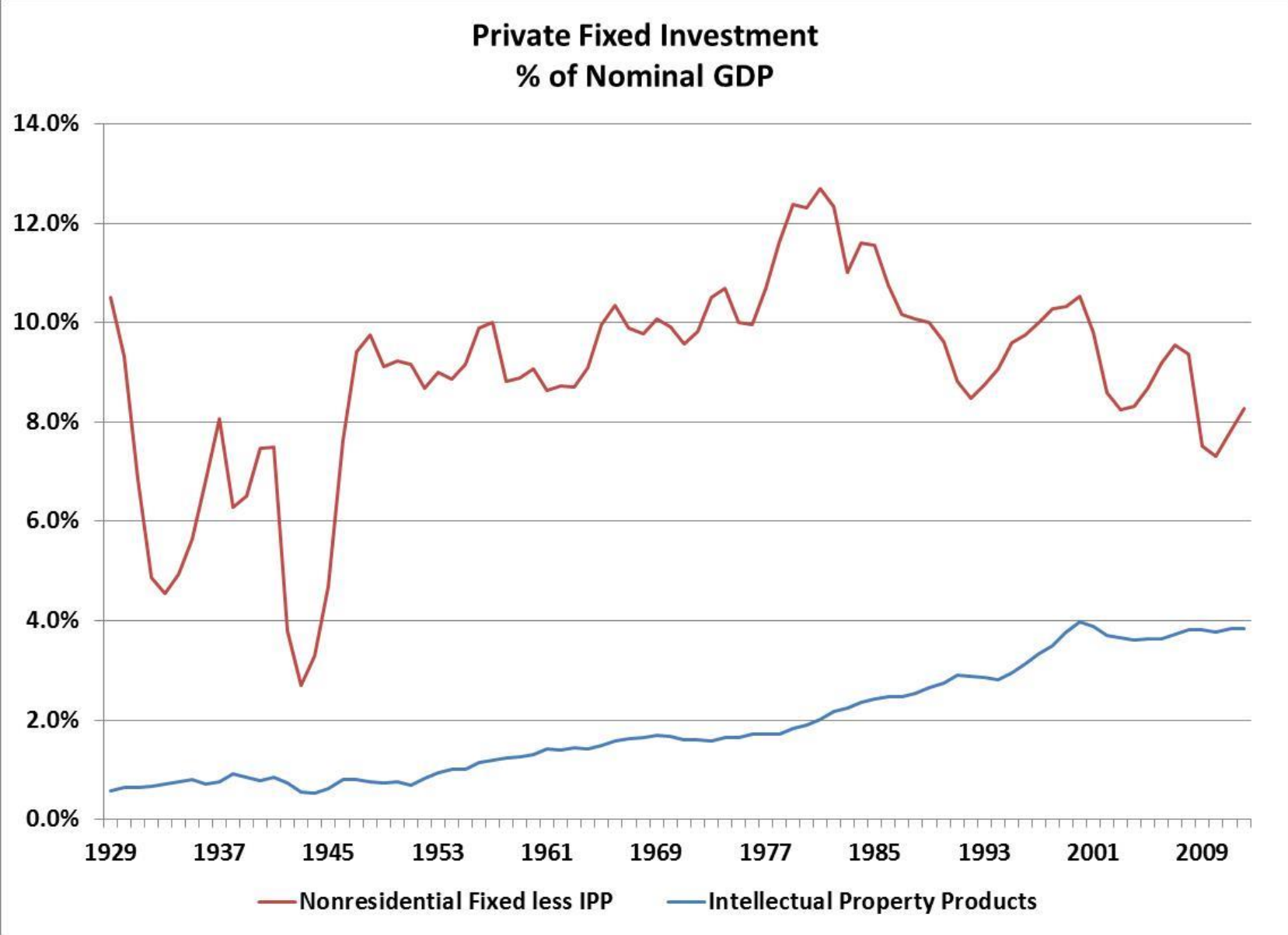

American Chemical Society Science and the Congress Project

Intellectual Property Products Expanded NIPA Coverage

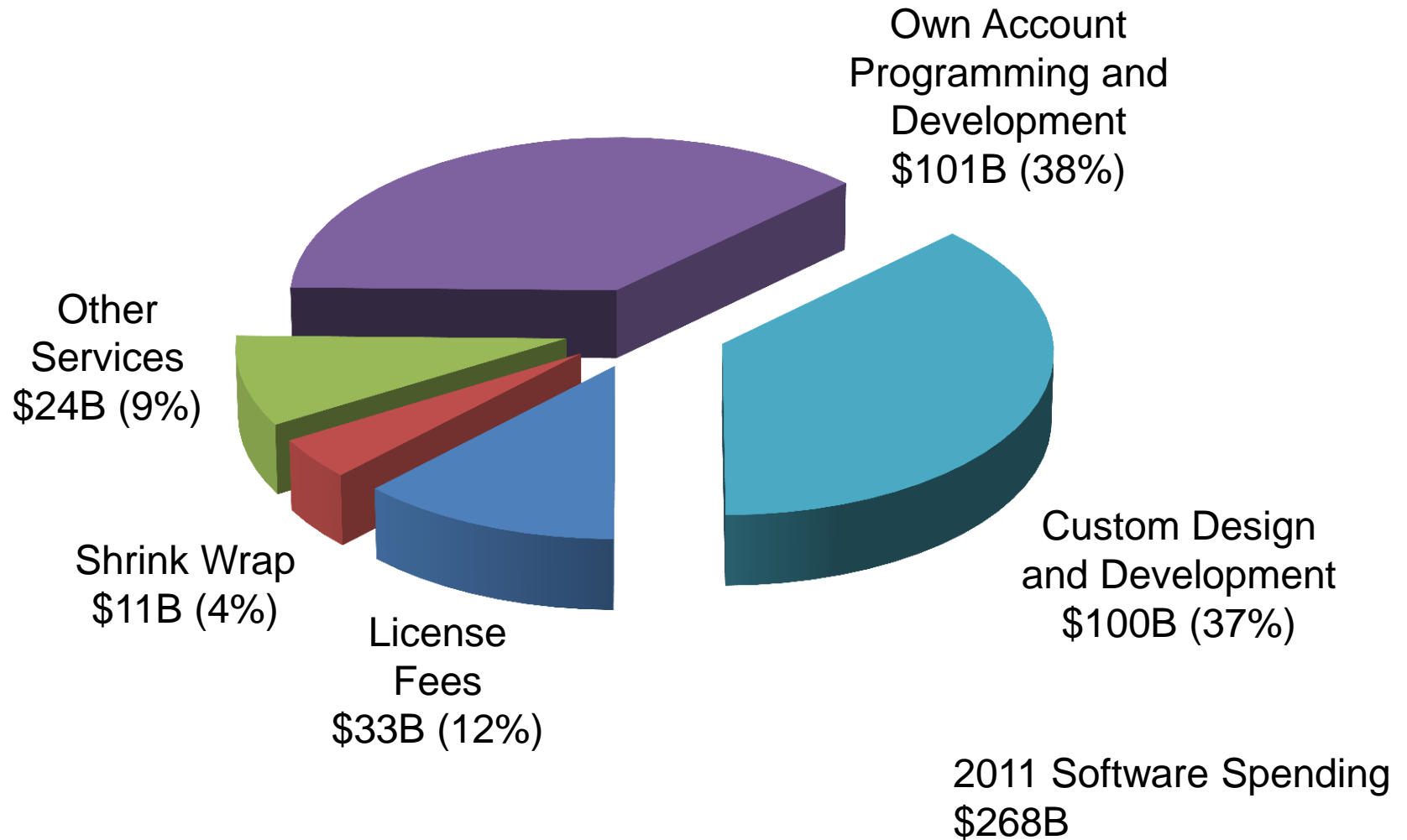
Martin Fleming, VP Business Performance Services and
Chief Economist, IBM Corp.

January 30, 2014



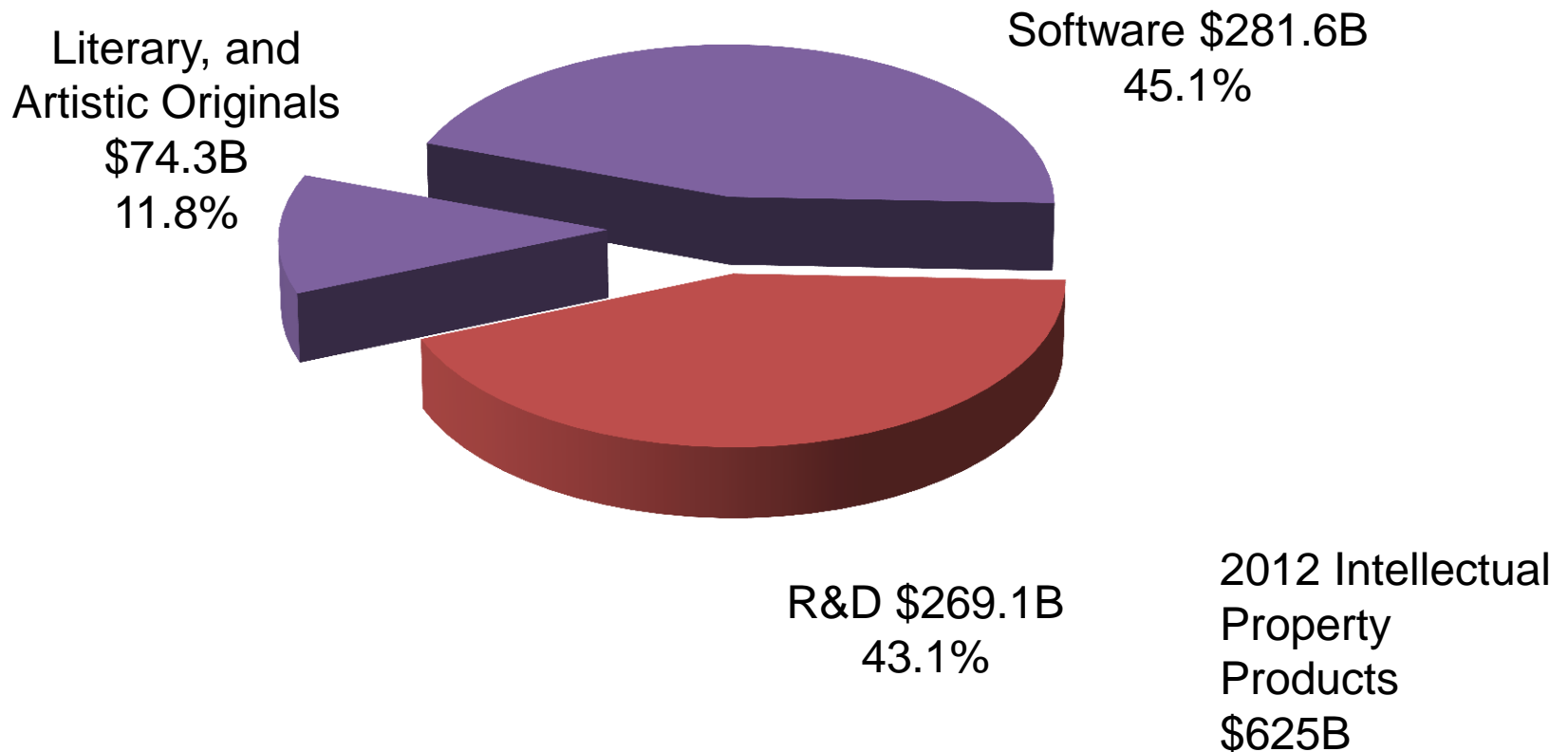
Source: Bureau of Economic Analysis

1. Software spending is 7/8s for programming, development, application design, and other services - and 1/8 for software licenses



Source: Bureau of Economic Analysis

2. The expansion of the NIPA coverage is for spending on assets that are not hardware or equipment, but rather investment in human capital



Source: Bureau of Economic Analysis

3. R&D spend in the NIPAs is an important first step but there are additional capabilities required for innovation success

Here are some of the challenges that innovators face:

- Short-term results are rewarded with not enough value placed on strategic business building
- Business models too often emphasize sustained profit and EPS improvement rather than actions to drive higher P/E's
- Preoccupation with current served markets, established client relationships, and existing offerings
- Traditional approaches to gathering and using market insights is inadequate for embryonic markets
- Organizations often lack established disciplines for selecting, experimenting, funding, and terminating new growth businesses
- Once selected, many ventures fail in execution