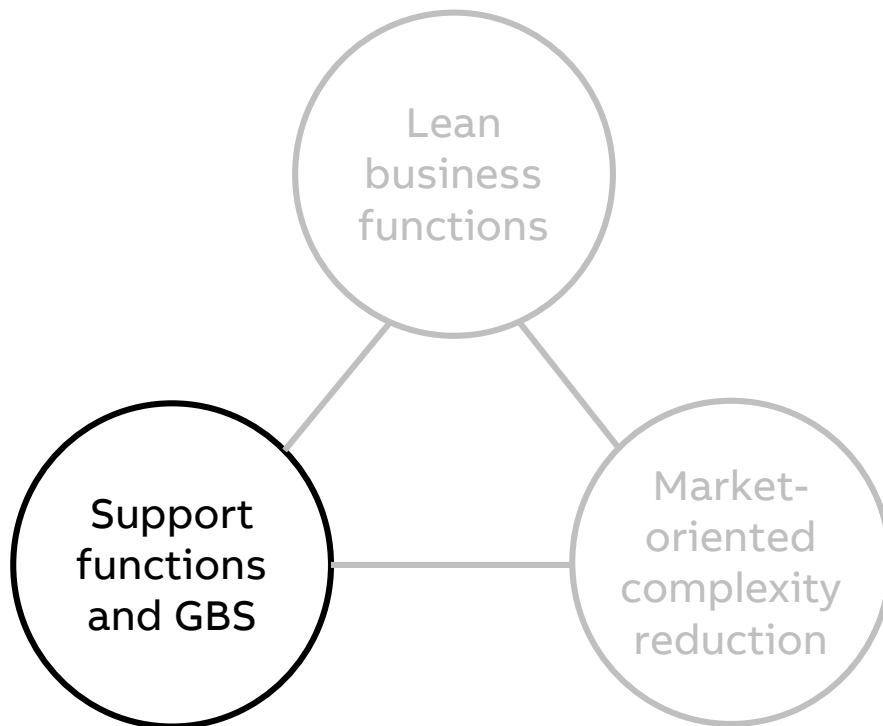
Pilot CoE<sup>2</sup> “Indirect” (\$4 bn) increased savings by 25% y-o-y

**Our flight plan = 20% productivity improvements and even more CoGS savings**

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# White Collar Productivity

Support function example: HR



## Topics covered:

HR transformation

*Sylvia Hill,  
Head of Global HR Services and HR  
Transformation*

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# Human Resources

Our starting point

**Roles & responsibilities**

**Overlapping**

Non-coherent definition of roles within HR, redundant activities

**Transactional activities**

**Scattered**

HR Business Partners spending 40% of their time on transactional activities

**HR analytics**

**Limited scope**

Missing common metrics and dashboards

**End-to-end processes**

**Diverse**

Optimized at country level, globally varying

**External spend**

**Fragmented**

Costly vendor landscape (e.g. >4,000 learning providers)

# Human Resources

WCP enabled transformational change

**Roles & responsibilities**

**Redesign**

Three pillar model: business partnering<sup>1</sup>, global governance<sup>2</sup>, and service delivery<sup>3</sup>

**Transactional activities**

**Migrated to GBS**

50% of ABB employees served from GBS centers, up to 30% cost savings

**HR analytics**

**Extended**

Established portfolio of global standardized people reports

**End-to-end processes**

**Standardized**

Global delivery capability, e.g. 70,000 individual performance scorecards automatically delivered out of a global center

**External spend**

**Optimized**

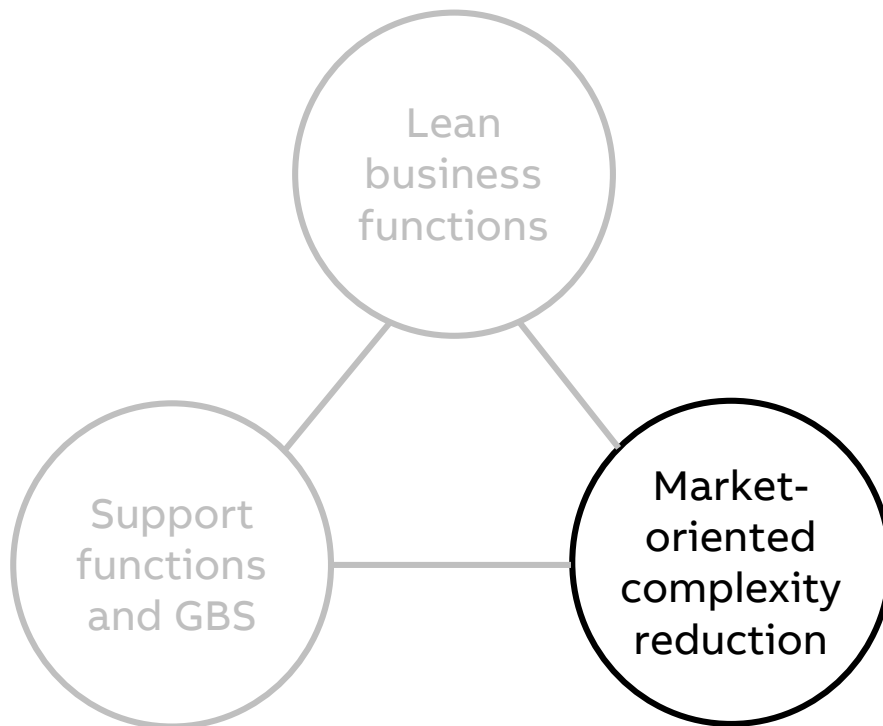
Streamlined vendor landscape resulting in 25% savings

**GBS centers up and running – employee satisfaction increased**

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# White Collar Productivity

Market-oriented complexity reduction



## Topics covered:

Organizational simplification

*Haider Rashid,  
Head of White Collar Productivity  
Program*

# Complexity reduction initiatives delivering benefits ahead of schedule

## Measures announced at CMD 2015

## Status today

Simplify the organization –  
20% complexity reduction in all dimensions

From 5 Divisions and 8 Regions to  
4 Divisions and 3 Regions

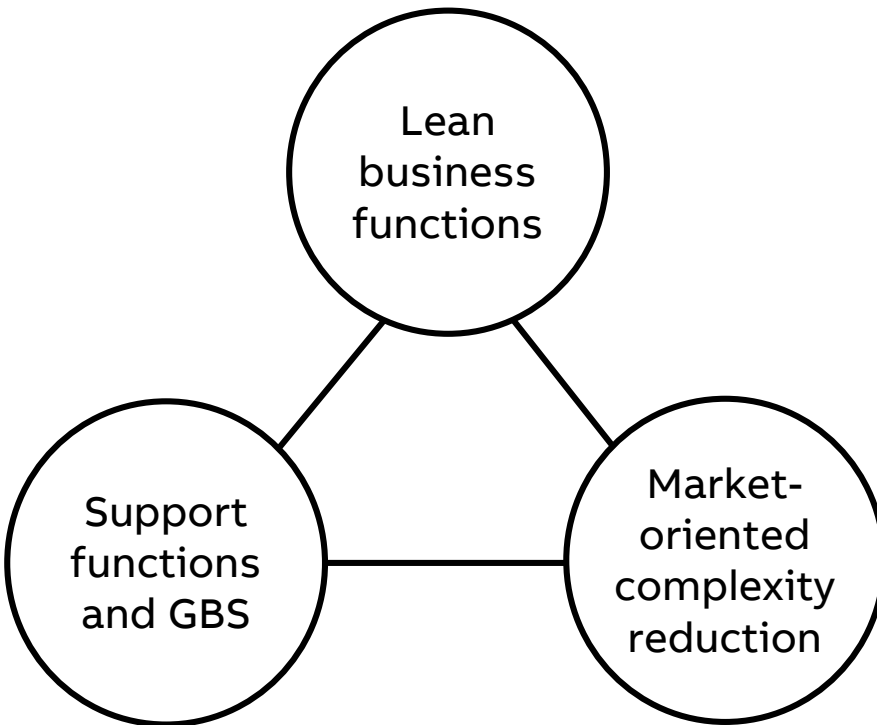
Reduce management layers from 12 to 8

98% of employees in 8 layers

Leaner HQ focused on strategy,  
governance and control

HQ reduced by 30%<sup>1</sup>, moved from 4 to 1  
existing building

# Delivering a leaner, more agile and more customer-focused ABB



Increased target from \$1 bn to \$1.3 bn

Scope, measures and costs<sup>1</sup> remain unchanged



**ABB**