



Orchestrating IT at global scale:

How IBM Consulting
enabled Nestlé's AI-driven
delivery model



Executive Summary

Nestlé's finance and audit teams did not want AI efficiency to be treated as a future promise. When the company redesigned its application delivery model in 2024, they required that any productivity gains from AI be measurable, benchmarked against the market, and embedded directly into commercial terms. That requirement influenced the redesigned master services framework, the outcome-based commercial model, and the governance mechanisms for validating results over time. Early operational outcomes from the IBM-managed scope were encouraging. Nestlé reported a 77% year-over-year reduction in critical incidents and a 20% improvement in time to restore. Just as importantly, the company established a governance framework capable of continuously measuring performance, productivity, and market alignment rather than relying solely on projected efficiency gains. To address these limitations,

Nestlé's prior delivery model, built on more than 50 vendors operating in horizontal slices across each application, diffused accountability and left the company's internal teams absorbing the integration burden, conditions that made it difficult to capture AI-driven efficiency at scale. To address these limitations, Nestlé restructured its application delivery model by product group and consolidated accountability with fewer strategic partners. Within this model, IBM Consulting assumed a dual role as both integrator and orchestrator across a significant portion of Nestlé's Digital Product Services portfolio. Rather than managing discrete layers of work, IBM took end-to-end responsibility for defined product groups while coordinating across the broader vendor ecosystem. This shift reduced handoffs, clarified ownership, and created the conditions required for measurable performance improvement.

Nestlé paired this operating model change with a redesigned commercial framework. Instead of traditional resource-based pricing, the new structure embeds efficiency targets directly into the contract and aligns financial incentives with operational outcomes. During the interview, Nestlé indicated that the model includes a double-digit annual cost-reduction target for system maintenance and development activities, supported by ongoing benchmarking to ensure costs remain aligned with market levels. Governance is anchored in operational data, with performance tracked through the RunIT Vendor Cockpit, Nestlé's internal vendor performance dashboard, which directly informs commercial adjustments.

Early operational outcomes from the IBM-managed scope are summarized in Table 1. Based on data shared during the interview from this dashboard, Nestlé reported a 77% year-over-year reduction in critical incidents and a 20% improvement in time-to-restore for those incidents. The data also indicates a meaningful reduction in overall ticket volume, suggesting that fewer issues are entering the system. Together, these outcomes reflect improved system stability, faster recovery, and more efficient operations.

Nestlé’s experience highlights a clear pattern for enterprise IT organizations: AI-driven efficiency does not scale in fragmented delivery environments. Consolidating accountability is a prerequisite for success. Once ownership is aligned and a commercial framework is in place to capture efficiency gains, AI-enabled delivery models can deliver sustained operational and financial benefits. For IT leaders evaluating similar transformations, the combination of operating model redesign, outcome-based commercial alignment, and data-driven governance provides a practical path forward.

Table 1: IBM-Managed Portfolio – Key Figures

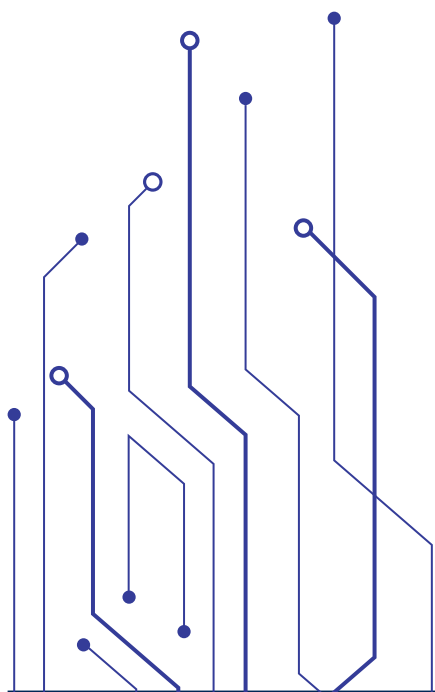
Key Metric	Category	Result
Critical (P1/P2) Incident Reduction	Outcome	77% year-over-year
Time-to-Restore, Critical Incidents	Outcome	20% improvement
Digital Product Services Application Share	Scope	70% to 75%
Annual Cost-Reduction Target	Target	Double-digit savings (sustain and engineering)
Customer Satisfaction Score (CSAT)	Outcome	78.1 (+0.2 vs. prior-year baseline)



About This Case Study

The Futurum Group developed this case study based on an interview with David Mullen, Head of Strategic IT Sourcing at Nestlé, conducted in April 2026. Mullen joined Nestlé with a background in information technology and later spent five years in category management and procurement before returning to IT to lead vendor management. IBM commissioned the study and provided supporting materials. Futurum Research conducted the interview and analysis independently and retained full editorial control. The findings presented reflect Futurum's independent assessment of the business and operational value generated through the IBM Consulting partnership.

The Business Economic Value (BEV) framework is Futurum's methodology for evaluating the business and operational value organizations derive from technology investments. Traditional BEV studies focus on financial outcomes such as costs, benefits, return on investment, and payback periods. As Nestlé's transformation is still in progress, long-term financial outcomes are still developing. This case study, therefore, emphasizes leading operational indicators of value, alongside early, quantified results already in production.





In-Depth Review: From Horizontal Stack to Vertical Value Chain

Nestlé had spent 25 years building a single, common SAP landscape served by as many as 50 vendors operating in horizontal slices across each application. Nestlé's internal teams absorbed the coordination burden. By 2024, as AI capabilities for software engineering and operations matured, the company concluded that a more consolidated delivery model would be needed to capture those benefits at scale (see Table 2).

Table 2: IT Sourcing Model, Before and After

Dimension	Previous Model	Current Model (2025)
Vendor structure	50+ system integrators, horizontal per delivery layer	One system integrator per product group
Delivery accountability	Split across multiple suppliers per application	End-to-end, single accountable supplier
Integration burden	Absorbed by Nestlé's internal IT teams	Eliminated
Commercial basis	Time-and-materials, resource-based ordering	Outcome-based, efficiency glide path
Performance tracking	Fragmented, per individual supplier	Unified dashboard with bonus-malus mechanism
AI efficiency capture	Not applicable	Built into commercial terms, benchmarked annually

By the end of 2024, Nestlé reassessed its model due to two key developments. Internally, teams remained responsible for coordinating work outside the consolidated portion of the portfolio, and the company had reduced its in-house engineering capacity over time, increasing reliance on external suppliers. Externally, major contracts were approaching renewal as AI capabilities for software engineering and operations were becoming more viable. Capturing these benefits required suppliers that could apply AI consistently across large portions of the portfolio under a commercial structure that finance and audit teams could evaluate and trust.

Nestlé's CFO and audit teams introduced a clear requirement. Any efficiency gains, including those associated with AI, needed to be measurable, benchmarked against the market, and reflected in contractual terms rather than presented as projections. The existing master agreement, which had evolved through multiple amendments, was not designed to support this level of accountability. Nestlé, therefore, required a simpler framework tied to measurable outcomes, predictable cost reductions, and a mechanism to maintain alignment with market pricing. As David Mullen, Head of Strategic IT Sourcing at Nestlé, explained:

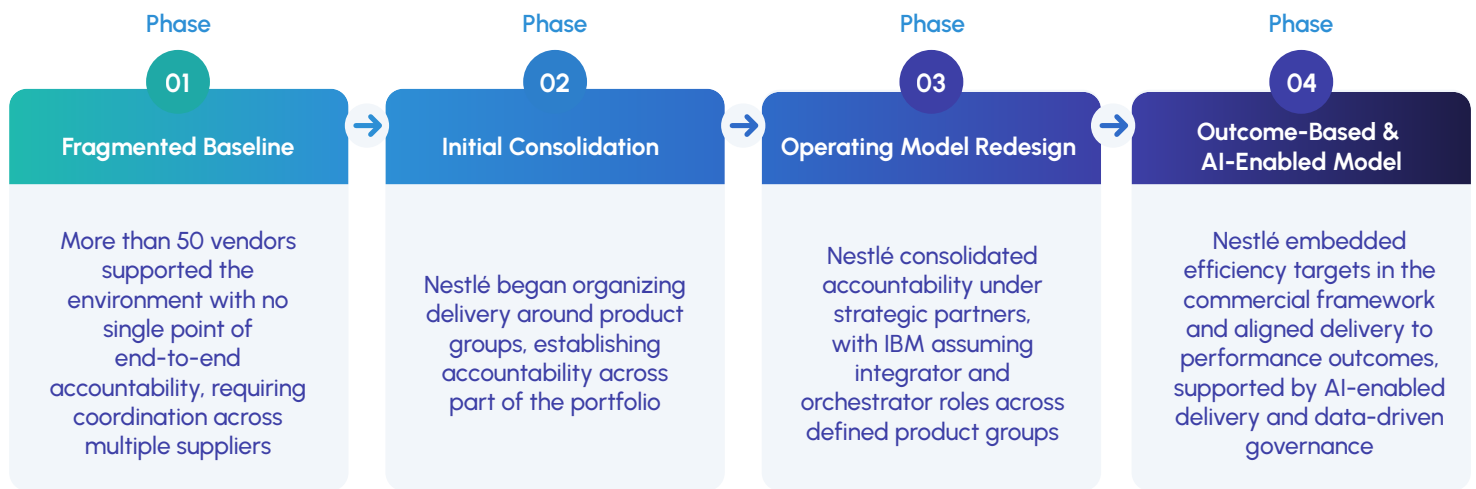
"We want to work out how we bring AI capabilities into both sustain and development, in a way that is recordable and that we can build an actual workable commercial construct around."



Redesigning for Scale

IBM Consulting had already served as Nestlé's primary application management partner when the redesign began, helping shorten the design cycle for a complex commercial restructuring. The teams agreed on shared terms by the end of Q1 2025. By the end of Q2 2025, the two companies had signed a revised master services framework, along with new service catalogs organized by product group and a mechanism for adding and removing applications from those groups. The agreement also included an efficiency glide path, a predefined schedule of cost reductions over time, maintained over the full duration of the contract. Figure 1 traces the evolution of Nestlé's application delivery model across four phases, from its fragmented, multi-vendor baseline through initial consolidation and operating model redesign to the current outcome-based model.

Figure 1. Evolution of Nestlé's Application Delivery Model



The redesign kept Nestlé's product organization firmly in control. Architecture, security, vendor management, program management, and product leadership remained within Nestlé. Engineering, data science, and business analysis shifted to IBM and specialist partners. The model operates with one system integrator per product group, a core design choice based on Nestlé's experience that splitting end-to-end accountability leads to performance loss.

The redesign also required a shift in how technology teams defined success. Rather than focusing on individual technologies, resources, or technical activities, Nestlé increasingly organized delivery around business outcomes and product performance. As David Mullen, Head of Strategic IT Sourcing at Nestlé, explained:

"You need to focus on the what, not the how. The business does not care what sort of database you have running or how many APIs you've got. They want to know that they're able to ship, they're able to sell, or that their field sales teams have better recommendations to drive growth."

The redesigned commercial framework addresses the limitations of earlier contracts. The master agreement is shorter and written in plain English. The service catalog is organized by product group rather than by resource type. Performance, pricing, and AI-driven productivity are presented together, rather than separated into appendices.

IBM as Integrator and Orchestrator

IBM's role in this transformation can be understood in two parts: the integrator and the orchestrator. As the system integrator, IBM owns delivery across architecture, development, testing, project management, and ongoing system support for the product groups it manages. In its orchestrator role, IBM coordinates across the broader vendor network and participates in Nestlé's senior governance forums. The integrator role focuses on execution within IBM's scope, while the orchestrator role ensures alignment across the full ecosystem and with Nestlé's strategic directions, as shown in Figure 2.

IBM's integrator role covers the most critical part of Nestlé's portfolio. For the SAP S/4HANA migration, described by Mullen as one of the largest brownfield migrations undertaken globally, IBM provided architecture, development, testing, and project management, supporting the program through its recent go-live. A brownfield migration moves a live SAP environment, including its history and customizations, rather than starting from a clean system. The Asia, Oceania, and Africa zone went live in 2025, with Europe scheduled to follow in early May 2026. IBM also delivers the Central Finance implementation, a consolidation layer that brings postings from multiple SAP systems into a single instance and assumes responsibility for ongoing operations after go-live. Nestlé requires the team that builds a platform to meet its performance targets post-deployment, reinforcing accountability for the environments teams create.

Figure 2. IBM's Dual Role at Nestlé



IBM's footprint across Nestlé's Digital Product Services transformation spans supply chain, finance, human resources, research and development, and technical and production domains. Within these areas, IBM supports SAP modernization, application management, software engineering, operational support, and product delivery. IBM also manages roughly half of analytics and data integration, along with a growing presence in marketing, sales, and e-business. Across the model, IBM is helping Nestlé embed AI-enabled software engineering and operational practices into both sustainment and development workflows. In total, IBM supports approximately 70–75% of the applications in this model.

The orchestrator role operates through Nestlé's "captain's table," a strategic partner forum that brings together IBM, SAP, Microsoft, and Accenture with the CIO and senior leadership. The forum provides visibility into Nestlé's strategic agenda and each partner's delivery posture before decisions move into execution. IBM's standing role in this forum extends its responsibility beyond delivery within its own scope. It enables coordination across the broader vendor ecosystem without reintroducing the fragmented accountability model that Nestlé set out to replace.



Evidence of Delivered Value

Nestlé monitors vendor performance through the RunIT Vendor Cockpit, its internal vendor performance dashboard, which feeds directly into the bonus-malus mechanism in the commercial contract. Within this framework, vendor compensation is linked to performance, with incentives awarded for surpassing benchmarks and financial consequences for underperformance. The performance metrics cited in this section are based on data shared during the interview and reflect the IBM-managed scope reviewed at that time.

Performance assessment is based on the following four key metrics:

- **Critical incident volume:** Measures Priority 1 and Priority 2 (P1 and P2) occurrences that impact business continuity, including manufacturing halts, finance workflow failures, or supply chain disruptions.
- **Overall ticket volume:** Captures the aggregate number of incidents and service requests across all managed applications.
- **Time-to-restore (TTR):** Tracks the duration from the initial detection of an incident until the service is fully recovered.
- **Customer satisfaction (CSAT):** Evaluates the overall experience of the end users.

Table 3 presents year-to-date results for 2026 across all the metrics.

Table 3: IBM-Managed Portfolio Performance

Key Metric	2026 YTD vs. Prior-Year Baseline
Critical (P1/P2) Incidents	77% reduction
Overall Ticket Volume	Significant reduction
TTR, Critical Incidents	20% improvement
CSAT	78.1 (+0.2)

Source: Nestlé RunIT Vendor Cockpit

The 77% reduction in critical incidents indicates a significant decline in business disruptions. The accompanying reduction in overall ticket volume suggests that fewer issues are entering the support queue, rather than simply being resolved more quickly. To pinpoint emerging operational strains, Nestlé monitors backlog expansion across its product groups. Within the scope managed by IBM, the company has observed positive trends in its solved-at-first-assignment metric, which measures the proportion of tickets resolved without escalation.

Historically, Nestlé's product managers evaluated suppliers based on how quickly they could provide a CV (or resume) for a requested role. Under the current model, performance is assessed against outcomes rather than staffing speed. Nestlé indicated that this shift has changed how supplier performance is evaluated compared to the boutique providers it previously favored under time-and-materials contracts. The performance data has shifted the internal conversation toward measurable results.

"We see a much better focus on improving those numbers with IBM than we do with the more boutique suppliers."

David Mullen, Head of Strategic IT Sourcing, Nestlé





An AI-Driven Commercial Model

Nestlé and IBM designed a structured efficiency glide path tied to delivered outcomes, targeting a double-digit annual reduction in system maintenance and development costs. Nestlé indicated during the interview that this target is supported by ongoing third-party benchmarking and can adjust if market data shows that higher levels of efficiency are achievable. This approach reduces the need for competitive re-tendering to establish fair market value and avoids the disruption associated with supplier transitions.

Nestlé replaced traditional volume discounts with the efficiency glide path. A co-innovation pool, funded as a fixed percentage of spend, is set aside for end-to-end transformation initiatives. A value assurance mechanism operates alongside the commercial targets, incorporating fully loaded costs and adjusting as productivity gains materialize over time.

The transition reflects a clear financial imperative. Under time-and-materials (T&M) contracting, wage inflation and cost-of-living adjustments tend to increase software engineering costs regardless of performance. Outcome-based delivery allows the efficiency glide path to function as a mechanism for cost reduction. Nestlé indicated that finance leadership, including the CFO, is actively engaged in ensuring that the economic model performs as intended. Moving away from resource-based ordering is a prerequisite for realizing these benefits.

The more difficult shift is behavioral. Under the previous T&M model, product managers requested named resources and were paying based on the time spent. Under the current model, they submit a prioritized backlog, and the vendor commits to delivering against defined flow and quality targets. According to Nestlé, IBM has actively promoted this transition within the organization, working directly with product teams accustomed to resource-based staffing.

"If you want to get the benefits, you need to stop asking for a developer and start asking for a backlog to be executed."

David Mullen, Head of Strategic IT Sourcing, Nestlé, paraphrasing IBM's message to internal product teams

Delivering the efficiency glide path is expected to rely on AI-enabled tooling across several areas of the delivery lifecycle. These include AI-assisted code generation within the software development process, automated test generation and execution, AI-assisted support activities, and automated documentation to support audit requirements. Nestlé also described using telemetry and workflow metrics from tools such as Azure DevOps to measure delivery performance, defect rates, and operational efficiency. Table 4 summarizes these areas and the associated quality safeguards.

AI-driven productivity reduces the fully loaded cost to serve. Nestlé indicated that it uses market benchmarking to assess prevailing cost levels. The efficiency glide path translates these productivity gains into contractual price reductions, ensuring that improvements are reflected in lower costs rather than retained as supplier margin.

Table 4: AI Delivery Surfaces and Quality Safeguards

Delivery Surface	AI Application	Quality Safeguard
Software development	AI-assisted code generation	Defect intensity tracking via Azure DevOps
Testing	Automated test generation and execution	Defect rate monitoring in QA and production
Operations and sustain	AI-assisted operations and support	TTR tracking and AIOps monitoring
Documentation	Automated change documentation for audit	Compliance and audit trail verification





Governance and Value Assurance

Nestlé describes a governance layer that sits on top of the delivery and commercial constructs, referred to in the interview as value assurance. It reduces reliance on periodic competitive re-tendering by introducing continuous third-party benchmarking of cost, performance, and productivity. Nestlé indicated that the contract is structured to reflect benchmark conditions over time, giving procurement and audit functions the market evidence they need without requiring a full re-bid cycle.

The approach makes long-term partnerships more financially defensible and reduces the risk of post-signature commercial drift, in which pricing discipline established during a bid is gradually offset by downstream change requests and project work. Efficiency targets were embedded in the agreement from the outset, supported by ongoing benchmarking, and applied throughout the contract duration. Nestlé also indicated that IBM has maintained the agreed commercial terms since execution, including in areas where delivery teams typically face pressure to offset earlier concessions.

Three governance layers support the model, as summarized in Table 5. The captain's table aligns strategic decisions at the executive level. The product organization governs product-level delivery and roadmap decisions. The RunIT Vendor Cockpit tracks operational performance and feeds the bonus-malus mechanism.

Table 5: Three-Layer Governance Model

Layer	Forum	Purpose
Executive	Captain's table (IBM, SAP, Microsoft, Accenture, CIO)	Strategic alignment and multi-vendor ecosystem coordination
Product	Product organization	Product delivery decisions and technology roadmap
Operational	RunIT Vendor Cockpit	Performance telemetry and bonus-malus calculation

"We don't need to run an RFP to prove that we've got fair market value."

David Mullen, Head of Strategic IT Sourcing, Nestlé



Conclusion

Nestlé's Digital Product Services transformation provides a practical model for enterprise IT leaders managing complex, multi-vendor environments. The takeaway is that AI-driven efficiency does not scale inside fragmented delivery structures. Before automation can reduce the cost to serve, accountability must first be consolidated. Nestlé's experience demonstrates a clear sequence: consolidate the delivery model, embed efficiency into the commercial framework, and then scale AI-enabled delivery against measurable operational outcomes.

Three design principles from Nestlé's experience are particularly relevant.

- Consolidate accountability at the product-group level rather than at the individual application level to support clear end-to-end ownership and outcome-based delivery.
- Embed efficiency targets directly into the commercial model and validate them through ongoing benchmarking to maintain market alignment over time.
- Recognize that moving from resource-based staffing to backlog-driven execution is an organizational shift that requires active sponsorship from the systems integrator.

IBM's perspective on scaling AI is also visible in the operating model emerging at Nestlé. Rather than treating AI as a standalone technology layer, the transformation combines teams, platforms, governance, and AI-enabled workflows into a unified delivery model. At Nestlé, this approach is being implemented through what IBM describes as Human + Digital PODs, structured teams in which consultants work alongside AI-enabled digital agents across engineering, testing, support, and operations.

The objective is to embed AI capabilities directly into day-to-day delivery processes rather than isolate them in pilot projects or experimentation. IBM Consulting Advantage serves as the common platform supporting these teams through reusable assets, AI agents, and governance mechanisms. As the model matures, it is expected to provide further evidence of how AI-driven productivity can be incorporated into enterprise delivery at scale.

For IT leaders evaluating partners, IBM's role in this transformation highlights the key differentiator between a capable integrator and a staffing provider. IBM helped design the commercial architecture, operationalize the AI-enabled delivery model, and reinforce governance discipline in parallel. It also maintained agreed commercial terms after contract signature, including in areas where delivery teams typically face pressure to offset earlier concessions. This consistency enabled Nestlé's CFO and audit teams to rely on the model's financial assumptions over time.

As the model evolves toward tighter integration of platform toolchains and the software development lifecycle, it will continue generating evidence on how AI-driven efficiency develops under the right operating conditions. Nestlé's experience suggests that long-term AI value depends less on isolated tools than on the operating model that governs how people, platforms, and workflows come together.

Important Information About This Report

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