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IBM's Sam Palmisano: A super second act

Posted by Jessi Hempel, writer

March 4, 2011 5:00 AM

CEO Sam Palmisano took a revitalized IBM and made it the envy of the tech world and darling of investors. His secret? He's restored Big Blue's focus on innovation and set it up for an even brighter future. (Move over, Lou Gerstner.)



PHOTO: GREG MILLER

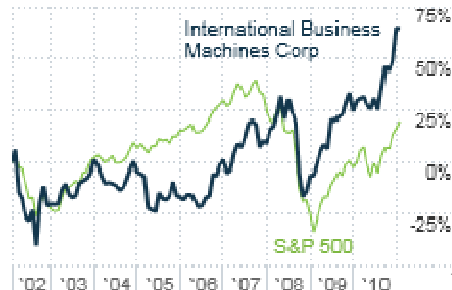
Here is what you probably know about IBM. You know International Business Machines was one of America's first tech companies, and in the 1960s and 1970s became the world's leading computer maker on the strength and power of its huge mainframes. It all went to hell in the 1980s, when personal computers and servers supplanted those mainframes, and an arrogant and bloated IBM was caught flat-footed. The board brought in Lou Gerstner, who famously stabilized the company (in part by firing tens of thousands of employees) and got it to grow again by steering IBM into the unsexy -- but high-margin -- business of systems integration and services. Perhaps you recently watched an IBM computer, Watson, trounce a couple of brainiacs on the game show Jeopardy.

Now, here's what you might not know: Nine years after Gerstner stepped down as CEO, IBM (IBM) is financially and strategically stronger and, yes, sexier than ever -- all thanks to Sam Palmisano, Gerstner's successor. Under Palmisano, earnings have quadrupled and the stock is up 57%. He's not merely cutting costs (though he's done plenty of that, including shifting work from the U.S. to India). He's remaking the company by pushing into new countries and expanding hot businesses such as supercomputing and analytics that require heavy-duty lab innovations. Last year's R&D spending? Some \$6 billion, or 6% of IBM's nearly \$100 billion in annual sales. Its 5,896 patents in 2010 -- more than any company in the world -- help explain why it lands at No. 12 on Fortune's annual list of the World's Most Admired Companies. That Jeopardy-playing computer isn't just a gimmick; it is at the heart of IBM's long-term growth strategy.

"Long term" is a phrase Sam Palmisano uses frequently during a rare set of interviews. Palmisano, who is only the eighth CEO of the 100-year-old corporation, makes clear in

conversations with Fortune that he's as focused on the next 10 years as he is on the next quarter -- even though, at 59, he's likely to retire in a few years. At regular meetings with IBM's researchers, Palmisano exhorts his Ph.D.s to track and shape the tech trends that will define the world a decade or more from now. "Research gives us the headlights to get ahead of the obvious," he tells me.

Big Blue vs. the Broader Market



But make no mistake, Palmisano also delivers quarter after quarter, no small feat when you consider the size and complexity of IBM. (Its \$4 billion in revenue growth in 2010 alone is roughly equal to the total revenue of gamemaker Electronic Arts, (ERTS) the No. 494 company on the Fortune 500.) And though he inherited a much-improved company, Palmisano moved into the CEO's office in 2002, just after the Internet bubble burst. More recently he's had to contend with the worst recession since the Great Depression. Instead of hunkering down as many of his peers did, Palmisano greenlighted several major projects -- including IBM's "Smarter Planet" initiative, a program to use networking and computer technology to address social problems such as access to health care or traffic congestion. In 2010, IBM earned \$14.8 billion on \$99.9 billion in revenue, with 46.1% gross profit margins.

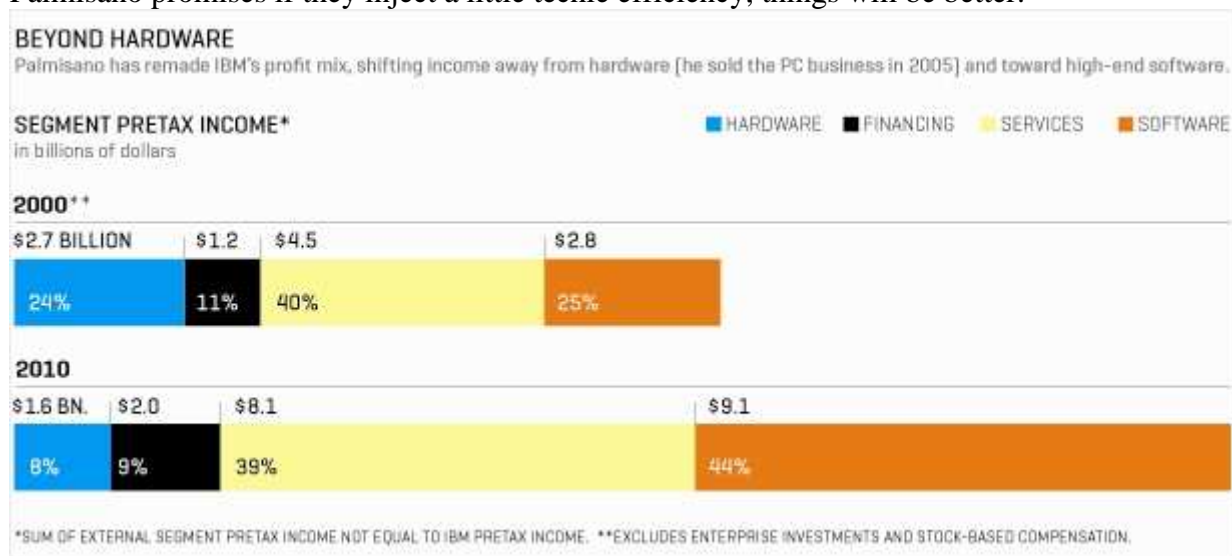
Palmisano, a Baltimore native, got his start in sales (he joined IBM fresh out of Johns Hopkins in 1973), and he conducts business with a pitchman's zeal. At 6-foot-2, his broad shoulders angle forward slightly as if he's always leaning in to tell you something. When he became head of global services back in the '90s, he blocked off 70% of his calendar for customer meetings, and he still speaks to at least one customer every single day. He remembers that Macy's (M) CEO Terry Lundgren has planned a trip to China and calls to offer up some introductions. He golfs with New York City Mayor Michael Bloomberg. (Says the mayor: "He should keep his day job.") But he also lingers after a speech to exchange business cards with the mayor of a tiny Chilean neighborhood. And when he travels, he often leaves time for a solo walk around town to see what people are buying. "You can read all the economic data, but you're not going to get a sense" of your customers, he says, explaining, "If I'm not with somebody, I'm on the phone with somebody."

Making the planet smarter

The tiny Chilean District of Peñalolén is home to some of Santiago's richest -- and poorest -- residents. From the plate-glass windows of modern million-dollar homes nestled into the Andes foothills, you have a sweeping view of the largest of Santiago's sprawling squatter villages. Residents have strung wires across rooftops to pirate electricity and thrown cardboard over the sewage channels they've dug. This is the front line for Palmisano's quest to make the planet smarter -- and increase its customer base.

Peñalolén Mayor Claudio Orrego, 44, doesn't need to be persuaded that technology can improve living conditions in his neighborhood. A Harvard-trained former tech exec, he's an energetic idealist with a trimmed brown beard and his own Twitter account. When touring his neighborhood last fall, I visited a clinic where he had partnered with Cisco (CSCO) to digitize medical records. I drove by Internet kiosks he built with help from Intel (INTC). But until last year he had never worked with IBM. Orrego initially met Palmisano in fall 2009 when he flew to New York for IBM's first Smarter Cities forum (part of the Smarter Planet campaign), which he'd heard about at another conference. "It was sponsored and organized by a tech

company, but it wasn't really about technology," he says. Of course technology played a part: With Smarter Planet, IBM is selling an idea that many of the systems that power our cities -- electrical grids, transportation, buildings, factories -- can be made to run more efficiently if you can better monitor them, analyze the information you collect, and use it to tinker. But as much as anything else, Palmisano is selling hope. His customers are government officials under pressure to make complicated and antiquated systems work better for less money, and Palmisano promises if they inject a little techie efficiency, things will be better.



Still, a Chilean neighborhood may seem an improbable place for IBM to devote resources when market opportunities the size of China and Brazil are looming, but it is part of Palmisano's ambitious plan to capitalize on every last corner of the emerging world. It's all in the numbers. He knows that while First World countries spend roughly 3% to 4% of their gross domestic product on infotech, emerging markets spend just 1% to 2%. As these countries attempt to propel themselves into the First World, Palmisano expects those percentages will double over the next five years. With a stable government and strong business ethics, Chile is one of 20 emerging countries IBM has identified as holding the most immediate promise. That's why Palmisano chose to hold and attend a Smarter Cities forum -- one of 200 similar events the company has held to date -- there last fall.

Palmisano arrived at the Santiago Sheraton early, took a seat in the front row, and sat through more than an hour of speeches without so much as checking his BlackBerry before his turn came at the podium. After Palmisano spoke, Orrego, by now an IBM customer (IBM's assessment was done on spec), and the Santiago governor joined Palmisano onstage for a discussion about tech strategies, like how technology could bring down costs for things like trash collection. When the moderator, a local news anchor, completed the interview, he turned to the audience and said, "Well, we got through the entire hour without talking about servers and switches."

The real purpose of IBM's forum was to close sales, of course, and Palmisano did his part. He left the event at lunchtime to make a sales call on Chilean President Sebastián Piñera.

Palmisano doesn't like to ambush people, so he brought along only one colleague. Piñera's chief of staff, an energetic 27-year-old, showed them in to the President's office, which was adorned with a framed photo of the recently rescued miners. The group discussed having IBM hire a team of software experts, increasing its Chilean workforce. They also agreed to create a list of projects on which to work by the end of the first quarter.

Back in New York, I asked Palmisano what he thought of Chile. "In all these places there's an inherent optimism," he said. "There's a sense problems can be solved. There's really nothing in our way but ourselves. So let's just get to work."

Baloo the bear

Sam Palmisano grew up in a large Italian family in 1950s Baltimore. There were two Palmisano families in town at the time. His dad was the auto mechanic, not to be confused with the delicatessen owner. Both families packed their kids off to Calvert Hall, the Catholic boys school where Sam's 10th-grade football coach, Augie Miceli, remembered him as a popular guy who never missed practice. "As an offensive center, he snapped the ball to the quarterback, so he had to make first line calls," says Miceli.

Palmisano also played sax in a band. The drummer's mother was the band's agent, and she once scored them a weeklong gig both opening and playing backup for the Temptations. He used his earnings -- \$1,000 -- to buy a station wagon so he could haul around his equipment. At Johns Hopkins, Palmisano was a history major whose Beta Theta Pi fraternity brothers called him Baloo after the bear from *The Jungle Book*. He co-captained the football team but turned down an invitation to try out for the Oakland Raiders. In 1973, the year he graduated, the U.S. was at war with Vietnam, and many evenings he'd crowd around the 11 p.m. news along with his fraternity brothers for updates on the draft. The number he'd received his junior year was four, low enough that his chances of recruitment were high. "So I said, 'I've got to get a job,' " he remembers. A friend mentioned that IBM's recruiter had come to campus to look for women with backgrounds in math and science. Though he fit neither category, the next day Palmisano took and passed IBM's entrance exam, a staple for all new entrants at the time.

IBM's iconic machines

Palmisano joined IBM at the height of its glory, when the iconic figure of the IBM salesman symbolized a guaranteed ascendance to the upper middle class. The dress code was strictly observed: dark suits, white shirts, military striped ties, wingtip shoes. Liquor was off-limits. "If you had a customer luncheon and you had a drink with the customer, you were expected to go home," says Palmisano. Before he ever made a sales call, he went to Washington, D.C., to attend the requisite 15 months of classes on network design and accounting and sales presentations. (While in D.C. he met his future wife, Gaier Notman, known as Missy, who was the daughter of a prominent Maryland banker.) Then he went to work in the data products unit in Baltimore, hawking mainframes to local governments.

In 1989, Palmisano was chosen for a one-year term as executive assistant to CEO John Akers. It was the first sign that his star was rising at the company, and he jumped from there to a two-year stint running IBM Japan. While Palmisano was learning to manage a workforce that didn't speak his language, the corporation struggled to find its place in a tech industry that had lost patience with IBM's monolithic approach to selling components like semiconductors, hardware, and software. By the time Gerstner parachuted in to turn things around in 1993, IBM had **Posted** an \$8.1 billion loss, its third straight year of losses. As the caustic chieftain raced to pull the company out of its near-death spiral by doubling down on the services business, embracing the Internet, and shaking up the culture, Palmisano returned and took a turn at running nearly every one of IBM's larger units, including the personal computers division, the server business, and global services. At Gerstner's retirement in 2002, IBM's stock price had risen to \$90 from \$11.



PHOTO: GEORGE LANGE

Lou Gerstner, Big Blue's CEO from 1993 to 2002, gets credit for stabilizing the tech giant. While Gerstner, who declined to comment for this article, gained a reputation for his quick temper, Palmisano honed a measured but uncompromising leadership style. Chief financial officer Mark Loughridge, who reported to Palmisano back when he took over the global services division, recalls an infamous phone call. "We were losing money every quarter. Sam got on the phone and said, 'I just want everybody to know we are never losing money in this business ever again,'" says Loughridge. Given the general condition of the business, it seemed like a ludicrous request, but Palmisano wasn't asking. He was demanding. "The executive team was like, 'Man, what's this guy talking about?' But we never lost money again."

Palmisano has long been well-connected politically. He has vacationed with members of the Bush clan, with whom he grew acquainted through his wife's family, since before George Bush Sr. was elected President, and he bought a Kennebunkport summer house from the Bushes in 1996. But, for a multimillionaire, he has kept his family life modest. For nearly two decades he has lived in the same century-old house in Southport, Conn. Until he was appointed IBM's CEO, he drove himself to work each day.

Research: The core of strategy-setting

Watching Watson (named for founding CEO Thomas Watson Sr.) cream Jeopardy champs Ken Jennings and Brian Rutter was gripping television. (Winning answer: "Who is Bram Stoker?") But Watson's intelligence is more than trivial. Palmisano expects to see it make its way into hospitals, for example, where it could diagnose patients and recommend treatments more quickly and accurately than doctors.

Research is at the core of the way Palmisano sets strategy. The company maintains nine research labs around the world and seven "collaboratories" it has built with customers like a Beijing center to develop high-tech railroads. In addition to business-related projects like developing new services for Indian mobile-phone operators, IBM funds experiments such as materials research that may develop into new products. But Palmisano sees even those supertechnical "blue-sky" projects as critical to understanding where he needs to take IBM, and how he should organize its assets and businesses.

Once a year, in a knock-down, drag-out marathon of a discussion, he spends a day with lab directors predicting the future and adjusting corporate strategy to address it. You don't dare show up unprepared, lab directors say, because he understands your work and he has his own position on its value. This session is where he can observe chip improvements that will change the way IBM markets and sells servers, for example. It also is where he saw the cornerstones for Smarter Planet way back in 2002. "It was no longer going to be a PC era. It was going to be sensors and smartphones," he says. That seems obvious now, but lest one forget, the iPhone wasn't even invented until five years later. In 2005, Palmisano surprised the

tech world when he sold IBM's profitable PC business to China's Lenovo. He continued to sell off hardware, and he stepped up acquisitions, picking up software and analytics companies by the dozens.

Shareholders were confused. Palmisano countered by wooing Wall Street. "If you're going to sell off all that revenue and go invest in more profitable things where you can innovate, there's going to be a period of time where you're not going to get a lot of top-line growth," he explains. "There's a lot of personal pressure on the leadership of the company to respond." He announced a five-year road map and held six-hour sessions with investors to answer questions about his strategy. He pledged to keep increasing profits and investor returns even as he changed the company's makeup. He replaced expensive workers in North America with low-cost laborers abroad, which has helped keep margins and profits growing. He and his board also authorized massive share buybacks every year, another tactic for increasing earnings per share.



The upshot: IBM today is a company that still gets most of its revenue from services and consulting -- the business that Gerstner astutely pushed IBM into in the 1990s. But software now contributes more to pretax earnings than consulting, and analytics, the kind of sophisticated data-crunching and decision-making that Watson does, grew 19% last quarter, faster than any other line of business. Harvard Business School professor Rosabeth Moss Kanter calls this a "boldness of imagination," saying, "Sam accelerated what Lou Gerstner set in motion."

That boldness has helped IBM become once again the company that sets the agenda for enterprise technology. Companies from HP (HPQ) and Dell (DELL) to Oracle (ORCL) have assembled consulting businesses to solve problems for customers rather than sell them servers and switches. And HP's Cense Network aims to pepper the world with sensors just as IBM plans to do with the Smarter Planet initiative. IBM has singlehandedly helped raise the valuations of analytics companies. Somewhere the ghost of Tom Watson Sr. is smiling.

IBM after Palmisano
IBM will turn 100 this year, and Palmisano will turn 60. That age has long been the expiration date for an IBM CEO, and while he won't confirm it, people close to him think he'll step down just after the centennial. This past summer he reorganized the executive ranks in a move that suggests he has chosen a couple of contenders for his replacement. Both Virginia Rometty, who added marketing and strategy to her sales and distributions responsibilities, and Michael Daniels, who now oversees all of global services, are said to be in the running. So is Rod Adkins, who oversees the systems and technology group.

Can things possibly work as well at IBM when Palmisano leaves? Sales is about relationships, and at the highest level, he is their safekeeper. Consider Sunil Mittal, the rags-to-riches founder of India telecom giant Bharti Airtel. Last fall IBM was in the final stages of

negotiating a 10-year contract to set up and manage the information technology supporting Bharti's move into 16 African countries when the contract nearly fell apart. "IBM is a huge machine, and sometimes it gets frustrating," says Mittal. "There were layers of lawyers and approval processes." Mittal was ready to walk, and then Palmisano popped up on Skype. Palmisano assured Mittal that IBM's work could be done quickly and efficiently. Six weeks later both men met in Nairobi to announce the landmark deal that would plant the Indian telecom giant in Africa.

Mittal trusts Palmisano. He has invited the man to dinner in his Delhi home, and hung out with the Palmisanos and three of their kids at the Beijing Olympics. "My personal connection with him is very strong. As for who will succeed him, and will I have the same chemistry?" says Mittal. "I don't know."

I ask Palmisano about it the final time we meet. We are seated in the perfectly preserved 1937 library of the senior Watson himself, every last mahogany panel of which has been lifted from his original office into the executive suite of a Midtown Manhattan skyscraper. Palmisano suggests Mittal's posturing is a bit of theatrics. Relationships are built because people act consistently over long periods of time, he tells me. "I'll do my term. Maybe it's 10 years. Think of it as 10% of 100 years. And then somebody else has got to keep it going," he says. With that, he reaches for his coat. "I've got to go sing for my supper, young lady," he says. Traffic is bad in Midtown, and he needs to be on time for the sales call he's about to make on J.P. Morgan (JPM) CEO Jamie Dimon. Forget the idling sedan. He takes off walking at a fast clip, a sales rep nearly sprinting to catch up.

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Tags: Big Blue, Enterprise, IBM, International Business Machines, Jeopardy, Lou Gerstner, Research, Sam Palmisano, Services, Smarter Cities, Smarter Planet, systems integration, Watson

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Soon to be ex-employee, London, England: March 31, 2011 3:00 PM wrote: "Because I was late on completing my mandatory education, most of which was irrelevant to my job. And why was I late in completing the education? Because I was busy doing my job 12 hours a day." Pest or Cholera. Funny, something very similar happened to me, except that I learned afterward that some obscure mail from a machine was meant as mandatory education and I got a 3 rating for not attending it. Another lovely example for ridiculous micromanagement frenzy? Expenses: need to obtain approval for each 2€ bus ticket to client. Approval and claim take me up to 2 hours work each. So I either will not meet my business goals or pay all expenses from my wallet without ever recovering them.

Posted By Micromanaged, Munich, Germany: May 4, 2011 9:05 AM

IBMers are just a dollar figure, that's it. The cheaper they come, the better they are.

Outsourcing and offshoring jobs to low cost countries is short term thinking, and damaging to long term prosperity. Every year the bar is set higher, and the rewards are set lower. Why bust your balls for this. Customer Satisfaction is not longer key, it's shareholder satisfaction.

Posted By Anon, Sydney, Australia: May 4, 2011 8:54 AM

To be honest.. it's not all Sam's direct fault that good people at IBM are leaving in mass numbers. Most people are leaving IBM because of their relationship with their direct manager, or their direct management line. Take for example Asia where you have senior managers like Andrew Sotiropoulos... the GM of Global Technology Services in Asia. I know for a fact that many many people have left IBM specifically because of his bullying style and complete lack of respect for IBM employees.. at all levels. He treats his VPs like dirt and has hammers all levels of his direct reports in meetings with absolute disregard for their reputation or pride. He instills fear and drives employees in the end to hate working in his division .. to the point where those that know him, are desperate to leave his direct reporting chain. When you have senior managers like this in IBM... you have a real problem. But yet.. he is tolerated by his management line when they know how hated he is. Go figure.

Posted By Ex Sotiropoulos employee - IBM Singapore: May 3, 2011 7:23 PM

Palmisano's IBM is all smoke and mirrors. Look at the real facts to see that each year, IBM employees are forced to endure effective pay cuts and harder work conditions. See how many of its brightest technical people have either left are are planning to leave. Under Gerstner, I loved working for IBM. Under Palmisano IBM has become a bizarre charade of slippery salespeople and third-world slave resources. I'm so glad I left. One day soon there will be no more job cuts to be made, and shareholders will wake up to the scam.

Posted By Big BlueEyes, Melbourne, Australia: May 2, 2011 10:38 PM

Is Sam reading these comments? Possibly. Will he do anything about them? Unlikely, to keep the shareholders happy.

I wonder how many shareholders are reading them and if any will table them at the next shareholders meeting as an area of concern. Unlikely.

Posted By Soon to be ex-IBMer, Cape Town, South Africa: April 28, 2011 3:00 AM

...Somewhere the ghost of Tom Watson Sr. is smiling... This statement is insane. Tom Sr. held "respect for the individual" as IBM's highest standard. Sammy puts it at the very bottom of the list. Everyone who works at IBM agrees with this.

Posted By Kally Waters, Eagan MN: April 27, 2011 4:41 PM

Interesting piece and even more interesting comments. I will certainly be watching for the right time to short this share.

Posted By ex IBMer, Johannesburg, South Africa: April 27, 2011 12:08 PM

Over 200 comments and a consistently strong theme. Are you taking note Sam? Are you even reading these comments?

Posted By IBM Anon, Wellington, NZ: April 23, 2011 1:11 AM

As a 15 year IBM employee I read the comments below and agree with most.

IBM has VP's and Directors with no one reporting to them doing the work that should be done by people in lower paying positions.

Why work hard? There is no incentive or recognition to excel and give 100% or more.

With all the patents awarded to IBM the past decade, IBM should have new products and technology licensing opportunities that should increase sales and marketshare and move the company forward but this does not happen.

Google just announced a big employee pay and benefit surge, I hope IBM follows and starts to realize the value of its employees.

Posted By Bobbie: April 22, 2011 11:41 AM

IBM is guilty of across the board age discrimination and no one will call them on it, not even the EEOC or AARP. IBM came up with a "skills" mapping that they use to identify people to be terminated, and then structured the skills so that no people over 50 years old had the skills. So all the loyal "1" appraised high paid people got laid off because of lack of skills. This way IBM reduces their balance sheet liability by getting the old retirement plan off the books and they got rid of the highly paid employees. They have discarded thousands of good people; the

good news is that all these people are now employed at companies that will succeed IBM. But for now we have good stock prices. Just have to figure out when to sell.

Posted By Anon at Anon, FL, USA: April 21, 2011 8:04 PM

Liquid Portal (IBM's version of topcoder.com) is the centerpiece of IBM's master plan to fire full time employees and turn the work over to sweat shop freelancers who work for peanuts with no benefits. We are all busily building specifications for every component of our project so the work can be done by those who "compete" for it on Liquid Portal. This is currently an internal endeavor, but the plan is to make it external, like topcoder.com.

Everyone in our organization is completely miserable and would quit if the economy were better. Obviously, the plan is to RA us, so some may stick around to collect severance, but those who remain are completely unmotivated. How can we stay motivated when IBM clearly intends to march us into the gas chamber? After 24 years at IBM, I can assure you that the IBM that I once loved no longer exists. The old adage, "Respect for the individual" is long gone. All that remains is the shell of what IBM once was, led by shamefully short-sighted, greedy executives. It is very sad.

Posted By Top performer looking to leave IBM: April 21, 2011 4:38 AM

I'm working for IBM now for 30 years and I liked to work in this very innovative company very much. The endless race for shareholder value formed this company very much in a bad way. Instead of rewarding the employees for doing a good job even in hard times, IBM management gets more and more money while they cut the performance bonus of their employees year by year. I have been rated by my manager '2+' 5 years in a row and my performance bonus has been cut 30% every year in the last two years. IBM values, Life time balance, IBM competencies, great words with no meaning anymore.

Posted By IBMer, Herrenberg, Germany: April 21, 2011 3:55 AM

Agree with comments following Q1 results announcement. This latest 'success' is built on desperate short term measures to inflate EPS, specifically vast share buy-backs and endless cycles of irresponsible cost (read skilled, dedicated people) cutting. Like other recent posters I am a 'top performer' yet have had no raise in several years (allowing for inflation, call it a 10% pay cut). My 'bonus' was half what it should have been thanks to The Genius Sam, who nonetheless saw fit to accept several million dollars more in 2010 alone.

The way this company is lead is grotesque, and will soon lead to collapse. Why are services signings 14% down Sam? Is it because you have eliminated most of our best resource, entirely demotivated and alienated the few who remain, and follow a model where nothing matters except mindless cheapness?

To say I am angry is an understatement. IF this is success, why does ZERO benefit reach the employees who generate that success? And if instead this is actually the road to ruin, why are the business press so completely unable to get a backbone and start telling truths, rather than writing this sycophantic nonsense? Does the consistency and volume of feedback from so many people INSIDE this company not register even the slightest suspicion that there might be something rotten at its heart? Are the emperor's new clothes THAT convincing? WAKE UP!

Finally to the author of this article, why not learn something about Mr Watson before you invoke his name? For him IBM WAS its people. For Sam, its people are worthy of nothing but contempt. You could not be more wrong.

Posted By PCH, mourning the IBM I once loved, Anonville: April 20, 2011 4:56 PM

In the absence of generating new business, the only way IBM is generating profit is by cutting staff costs. So the "record profits" equals "shameless screwing of staff". They are two sides of the same coin. What a mess IBM has become!

Posted By Amazed, UK: April 20, 2011 3:01 PM

And so it begins.

IBM just **Posted** record 1Q earnings but the stock is selling off on the news. The ugly

inconvenient fact in the release is that new services bookings are down 14%. A decimated, unmotivated sales force that trusts that their management will screw them when it comes to paying their due commission isn't gathering new customers. Existing customers who see their accounts pinched for every penny while servicability levels are not met are not resigning. IBM will coast for a few more quarters on the existing backlog but with out healthy replenishment of that backlog with new business signings there are indeed dark clouds on the horizon.

Like an athlete using steroids, history will show that Sam Palminaso made many moves to boost the short term performance of IBM and all the wrong moves to insure it's long term health a viability.

Posted By SeekingAlpha, NYC: April 20, 2011 9:09 AM

Well, we just announced first quarter earnings and there is more bad news: revenue is up, profit is up, the EPS for year end 2011 has been uplifted - all that means is when IBM Corp does well, its rank and file will receive even lower profit payments and the executives will receive more. What a company!! Sam, keep raising the estimates - based on your rank and file's performance and then at the same time, pay them less profit - interesting inverse relationship.

Posted By Still baffled, Somers, NY: April 20, 2011 7:33 AM

Another "record revenue" year and another "Thank you very much back slap" for my over average hours worked and PBC 1... thanks IBM, for the half a salary bonus I got even after record revenue and maximum evaluation as an employee. I am leaving this company... this is disgusting. This company will lose it's most talented employees within months... actually it already is happening.

Posted By IBMer , Hortolandia, Brazil: April 19, 2011 11:07 PM

Palminaso has pushed up the stock price up by buying IBM shares. The stock price rise has come at the expense of IBM's core values. IBM may be worth a billions on paper, but to me and many of my colleagues it is valueless. Sam got his extra gazzillions of dollars this year, after "another record year", but where was my meagre slither of financial reward??? Yet again, nowhere to be found. So, with great pleasure I'm taking voluntary redundancy, and leaving IBM to slash and cut itself to death. IBM has no morals, no integrity any more. If the share price follows company morale, watch the price head south at a rate of knots over the coming years.

Posted By Elvis has left the building, Portsmouth UK: April 18, 2011 6:02 PM

I currently am an IBM'er and while I am very proud of my colleagues, I despise our leadership. Palminaso and Rometty are thugs. We are all told to fly economy class no matter how many times you circle the earth. A policy that was intended for ALL employees is now not applicable to those who earn the most in the company and can afford to pay for it themselves. There were three key values that have been the bedrock of this company and one of them is "respect for the individual". This does not exist anymore. I am at a reasonable level and am disgusted by the way all are being treated. I absolutely hate the leaders for devaluing the company. Yes, devaluing the company. Then benefits we have seen will be short-lived as cost-cutting and management by pencil-necked geeks who wouldn't know a customer if they accidentally sat on one.

I am ashamed and the first instance when I can leave, it will happen.

The minute any CEO is bragging on then front cover of Fortune, it is all over.

Posted By ICare and they don't, Everywhere, Smarter Planet: April 18, 2011 3:11 PM

I am sure most people working at IBM could have easily done what Sam has done in the past few years. It is not difficult to make money if you decide to stop paying your employees what they deserve. Short-term gain, long-term pain. Still, IBM Execs are only interested in making money in the short term as their quarterly bonuses are tied to share price - it does not take a genius to understand that share buybacks equal an increase in share price which equals more

share value for Execs coupled with bigger bonuses.

Having had enough of the lies, I resigned last year as a top performer despite really enjoying the work. Many of the good performers around me were waiting for the economy to pick up before following suit. Soon, all that will remain will be bright but inexperienced new grads trying to get a good name on their CV for a couple of years.

Posted By Anon, Anonville, Anonland: April 15, 2011 4:25 PM

Wow... I'm so glad I'm not alone in how I feel about working for this company right now. Many many other IBMers share the same sentiment... i.e. we are disgusted at how we are treated at IBM. So much so for me that I resigned recently.

This is not a company you want to work for.

Even though IBM has never had a higher share price, never had a higher earnings per share, never had as much cash sitting in it's bank account and never had as much Revenue and profit recorded.... even though all these strength indicators point to a very successful company...

IBM has turned from being one of the most employee friendly companies to one of the worst. Employees are taken for granted left right and center today.

Sam's recent gesture of stock for all employees is an absolute joke. You get \$US1000 worth of stock if you hang around until 2015. An absolute disgrace and one of Sam's biggest failures.

Sam has instilled a culture of fear and intimidation at IBM. Executives are like bullies in a primary school play yard. They way to talk to their employees is disgraceful.

I would not recommend anyone joining IBM and am so glad I left.

Posted By Anonymous: April 15, 2011 12:55 AM

As a former IBMer, it saddens me greatly that not only is IBM being torn apart in Australia (where I live and work), but also around the world. The consistency of the comments is testament to this.

IBM used to be a place where you could be proud of your work, and of being part of an amazing organisation. Now there's nothing left but broken promises, unhappy customer, and the regular emails we all got telling us how well the company is doing...

Posted By Rod, Melbourne, Australia: April 14, 2011 7:10 PM

I completely agree with the "Claim" comment. I regularly work 50-60-70 hour weeks, and I dutifully log my hours. IBM bills all my time to the customer, and pays me for 37 hours. As a manager, I also get a report that notifies me if any of my staff are "only" logging 37 hours per week. I am expected to follow up on this report so that all their unpaid labour is also logged for the company to bill to customers.

It's a racket.

Posted By truly fed up, uk: April 13, 2011 6:56 PM

IBM only cares that I claim 40 hours of labour a week. Nothing else matters to my management except that I claim 40 hours of labour every week. They don't even check or care if I actually do work 40 hours a week... they only care that I make the claim that I work 40 hours a week. Oh, and they'll only pay me 37.5 hours a week.

Posted By Sucker, Sydney.: April 13, 2011 1:04 AM

I'm a 37+ year IBM employee and I have passed through Akers "13 baby-blues" strategy, Gerstner's recovery and Palmisano's current strategy... and what we see now in IBM, it is a cost cutting company driven by a spreadsheet... preaching about Employees worklife balance, principles and respect; but in reality treating people like numbers, sucking their blood until there is not a drop left.. and then moving them aside, if not fired... No recognition, not Salary increases, no welfare, promotions without \$\$; but yes Palmisano and his close circle or reportees earning a fortune... this is what in IBM is called the High performance culture... where "Only" the top High level Executives are having "healthy" increases year over year.

Posted By A tru Blue IBMer now becoming Red - Europe: April 11, 2011 10:06 PM

Before I was 'retired' last year, I spent thirty five years under the leadership of Cary, Opel, Akers, Gerstner and Palmisano. From the perspective of an employee, Palmisano has been by far the least impressive.

While it still existed, the IBM World Trade Corporation presented a master class in global business built on inspired leadership, disciplined standards and practices and genuine respect for the individual. As employees, we worked hard, we worked efficiently, we were successful, we had fun and the reward system was open and honest.

While Gerstner may have made the elephant dance, the animal was already embarking on a series of metamorphic changes from which I suspect it will never recover. The philosophy of buying market share and customer base through acquisition of software and services businesses has resulted in a loose federation of businesses with a diluted set of legacy brands, often squabbling over individual branding rather than integrating under a strong single IBM brand. Without any common thread of method, process and discipline, these businesses are often seen on the inside to be competing with each other for market share, to the confusion of new prospects and the despair of existing customers.

Under Palmisano, the dilution of the 'corporate DNA' through unplanned and uncontrolled intake of staff from acquisitions and outsourcing contracts has led to a total breakdown in discipline. 'Flagship' software products are being oversold with unsustainable license charges without regard to the essential services required to make them actually provide the function sold to the customer. Having all but burnt out and 'retired' the skilled staff required to fix the resulting troubled contracts, the simple answer is to throw the problem at low cost resources in the BRIC countries.

From an EPS viewpoint, the figures can clearly be sold to the gullible external shareholder. Look under the hood, Fortune, and you'll find a very different story.

Sadly, I suspect that this dinosaur will never dance again.

Posted By 'Once proud IBMer', South Hampshire, UK: April 11, 2011 3:40 AM

Hey, I guess Im the first one posting from Brazil here.

Yes, it is true that IBM is hiring a lot here as many of you said. However, when they hired me it didnt take long for me to notice it is not a fairy tail to be an IBMer around here AT ALL. IBM pays WAY below average when you compare with it's competitors (up to 50-70%) and the environment is not motivating at all.

Just for the ones who commented things like: " you guys did not perform well and are angry because you lost your jobs". Well, I was PBC 1 in 2010. and what did I get for that ? A ridiculous salary increase, and a shameful bonus.

What I see at IBM Brazil at this moment is a doomed strategy: while partners and top executives are rolling in their 200k cars (maybe for them IBM is competitive in salaries), students and entry level professionals are trying to stay away from IBM as it is getting a fame of low salaries payer while the whole country market is hot and paying sky high salaries to hire talented youngsters.

There is a tremendous difficulty to retain talent (our HR does not work at all in that sense). Every day that passes IBM in Brazil has less talented people. That COULD lead to better financial results in the short term. Now, let's look forward to when IBM clients will not STAND ANYMORE being serviced by unskilled people and start to run to the competitors. Those are the reasons why I decided to leave IBM. Congratz Sam.

Posted By Ex-IBMer, Sao Paulo, Brazil: April 10, 2011 10:43 AM

When I take a look at the comments (which are more interesting than the article) I am deeply saddened.

It seems to be really true that the current IBM employee moral is very low. The reasons are manifold and well described in the comments.

Lou Gerstner (and his financial officers) saved approx. 17 years ago IBM from annihilation. The problem today is that these financial officers have IBM still in their choking grip.

Sam Palmisano (as a pupil of Gerstner) has dropped the 'respect for the individual' even further, eliminating and moving thousands of jobs to India (and other low cost countries). I heard last week (from a usually reliable source), that IBM India now has more employees (approx. 100.000) than the US. Does this make IBM an Indian company (headquartered in Armonk)?

Who is to blame? IBM management? Yes and No. Yes, because many managers don't have enough guts to stand up against unethical decisions of top executives. No, because if they don't execute, they fear that they get executed. However, I am still wondering, how these people can look into the mirror and still can respect themselves.

In the US I heard of many cases where people have been eliminated shortly before their (well deserved) retirement. This is deeply unethical. In many European countries this approach is not possible because of labor laws. It can only be hoped that people who come up with these questionable money saving ideas will be hit by them one day as well and will have a lot of time thinking about their former 'creativity'.

Over the years I have met many great IBMers in different countries, who lost their jobs, since they were at the wrong time in the wrong departments. However, many of them are still there and do a great job, despite some disgusting management decisions.

In the comments we can see several times that IBM is not an innovative company anymore. The patent leadership for the 18th consecutive year and the Watson win in Jeopardy tell another story.

Perhaps some day (after Palmisano- hopefully soon - retires) some top executive(s) come in who have more respect for the individuals and make IBM a great place to work for again.

Posted By Wolfgang Singer, retired IBMer, Vienna, Austria: April 9, 2011 11:33 AM

I have worked for IBM HR for 12 years and I have seen first hand the decline of this once great company.

In the depression, Watson built a new education facility in NY and increased investment in its people. Today, Palmisano eliminates investing in its people and reduces jobs. (another 20000 are targeted in the US in the next 4 years).

I can confidently say that IBM is facing its darkest days yet. (even worse than the early 90s).

Posted By The Spirit of Watson, Pennsylvania: April 9, 2011 8:35 AM

Instead of comparing Sam Palmisano with Lou Gerstner we should be comparing them with Thos. J. Watson Sr. who brought "The IBM" through the Recession of 1921 and the Great Depression. We should be comparing them with Thomas J. Watson Jr. who grew the business organically and wrote the rules on respect for the individual and employer - employee relations while doing it. There have been 17 recessions since the Great Depression and "The IBM" withstood them all as a united team dedicated to helping each other. Thos. J. Watson Sr. in the midst of the depression told the IBMers that, "A man is known by the company he keeps, a company is known by the men it keeps." He fought to employee people. I can't imagine that during the 18 recessions and the Great Depression that anyone would have written comments like this. "The IBM" had a culture that carried it through. What has changed? Is the culture still that culture that Kevin Maney wrote about in "The Maverick and his Machine?"

Beneath the Dancing Elephant

Posted By Peter E. Greulich, Austin Texas: April 8, 2011 4:19 PM

The comments are spot on. Hard working, loyal and once proud IBMers are disgusted. And, the EPS results are real, moving the stock price to all time highs. Much of the EPS growth has been through cost cutting and share buybacks at this point. Hopefully the next phase drives operational EPS growth vs. continuation of the same theme. Happy 100th IBM - lets see how we grow operationally when we have lost the trust, respect and loyalty of your talented employees.

Posted By Anonymous: April 7, 2011 7:52 PM

While we have seen any number of negative comments about IBM's current treatment of its rank and file employees, what will those same employees do in response to their utter betrayal by the company's executives in the future?

Well, if they are similar to me, they will no longer give to IBM the unsurpassed dedication that they gave in the past. This will cause an implosion from within and coupled with an unsustainable "quick fix" mentality on the part of the HR/Finance execs rubber stamped by Palmisano, IBM's demise will be swift and painful.

And to think this could have all been avoided if they paid the non executives the full amount of GDP dollars that were accrued to be paid this year instead of half of what was accrued.

That, in my opinion is the real betrayal - the money was there for all of us to be paid commensurate with our and the company's performance. The executives decided not to pay us that full amount - simply because they can.....all of your employees no longer have any misguided allegiances to an IBM that disappeared 15 years ago. Just like you withheld our payments, we will withhold our efforts - because we can.

Posted By Mystified in Milwaukee: April 7, 2011 9:14 AM

Read all these comments for yourself, but it all boils down to this - and I am a 20+ year IBM employee. If you are an IBM executive or an IBM investor, it's all good (for now...) but if you are an IBM rank and file employee, it's perhaps the worst I/T experience you can have. Sadly, this pattern is not sustainable for a healthy company because I/T services ARE your people, plain and simple...

Posted By Jack, Cincinnati OH.: April 5, 2011 9:55 AM

After 15 years in IBM (10 as a manager) I have seen the slow and inevitable decline of morale, loyalty and pride in the people I work with, myself included.

The focus has changed significantly from developing our resources (people) to managing cost - Business Studies 101 - Cost Management is NOT a long term business strategy, and yes you can throw in comments like global product life cycles and natural progression, emerging markets and global delivery. But where does it say in the manual that you throw away compassion, respect and trust.

Lack of recognition, limited rewards and no local autonomy to override the management my spreadsheet has created a culture which for some I can only draw parallels to an abusive relationship. People stay (in the UK) because they have to.

I wonder whether the same will be true if the economy picks up ?

Posted By UK: April 5, 2011 8:09 AM

IBM isn't growing.

It's just cutting costs by off-shoring and slashing employee benefits. Then it boosts EPS by spending the money it's saved on buying shares in itself.

At the start of the year, Sam sets a goal of \$x EPS, then when he spends more money than he said he was going to originally, buying IBM shares, he suddenly declares that he's exceeded his target - and gives himself a 30% pay raise.

It's idiot economics. If we substitute the words "IBM shares" with the word "daffodils", you get a clearer picture of the business plan. Eventually, the cuts to benefits and salaries will dry up. What's the plan then Sam?

Posted By Old IBM, NJ: April 4, 2011 12:56 PM

@andy piper

Did you read the Social guidelines yourself? From point six -

"never discuss IBM business performance or other sensitive matters publicly."

Never discuss

Posted By anon, UK: April 4, 2011 5:59 AM

I have worked for IBM for 20 years and used to really enjoy going to work... Now I'm looking for another job...

I, and a large majority of the workforce, am getting no reward for working excessive hours every week whilst delivering and being a consistent performer...

It is now all about employees being bullied and lining the pockets of the execs and shareholders while flogging the workers to death....

Posted By Hopefully and ex IBMer soon.. North England: April 4, 2011 3:43 AM

Wasn't the down falls of great names such as Bear Sterns, Lehman Brother, Enron, and the big bail out of Wall Street big leagues in 2008/09, the result of extreme obsessions of company executives wanting to propel EPS and ensure double/triple digits growth year after year ?

IBM's trend of pursuing impressive growth at all costs does seem to be heading down the same path traversed by those fallen big names ... The Happy Investor in Texas may want to hold off chastising IBM employees and rush out to sell off his entire IBM positions fast before it is too late.

Posted By On Looker, NYC, New York: April 3, 2011 2:52 PM

This is a comment for the Happy Investor: The reason why you are happy is the way some of these profits are being made. If you knew the whole story, you'd change the tone of your post. Most who have **Posted** here see it from the inside out and know the spiral that's taking place in terms of how this company treats many of its people, among other things, while the executives and some managers have privileges like overlords, is horrendous.

Posted By Anonymous, USA: April 1, 2011 4:21 PM

IBM has changed a lot, respect for individual has evaporated. I work at the SRDC center in E.Fishkill facility and IBM will not allow other business partners to hire us if we want to leave and find other employment opportunities. IBM has put a stop on interviews by other member companies for their manufacturing sites. Can they treat us like prisoners here in E.Fishkill with 1.9% bonus where other companies have much better packages to offer, including an order of magnitude better bonus and equivalent or better salaries? If you don't know how to run business profitably don't hold hostage smart engineers you hired while back. Let them be free to go anywhere they want, it will only bring the employee moral down.

Posted By Anonymous at SRDC E.Fishkill, NY: March 31, 2011 4:09 PM

Sadly the once great company has become a complete sham and a moral vacuum. Its sole remaining competencies are internal cost cutting, inflicting mental cruelty on its first line managers and employees courtesy of the PBC forced ranking system and making its disgusting executives very rich. If they had a shred of human decency they could stop this. The company no longer has a clue how to address any serious competition. Pity those of us with little choice but to struggle on.

Posted By Seriously depressed IBM'er , UK: March 31, 2011 3:20 PM

After many years as a 2+ performer I was awarded a 2 for 2010. Why? Because I was late on completing my mandatory education, most of which was irrelevant to my job. And why was I late in completing the education? Because I was busy doing my job 12 hours a day. That's the thanks you get from IBM, and that's why I'm looking for employment elsewhere. That and several other reasons, most of which have been covered already.

Posted By Soon to be ex-employee, London, England: March 31, 2011 3:00 PM

Hi folks,

Just a small example of how IBM treats the employees. I am 12 years with the company. Consistent 1 and 2+ only on my PBC (for the outsiders - top performer, delivering more than expected). About 3 years ago I was shown a carrot - a promotion if I can deliver even more. I took upon this challenged and delivered. And last week the carrot just disappeared. I was informed that I will not get promoted for a very simple reason. There is no one skilled enough to replace me at my current position.

So, I've just started to look outside. There is a limit to broken promises one can swallow.

Posted By IBMer, Europe: March 31, 2011 1:16 AM

I ran a specialist team within IBM's outsourcing business in Australia. After a number of years, I am finally free of the place. What really tore it for me was not the poor treatment of staff, lack of training, renegeing on promises, etc, but rather the blatant and cold disregard for clients. Unless we were dealing with the economic buyer at the top of the customer tree, we were told to deliver the bare minimum possible, and to hide behind the legal and account management teams when the customer complained about poor delivery. My professional reputation and personal pride are worth more than that, and so I left. I hear from old colleagues about unhappy customer, lost bids and staff jumping from a sinking ship. A very sad state for what was once a proud and innovative company.

Posted By Michael, Sydney, NSW, Australia: March 31, 2011 12:17 AM

My husband has worked for IBM for 15 years. A consistent top performer dealing with high level work. Based on what I have seen, I would not recommend working for IBM. Too little pay, terrible opportunities for promotion, dwindling benefits and long hours. About the only good thing I can point to is the option to work from home. But that convenience can be a terrible experience under the wrong manager.

Posted By Anonymous: March 30, 2011 9:29 AM

Glad to see other comments. I was told that 2 is the new 3 and it is hard to get a 2+ and even harder to get a 1. I worked 16 hours a day, missed my only child's events, missed family funerals, get togethers, worked at 4:00 a.m. and got very sick and still worked. Yet when it came to reducing workforce I was the first one gone. You can give your all to the company and all it is going to give you is ulcers. Sam is in it for himself and the investors. I cannot wait until he is gone. I am taking my 401K and running before this company loses everything.

Posted By New To The Unemployment Line, Boulder, Co: March 29, 2011 6:50 PM

I left IBM in 2010. I got a similar role in another IT company (not HP), with a 25% pay increase.

IBM was making money by robbing me and my colleagues of pay-rises and benefits, whilst scaring us all with the threat of redundancy. The "smartest" thing I ever did was leave.

Posted By Ex of IBM, Midlands, UK: March 29, 2011 6:35 PM

At IBM, I earned special contribution awards but my final reward was to have my job off-shored. Thanks Sam.

Now I work for HP. It's better here. The workforce is better balanced by gender and ethnicity. There is a very different corporate atmosphere which feels like an extended family and that applies to the top management.

HP has achieved higher revenues than IBM in recent years.

Check this out:

at 26th: HP with \$126.033 billion revenue in 2010 and 321,000 employees

at 46th: IBM with \$99.87 billion revenue in 2010 and 426,752 employees

source: https://secure.wikimedia.org/wikipedia/en/wiki/List_of_companies_by_revenue
Invent!

Posted By not-looking-back, Hampshire, UK: March 29, 2011 6:20 PM

Many of the posts are focused on offshoring jobs and resource actions. However, if anyone in Armonk is reading this, please consider what you are doing to those of us remaining at IBM. Constant quest to do more with less, stretching people beyond sustainable levels, eliminating resources, and always "what have you don't for me lately"... It was easier to justify during the recession, but with several record years under our belt, enough is enough....

Posted By Olga, New York, NY: March 29, 2011 10:18 AM

If you think outsourcing jobs is bad, wait till you see what is coming next.

All internal AMS projects now need to have components developed via crowd-sourcing competitions. Designers break a project into components, write specs for each component and post each spec to a crowd of anonymous workers (could even be kids). Anonymous people all over the world code and test for each spec. All submissions are reviewed. The winner gets a

prize (a few hundred dollars at most) the rest are unpaid.

This is being trialed internally before making it a standard software development process on commercial engagements.

The business model is to significantly reduce permanent staff and replace with "Liquid" resource. It effectively dodges local industrial relations laws in each country by calling paid tasks "Competitions" rather than a "Jobs". So there is no real need to pay minimal wage for work done.

Those within IBM, search the intranet for "GENO Liquid" for more details.

Posted By IBMer Australia: March 29, 2011 6:05 AM

I'm actually quite surprised by the number and intensity of these comments. I don't think Sam is as bad as most of these commenters say. He has been an adequate CEO by most measures. I don't know why he gets paid like a superstar however. There are at least 30 execs inside of IBM right now that could do his job at lesser pay. The IBMers on this thread will agree that we wouldn't get any bonus for being #12 in any area. Why is Sam a hero for making us #12 on the Fortune list?

Tom Watson once said that he deserved to get paid more than the average factory worker, but he didn't feel like he was worth 50 times the average workers pay. How does Sam justify a package that is almost 1,000 times their pay? If there is one question I wish the writer asked, it would be that one. Imagine the compensation they would give him if the company actually grew.

Posted By Tom, New York, NY: March 28, 2011 7:06 PM

On Friday during an internal meeting I informed my colleagues from sales, that a project they want to sell to a customer, is bogus. The customer doesn't need it. I propose that during a planned meeting with the customer we talk to them, how to utilize their money for something sensible.

This morning, I've learned that due to Q1 end and my need in many different projects I was removed from this particular meeting. I am quite sure that they will send a rookie (I have almost 20 years of experience in IBM) who will be more eager to be noticed by management as 'a good team player'.

Long live IBM where Idiots Became Managers 😊

PS.

I have a feeling that all IBM management is Microsoft sponsired, judging from the amount of excel sheets being used/created/edited/reported/tweaked. I have some bad news for you boys and gals. The reality cannot and will not be enclosed into the excel, no matter how much you wish for it.

PS.

To all IBMers from Slow Growth Countries. I feel for you when you say that you are afraid to be laid of any day, and a job shifted to lower cost country. I can just tell you that this is not so easy in growing markets. The pressure to sell, sell, sell, even damn fridges if you can sell enough of them is ok. And you know what? Over the last 10 years an average employment time for an IBMer shrank from 10 years to just 4. IBM is being robbed of its ICap. And yes, that's a success I am willing to attribute to top management

Posted By IBMer, Eastern Europe: March 28, 2011 9:39 AM

Maximizing shareholder value – isn't that why corporations exist? If that's the case, then it's kind of interesting to compare the path of IT Companies over the past 10 years. Apple was an \$8B company in 2000. They had earnings of around 800M, and a stock price of \$7.44 per share. IBM, in contrast, was an \$85B company with earnings of \$8.1B, and a stock price of around \$96 per share. Ten years later, Apple is a \$65B company with earnings of \$14B, and a stock price of \$351 per share, and IBM **Posted** revenue of \$100B, earnings of \$14.8B, and a current stock price of \$162 per share. Which company would you say has the advantage when it comes to innovation? IBM sold off its PC division because it felt there was no money to be

made in consumer based IT. Over the same period, Apple has reinvented the music business, the cell phone business, technology retailing, and the portable computing business, and those technologies are having a more profound impact on making the planet smarter. Innovation is still the key to maximizing shareholder value. Last quarter, Apple **Posted** revenues of \$26.7B and earnings of \$6B. It's kinda like driving down the road in a 1980 Cadillac, and having your doors blown off by a Lamborghini that is still in second gear. Any way you look at it, Sam is getting too much credit. The credit should go to Mark Loughridge and Randy MacDonald, Sam's henchmen behind the systematic dismantling of IBM's long term competitiveness. HP is hiring a lot of ex-IBMers, who no doubt have something to prove to their old company. The next 10 years will be interesting. For my vote, I hope the successor to Sam is Ginni Rometty. Smart, compassionate, and way more connected to the reality of the business than Mike Daniels and Rod Adkins. She is the only one in my view that has a hope of reinstalling the heart back into the company. Oh, I forgot to mention. If you take into account the revenue of all the companies IBM has acquired in the past 10 years, and add that to the \$85B starting point in 2000, and then add inflation – IBM is actually shrinking. I'm not sure how that adds up to "Sam accelerated what Lou Gerstner set in motion." The comparison between Lou and Sam in terms of growth and added shareholder value is not even close, especially when it comes at the price of the soul of the company, surmised from the comments below. Isn't Web 2.0 awesome!

Posted By Steve, Atlanta, GA: March 26, 2011 1:55 PM

@Happy Investor, Texas.

In this economy, finding another job is easier said than done, but believe me, a large proportion of talented IBMers are looking.

If you were a WISE investor, that should make you think twice about investing in a company whose prime asset is its people.

Posted By ed, london: March 26, 2011 11:04 AM

I've seen IBM go through good and bad times. Under Lou, IBM was strong and a company people wanted to work for and respected. When Sammy first took control, he made a speech in Vegas at the SWG convention about how he would give back to IBM employees and the value we provide. This has never happened. Sammy has done nothing but take away from IBM employees. IBM is now a place without any respect for its employees.

Posted By Anonymous Vegas, NV: March 25, 2011 4:07 PM

Speaking at the Oxford Center for Management Studies, Thomas Watson Jr said: "We see the day-to-day contact point between the individual employees and the nearest representative of the company's management as the crucial one in employee relations. If there's a breakdown at this point and it goes unrepaired, serious problems are bound to result.

"We depend a great deal on this relationship to help insure that we maintain a respect for the individual, no matter how scientific or systemized other aspects of the management process become."

Watson knew there was nothing original in this thought. The difference at IBM, he explained, was how hard everybody worked at it..... Not any more Mr Watson, not any more.

Posted By IBMer, UK: March 25, 2011 3:59 PM

To everyone who is complaining and 'dying' to retire--please leave and join someone else.

What i don't understand is that IBM still operates in free countries where you have the right to leave and look elsewhere for a job. The excuse is many to none and the simple fact is that people just get too lazy finding a job elsewhere coz they know in the back of thier minds that IBM has probably one of the best 401(K) plan in the market,excellent healthcare coverage for kids upto 26 years,great work from home options,smart people and overall a financially stable company. I would hate to be working in a Baer Stearns or a Lehman Brothers wherein I come in one fine morning learning my company has gone belly up and i'm out of a job!

I ove IBM and it's 100 years of innovation and contribution to America and the world..

for all the one's who complain--PLEASE LEAVE IBM..IBM SURELY DOES NOT WANT A PERSON WHO SLAMS IBM BEHIND THEIR BACKS WHILE BEING ON IT'S PAYROLL.

GET A LIFE PEOPLE AND GO JOIN HP AND THEN TALK!

Posted By Happy Investor,Texas,USA: March 25, 2011 2:21 PM

Reading the article and being an Austrian IBMer for over 20 years now all below about abuse, morale etc. sounds very familiar to me. And yes: we have unions here, but the difference they make is deniable. Didn't know its the same around the world, even in growth markets. To me it looks like "they" seriously lost touch with reality: IT business, customers, employees. How long can you manage by spreadsheet optimization? I feel very sorry for my young colleagues and all I am forced to do to my employees ...

Posted By Totally scared, Austria, Vienna: March 25, 2011 12:46 PM

To those that say "well, that's capitalism".. well, in some instances it isnt. Our system is not a pure capitalism, because it is regulated. And a lot of the behaviour is driven by the way it is regulated, not by pure capitalist principles.

For example, many people seem to take it for granted that because the drive for quarterly and annual EPS is "capitalist", then the way it is done is also capitalist. Not so. The NYSE is regulated. Companies are obliged to report a legally defined set of metrics to owners, quarterly and annually. They are not obliged to publish any more than that. That is not "capitalist". Capitalist would mean that any owner has the right to inspect his possessions at any time, with complete transparency.

Ironically some of the analytics work being done in IBM and elsewhere actually makes that technically possible

This regulation sets in place particular dynamics - quarter and year end focus, Annual shareholder meetings, Annual reports which follow a set format.

The owners are legally prevented from looking too far under the covers. It's similar in a way to government disclosure - paid for by the very taxpayer to whom the government is accountable, communications which spin what the government or company is doing and deceive the owners.

Incidentally, unions can also be part of a capitalist system. The fact that unions have been hijacked by a socialist agenda, in Europe, and by that and in some cases organised crime in America, does not make them socialist per se. Employees have the right to organise, and if they deem it fit to kill the goose that lays the golden egg (UK - mining, docks, manufacturing, in the 70s and early 80s), they may, or they may wish to negotiate a sustainable position for all. If they ask for too much the company can employ others, if any are willing to take less.

But it boils down to the fact that an employment contract is a contract between two equal legal persons, the company and the human. Yes, each of us is legally equal to IBM. Its good to remember that. I don't think I want to work too much overtime if the only effect is a 1-2% top performer pay rise that simply slows down the erosion of my real compensation. IBM clearly deems my contribution to be worth less each year, regardless of how I perform. So, I would rather spend the equivalent of overtime pursuing other sources of income that will deliver me more than the 1-2% extra I might get. Thats capitalism.

Back to quarterly EPS - its a regulated system, it drives short term thinking at the expense of longer term growth. That is what we see in IBM and it is not happening as a result of capitlism, but as a result of the regulation of the stock markets.

In Atlas Shrugged - a novel about a relatively pure capitalist system, the "good" employers value the skills of their people, compensate them accordingly and have low attrition rates.

Its not a case of "this time its different". How many times have we heard that? 1929, 1987, 2000, Tulip mania, South sea bubble, Mississippi bubble, blah blah blah..

The basic principles dont change with the times.

Posted By IBM Lifer, UK: March 25, 2011 10:33 AM

Sam's extreme strategies in cost cutting, moving jobs to lower cost countries, working file-and-rank employees to death (band 8 and band 9 in US GBS have utilization targets of 97% and 95% to meet in 2011), winning contracts at all costs (see <http://www.claimsjournal.com/news/national/2011/03/23/180894.htm>) ...,etc, clearly have paid off handsomely for himself and his inner circle of elite executives - the company is out performing other companies with impressive share pricing !

Employees in high cost countries who constantly worry about being laidoff and/or fretting about peanut pay raises and bonuses should be loading up IBM shares as much as they can, and cash in when it's time to go. Who needs the lousy jobs at IBM ?

Posted By J Keating, Dallas, TX: March 25, 2011 8:49 AM

I am so glad I left IBM 12 years ago. As a Domino Administrator I am appalled at how the product interest has declined since IBM took over Lotus. It will most probably walk the same route as OS/2. IBM you Suck!

Posted By Ex-IBMer South Africa: March 25, 2011 3:02 AM

I am a project manager in China, when I look at all these negative comments, I feel really bad. Even I do not have the fear to be lay off when I young, I still have fear to be lay off when I old. Image 10 or 20 years later(10-20 years is my plan in IBM), China become a high labor cost country, same thing would happen to me.

One thing I am very uncomfortable in IBM is that every person is not cooperate with each other. When a issue come up, the first thing people think is NOT how to solve this issue. they think how to throw away responsibility. This is the case for every country. Maybe people is too fear to be lay off.

But I still want to growth my career with company, just like what HR say in IBM new employee training. Happiness, tears, move, sad, all these combine together to be IBMer.

Posted By IBMer in China: March 24, 2011 7:56 PM

To NFB in Portsmouth - oh how I envy you! I have to die in order to retire... and death seems more appealing than the rest of my lifetime working at IBM. All the best to you in your retirement... let's hope you are one who has some sort of pension. Enjoy!

Posted By got bills to pay, Southbury, CT: March 24, 2011 3:36 PM

Very relevant to this discussion. This is not just an IBM issue, it is a Knowledge Worker issue in general.

<http://andrewmcafee.org/2011/03/mcafee-india-jobs-skills-outsourcing-technology-digitization>

Posted By Laura Claire, Round Rock, Texas: March 24, 2011 12:14 PM

I leave IBM in 2 days and 4 hours.

Can't wait !!

Posted By NFB, Portsmouth: March 23, 2011 8:10 AM

For all it's "growth" and outstanding revenue's, I am of the opinion, after working here for the past 15 yers, that this beast is going to implode. Yu can only abuse your employees for so long before they leave enmass! No increases for most, and 1-2% for the rest, year on year. That is not the way you treat your money earners. Stuffed up commission payments, late payments, selling services you know you cant deliver - "we will worry about it later". You cannot manage this business by spreadsheets alone..... I could go on and on, but it's just too depressing. Unionise I say, and about time too!!!!

Remember my words - This beast is going to implode, but probably only after the fatcats have sold all their shares and taken the money and run!!!

IBM - South Africa!

Posted By South Africa - IBM - T. Employee: March 23, 2011 2:08 AM

I have worked at IBM for 13 years (consistently rated 1/2+). I used to care about IBM because I used to feel that IBM cared about me. I used to work a lot of extra hours for IBM - happily

and without pay. I went above and beyond for the company. I was truly dedicated. And I felt rewarded for it. I'm not sure when it happened, but a few years ago, I began to realize that IBM cares only about its bottom line and executives - and very very little about the bulk of its employees. Now, I give IBM the exact amount of time that they pay me for. There are no longer incentives to perform here - and so I perform accordingly. I work as much as I'm paid to do and I collect a paycheck - and that is it (yes - I am staying anonymous so that I can continue to pay my bills). I used to be proud to work at IBM - I am now indifferent. Any colleagues that I speak to about this all feel the same way. Yes, we are a capitalist society and IBM is a business. However, there are a lot of other businesses out there who are doing quite well without the heinous business model that IBM seems to have adopted.

Posted By Anonymous, Toronto, Ontario: March 22, 2011 10:47 PM

Bottom line is that IBM is no longer driven by innovation. Rather, it is driven by earnings per share. And since IBM is no longer driven by innovation, it is no longer capable of driving additional and substantial revenue through product development. Instead, IBM chooses to cut expense by cutting people and starving product development.

Those employees that remain at IBM are completely over-worked and expected to carry huge loads ... most of which have not received raises in several years and constantly fear being laid off.

Respect for the individual no longer exists.

Confidence in IBM (the employer) no longer exists. IBM 'chooses' to reduce and outsource its workforce rather than find innovative ways to make use of these talented people. IBM 'chooses' to starve product development rather than find new areas to invest in and develop. IBM remained very successful throughout the recession and IBM 'could have' chosen to use this opportunity to grow its workforce, help the economy and make technical advances that 'could have' positioned it as the leader in technical innovation in many areas of technology. Instead, IBM chose to be a 'follower' rather than a leader.

Innovation drives growth .. not just growth in earnings per share but also growth in revenue, workforce and significant technological advancement.

I agree that IBM has done 'some' good things in the past few years but it comes at a very high cost to its ever-dwindling workforce. An innovator would have driven the company in a manner that would protect its investment in its people resources AND grown revenue and earnings per share.

I agree that times are hard but apparently not for IBM executives (\$31M in 2010 when thousands of employees are being laid off).

Posted By Just a number, Durham, NC: March 22, 2011 9:50 PM

Reply to Andy Piper

I nearly choked when I read your comments. Everyone fears for their jobs today and the performance culture encourages back stabbing so keep looking behind you, nobody is safe. Just personally glad to have retired after 39 plus years service last year. I don't object to change but believe in honesty and respect to all aspects of life.

Posted By Realist from UK: March 22, 2011 2:47 PM

Reply to: Andy Piper...

The reason Andy that many people contribute anonymously is that they fear for their jobs....this would be seen as dissent, and handled badly by the company - a clear indication of the new IBM management strategy....on the other hand if your point here is to appear sickeningly sycophantic - then please send your manager a link - I'm sure he'll be proud of you.

As for your personal view on how IBM does business - I only hope your comments are listed here due to the fact that you are in a business unit that is isolated from the unethical treatment of employees - let's hope that's the case - but nevertheless, do you not feel outnumbered here - does that not indicate to you that there is an issue ?

Posted By Ex-IBMer: March 22, 2011 6:43 AM

I have seen a lot of comments from UK, but not from Ireland.

IBM has been here in about 50 years (give/take a few), and are proud of that fact, as they see themselves as a part of Ireland, that is about as important as the Guinness.

Most of the people here in Ireland working for IBM, are contractors (mostly Nordic - and they are treated horrible). All bonuses have been reduced, and there are NO bonus at all, after 2 years anymore (they even removed that from peoples contracts that signed those before this change - those complaining was fired). Yes, IBM actually punish their contractors if they stay here for 2+ years. This is the way of IBM today, instead of working towards a loyal group of employees, they actually prefer that the contractors stay for only 11 months (the first contract is 11 months, not 12 due to some tax benefits).

So 95% of people coming in here, are young people, that are only here to take one year of school, get drunk, and show up and perform the bare minimum - and everyone in management are happy about this.

Even though many smart youngsters join us all the time. People that are bursting with new ideas, all grown up in a web 2.0 environment. Have lost all interest after only few months, because they have no way to get those ideas out there - they are all shot down by the company they are contractors for. And because most sites here, are pure cost centers, no one in IBM listen to anything coming from those.

Funny thing is that they could have the same jobs (Helpdesk, UA and similar level jobs) with companies like HP, Microsoft, Google etc. and here get paid about 15-30% more from day one.

As a result of this, the average time IBM has an agent in these cost centers, is below 11 months as we speak, and there is no indication that this trend will change.

Posted By Looking for another job, Ireland: March 22, 2011 6:05 AM

As the corporate world knows, it is strategies that were set a couple of years ago that cause a company's up- or down-turn in current periods.

So much success has been attributed to Sam for what is happening in IBM now. Yet it is probably more correct in attributing these successes to what Lou Gerstner did in his days in office.

Perception around IBM locally is that Sam is like a vast number of his executive team members, nothing more than a bean-counter. And I would agree with that sentiment wholeheartedly.

I joined the corporation just under 10yrs ago, at the time thinking "Wow, I'm going to be working for THE IBM". These days, however, it's just another day at the office in an organisation that begs to disappear into insignificance.

There used to be a depiction of IBM as being an elephant (round about 10yrs ago), and the only thing wrong with that depiction was that the elephant was drawn too small. This elephant is HUGE! A lumbering, autacro-bureaucracy (do as I say because the processes say so) that will not change so long as there is no empowerment for skilled, intelligent, employees to make informed decisions and judgements for themselves, instead of leaving even the simplest of decisions to "mini-me" peons of the people above them. Not one of them are inclined to challenge the system, with the result that the system will always be rigged against achievement of the basic IBM principles of Trust, Innovation, and Dedication to our clients. As for having an employee "serial number"? That just goes to show that I am nothing more than a disposable resource, instead of a valuable member of staff.

There are so many problems with this corporation that I could go on for a while, but most of my other sentiments have already been expressed by other current and ex-IBMers.

Shame on you, IBM, for not looking after your number one asset....YOUR PEOPLE!!!!!!

Posted By Yet Another Concerned IBMer, Johannesburg, South Africa: March 22, 2011 5:54 AM

In countries where the external job market is strong - like Australia - IBM is hemorrhaging with their retention. Unless they fix the climate, it will bring IBM down.

Posted By anon - Sydney Australia: March 21, 2011 8:48 PM

Try again, the comment window suddenly closed on me.

I found the article to be pretty much what one would expect of most magazine articles written about people and companies that ultimately provide revenue for said magazine. I.E. Far too rosy to be believable. Not saying it isn't true, just a bit too pally to take too seriously. Far more telling are the comments from what appear to be current and ex IBM employees.

I am a current IBM employee. IBM is not the worst place I have ever worked, nor the best. For a big company it's pretty much what you'd expect relationship wise. They pay me (pretty well I might add), I do the best job I can. I might not believe every word of the company song but when asked to I will sing it with all my might (Think North Korea and its stage managed displays of support by the populace). Privately of course I may think differently. In some cases I might even voice that concern within the company in the hope of changing some things (not that I expect anyone to really listen). Publicly though I am 100% behind the company since I like to be able to feed my family!

If they said tomorrow "we don't need you" I am not going to cry about it, just move on. That's life, it's a cruel world (I speak from experience).

I really don't care if it's not the IBM that it used to be. It is what it is, a business. What was yesterday is pretty much irrelevant (like the runway behind you in a plane!). What bugs me though is that the relationship between employer and employee is too one sided. If you want a purely business relationship then fire us all and hire us as contractors. Get the BS and the pretense out of the way. At least we'd know where we stood. As it is they seem to expect us to 'love' the company but it's OK for them (whoever 'they' are) to treat us like some piece of disposable machinery. I like the work that I do but the whole PBC process and the expectation to always do 'more' makes me feel like some sort of rat in a diabolical lab experiment. The winners survive to fight again.

If you really want us to believe in the company and its executives then try treating us, the lowly employees, like real people instead of some disposable resource. Right now all I see are a bunch of people that are no better than all those greedy bank execs that got us into the current mess we are in (and who happen to be still doing OK thanks to their bonuses, unlike the rest of us).

As for innovation (I hate that overused word). A few people in IBM might get to do truly new stuff but for the most part, IBM picks up on fledgling ideas and tools and makes them into products or enablement capabilities. I don't think they are the best products and tools in the world but nor are they the worst. I think IBM, like probably most other major vendors, does enough to be just better than the other guy. That's not innovation, that's business. As someone on the inside it's frustrating. There's what you know we could do and then there's the minimal function stuff (I used another word for 'stuff' but it'll probably get removed so let's just skip it huh!) that we are forced to produce that has so many 'initiatives' embedded in it that only God himself could tell you if it was actually any use or not. In spite of everything the sales force might tell you, IBM is still a lumbering behemoth of a monster with much of the baggage that slows it down still well embedded and unlikely to ever be removed. Again, it is what it is. I am sure most large companies are no different under the covers. It's like all those adverts you see on TV for consumer products. Do you really believe that those cookies are lovingly hand made at the factory? This business is no different. There's the public message and then there's the reality of the factory floor. The only difference is that our factory floor consists of offices. So, once my current financial issues are resolved (one way or another!) I shall move on. I shall not look back, only forwards to different fields and hopefully different and more interesting battles.

I'd just like to make a difference, just a small difference. Does not have to be much. Just for someone to say 'thank you' and REALLY mean it (vs the standard management approved 'thanks' you usually get). Sadly I cannot see that happening. Oh well, on to the next paycheck, after all, isn't that what it's all about really?

Posted By ltlfrari: March 21, 2011 7:20 PM

I will admit up front that I only read a smattering of the comments that have been **Posted** thus far, but I am in general agreement with the vast majority of them that this is NOT my old IBM.

From 1965 until approximately 1995, I was proud to be an IBMer and enjoyed my job. I am not sure when it happened but somewhere along the way the term "Respect for the individual" disappeared from IBM's "Three basic beliefs". In fact, it has been a long time since I have heard mention of the "Three basic beliefs".

I retired 2 years ago. My last 6 years with the company I was a Customer Service Manager with as many as 60 employees for part of the time. I cared about my people. The massive RA's we were forced to invoke were what prompted me to retire 2 years earlier than planned. I felt it necessary in order to maintain my sanity and health because of the effect these actions were having on me. In those 6 years I had RA'ed approximately half of my workforce.

And Pay??? Are you kidding?? I was a high paid 2 rated employee for many years, but after my promotion to management it was 4 years before my pay reached the lowest level of the new pay grade, and then it was only because we were reclassified to a lower pay range. The two levels of management immediately above me were very understanding, with their hands tied of course, but above them the mood was one of numbers only.

The attitude of making the numbers, regardless of people, is what is eventually going to kill the company. In my last 10 years of employment I witnessed a change in attitude of all employees. The older employees, in general, lost their faith in Big Blue and the newer employees never had any loyalty at all.

Overall I am thankful for my career with IBM. It WAS a company that served my needs well. Perhaps I stayed too long.....

Posted By J J, Phoenix, Az: March 21, 2011 6:58 PM

I'm an IBMer from Canada. I've working here for 3+ years. I get paid less then people who were hired from University this month. This place really sucks. I can't wait to find another place to work.

Posted By anon, Toronto, Canada: March 21, 2011 1:55 PM

The stock has indeed done nicely in recent years, but unless something changes in the management system soon, it may all come crashing down.

I've been an IBM manager for 21 years and fortunately am nearing retirement. I loved this company. It distresses me however how arbitrary our personnel policies have become. Morale in the company is awful and getting worse . . . evidence some of the comments to this article. In years past, I spent a good deal of time on morale and retention. I no longer have any tools or discretion available. The only retention tool available is fear of the open job market, which won't last forever.

It's sad to see us invoke Tom Watson while ignoring the first fundamental principal "Respect for the Individual"

Posted By anon Silver Spring, Md: March 21, 2011 10:43 AM

Outsource the executive jobs to Bangalore.

That will add millions to the IBM corporation profit line.

Posted By IM Sirius, Portsmouth, UK: March 21, 2011 7:18 AM

I gave the best 20 years of my life to IBM.

Loyal, dedicated and worked late into nights and weekends. Good at what I did.

In the end, I was made to train workers in a so-called low-cost country in Eastern Europe to try to do the same job that I did. Ostensibly, management was growing the team. In reality,

they were paying the young inexperienced eastern europeans 10% of what we were paid. We were paid below the market rate in our country. But how can you compete with someone paid 90% less than you?

I think IBM should outsource the executive jobs to Bangalore. This would add millions to the profit line and Palmisano can taste what he has dished out.

Posted By Anon, Winchester, UK: March 20, 2011 6:16 PM

Google and read this article "IBM exec: Culture is your company's No. 1 asset" by Fortune again ... Wonder why the link was taken down immediately after posting on here briefly.

Posted By B King, Atlanta, GA: March 20, 2011 3:08 PM

@J Smith London, UK .. this is now the IBM Culture, per Sam's successor :

<http://postcards.blogs.fortune.cnn.com/2011/03/10/ibm-exec-culture-is-your-companys-no-1-asset/>

Amazing !

Posted By Bean C, Seattle, WA: March 20, 2011 2:53 PM

I agree absolutely with the vast majority of posts on this board, including that by 'ex-IBMer UK'.

IBM may talk innovation but it walks short-termism and cheapness. I don't know whether this article was actually written by IBM PR but as a piece of journalism it is nauseating. The only thing I found to be of interest is the fact that Mr Gerstner declined to contribute - when he ran the company being an IBMer still meant something. Today it feels like an unfortunate joke, and the notion that Mr Watson would be proud of what has been done to his company is frankly offensive.

Decision making is driven exclusively by the obsessive need to deliver Mr Palmisano's EPS 'roadmap'. It is astonishing that more questions are not asked about how this amazing EPS growth is achieved when revenue is flat, and whether it is sustainable. EPS growth through stock buy-back represents zero growth in real business value - quite the reverse since it absorbs money (\$18 BILLION in 2010) which could otherwise be invested in true value generation. Similarly IBM's obsessive cost cutting and offshoring has long since passed the tipping point from prudent business optimisation into mindless skills, experience and morale decimation.

For many years IBM was a genuinely special place to work. I have had the pleasure of working with many wonderful people. Fortunately a few remain, and these direct relationships are my only motivation. The utter contempt with which the elite in the company treats its people has destroyed what it meant to be an 'IBMer', and with it the wealth of loyalty and dedication the company once enjoyed from its workforce. You can't put a dollar value on that of course, so it is clearly worthless.

I wait with interest to see who replaces Palmisano. They will have in their hands the survival of the company. I sincerely hope they are truly an IBMer - we desperately need them to be.

Posted By J Smith, London, UK: March 19, 2011 3:10 PM

I wonder why when the STG division keeps missing its targets year after year there are no Exec. or management changes. If they aren't doing the job "resource action" them?

Posted By Fed Up Beamer, Fish Kill NY: March 19, 2011 10:21 AM

All you IBM employees who glow about this article I wonder if you will still glow about Palmisano when you light goes out in IBM when you too soon get "managed out" and are "selected to participate in a resource action" (IBM wordspeak for being terminated employment).

It might seem rosy for you now thinking IBM is still a wonderful company but the truth is you have to THINK about what the corporation has become: an inhuman, stock buyback gimmick profit based outfit, lack of innovation entity, cost cutting monster.

Those that think most of the comments here are by whiners are just fooling themselves.

Those that think those RAed by IBM are not current with IT skills have it all wrong. The employees with little or even no IT skills somehow still remain since they largely know how to kiss the butt of various parts of Palmisano's huge management chain. Those with the IT skills get canned by IBM. Most IBM managers don't know what their IT skilled employees know or do for that matter. They also don't know how much value add these IT techs bring to IBM that enables the corporation to make real profits. It is also a reason why real IT innovation is lacking in Palmisano's IBM.

IBM doesn't want to pay for highly skilled IT employees and that is a reason why they get RAed. They get RAed so IBM can hire cheap offshored resources.

So glow know you IBM lovers but watch that light switch!

Posted By RAedBeamer, Truth or Consequences,NM: March 19, 2011 6:32 AM

I have been with IBM for 13 years, joining straight after I graduated university. For 9 of those years, I can honestly say that I was proud to be an IBMer. No Longer. For the last 4 years I have been working as a first line manager and I have been made to take morally questionable actions around employee appraisals/performance management under threat of losing my own job. I've heard "if you don't like it, get another job" more times than I care to remember, most often from my own management chain. So having heard it once too often, that's exactly what I'm about to do. My health has suffered significantly due to the stress of unfairly treating those who work for me: there are only so many times you can make a grown man cry and still feel good about yourself.

Posted By CH, Hampshire, UK: March 18, 2011 12:56 PM

Wow - I thought it was just me who was totally disgruntled. I have been a 2+ performer for more than 5 years and have seen a maximum of 5% p.a. increase in that time. (total increase in 5 years is less than 15% one year I was a 1 performer and got a 2% increase)

What I have seen is the corporation attempt to reduce my earnings every year. This is done through changes to the commission structures last year if you achieved 90% of Quota the corporation only paid 75% of your incentive (35% at 75% of Quota).

I firmly believe that SAM has hired a team of actuaries to work on ways to pay us less and increase EPS.

This is no longer a fun place to be - we all looked at HP a few years ago with disgust as their management asked all employees to take a cut in salary to assist in getting through the recession, they then **Posted** record earnings and paid it all back to employees. IBM have been cutting our salaries for years with tiny insignificant increases.

Posted By Anon, not a US IBMer: March 18, 2011 5:50 AM

This is a case study in the making. At least Lou Gerstner made it a point to get restructuring finished in order to stabilize the teams. Sam has now changed the process to continually layoff resources, each action intentionally designed so it's small enough to avoid too much attention, but large enough for employees to constantly feel squeezed and threatened. Kind of like a rolling thunder. So yes, business has changed. I wonder how far that strategy holds up, and at what point it backfires. The sentiments expressed in many of these comments don't surprise me, I see it from top to bottom, so don't dismiss it as union hype. I think strategically it's a potential train wreck.

The executive compensation growth versus the employee compensation decline is just the lightning rod that is fueling this latest outrage. Sam and the senior leadership team have lost touch with the employee base, but in the end they just don't care.

Sam's retirement will occur when the job markets start to rebound, and the brain drain at IBM starts.

Posted By "1" Performer, New York , NY: March 17, 2011 4:31 PM

Okay all you investors out there...so now the truth about IBM is out there.

The "real" story here is all these comments from IBMers, past and present, me included.

WAKE UP ARMONK!!! This company is about to implode! After 25 years myself, I hope this company reaps what it's sown over the last 15 years.

Posted By Me, Atlanta, GA: March 17, 2011 3:57 PM

To Ex-ibmer UK who commented on Andy Piper's post. Well said! I've had 24 years in IBM and I am a 1 performer (top performer for non-IBMers) and I am in fear constantly. I fear being layed off for being in the wrong place at the wrong time, and I fear being one of the skeletal crew left that have to pick up the pieces without the team I loved working with. Damned if you do, damned if you don't.

Posted By Damned, USA: March 17, 2011 3:25 PM

It's about time the management found their backbone and spoke up against the Executives and tell them how we are really treated in IBM. Executives are filling their own pockets and not thinking of the bigger IBM, it's future and more importantly the employees who actually make the company.

Posted By Amir Khan, UK: March 17, 2011 11:07 AM

Don't forget about the beleaguered contractors working at IBM.. I've been at IBM going on 11 years and my pay has been cut, my job is constantly on the line for redundancy, and I see my fellow contractors being laid off/rehired in a viscous cycle of saving money and cutting costs and moving jobs overseas all the time.

Posted By Alan Hawkins, RTP NC: March 17, 2011 9:34 AM

Andy Piper.

I'm genuinely pleased that you are enjoying life in IBM. I too had many enjoyable years with the company.

However, your view on IBMers identifying themselves is naive, at best.

IBM is not going to rebuke Andy Piper for praising IBM publicly. Possibly, it might even boost Andy Piper's career. IBM will, however, admonish/discipline/sack Andy Piper for criticizing IBM publicly.

I, and I'm sure many other IBM colleagues, have already given voice to the many concerns raised on this page, in various forums at all levels within IBM. My experience was that nobody was listening. In frustration, IBMers have therefore resorted to other outlets to give vent to their concerns for the company, outlets like this page.

The fact that IBMers are afraid to voice their opinions in their own names says more about the culture of fear in IBM than it does about the cowardice of IBMers.

Posted By Ex-ibmer UK: March 17, 2011 8:44 AM

I left IBM 20 years ago, and I now run a pharmaceutical contracting company. Customers demand a lot in our business and prices go down. To survive less workers have to do more work. IBM was a very friendly place in the late 80s, and the mainframe computer market was very profitable. Now they have to cut costs and find more innovative products than big iron. I salute Sam for making IBM competitive.

Posted By LG, Chicago IL: March 16, 2011 11:52 PM

10 years ago you would have never seen these types of comments. This is a wakeup call for the management in IBM that the pendulum has swung too far to the right and maybe IBM should slow down their labor arbitrage a bit before they start to hurt the fantastic IBM brand. Its just not good for the company to have these types of comments. IBM is too good a company.

I understand the need to become a premier Global company and having a balanced workforce. But, when it really starts to hurt the Brand by having very low morale, especially when its acknowledged that IBM's greatest asset is their employees.

Posted By kp armonk: March 16, 2011 9:17 PM

Hi there. I'm an IBMer. My name is Andy Piper and I work in the UK.

A personal view here - I'm disappointed by the number of my colleagues who feel that anonymous comments in a public forum is the way that our company does business. I've

always associated the "anonymous coward" commenter mentality with sites like Slashdot, rather than a respected publication like Fortune.

From our Social Computing Guidelines:

"3. Identify yourself—name and, when relevant, role at IBM—when you discuss IBM or IBM-related matters"

(by the way, there's a bunch of other related guidelines on that same page, worth re-reading for many of the other commenters I believe... if you're really all that rushed for time then do read the section "IBM supports open dialogue..." and consider the core values it refers to)

I'd also suggest that Lou Gerstner's memoir on his time at the company is an excellent read, and might remind folks where the company has come from, what it has been through, and the quality, diversity, and talent that continues to make it a fantastic organisation to work for. Innovation that Matters? Absolutely. And the Smarter Planet initiative and vision makes me proud to work for this organisation. Will I be with the company forever? Obviously I don't know that, I may make my own choices in the future, or have to respond to a changed circumstance. If we can continue to deliver the amazing technology that we have over the course of the past 100 years, and I can play a useful part in that, and it works for me, then I can see myself continuing to be proud to count myself as an IBMer.

Posted By Andy Piper: March 16, 2011 8:29 PM

As an ex-IBMer, I can honestly say leaving IBM was the best career choice I ever made. I'm working on much cooler projects now, I doubled my pay immediately after leaving (now on triple my IBM salary) and best of all I get to sleep in my own bed at night.

It was a pleasure working with so many bright and talented people at IBM, but the one thing that always managed to ruin my day was any contact with IBM's internal processes. The ridiculous annual appraisal, where you were judged on things you had no control over and expected to "give back" to IBM, by going beyond your already demanding goals was the thing that really annoyed. I worked ridiculously long hours away from my home and family and friends, was earning IBM a small fortune and I was marked down because of a lack of giveback, all whilst being paid well below market rates!

If you work at IBM, I'd suggest you leave now, IBM doesn't even look that great on the CV anymore! And if you're considering joining IBM, don't! You'll get much better experience and responsibility somewhere less horribly corporate

Posted By ex-IBMer, London: March 16, 2011 5:22 PM

I admit I am not an MBA, but if I invested the \$100B IBM spent in stock re-purchases, the more than \$30B IBM has spent in acquisitions, and in addition got more than \$5B from divestitures, I think I could end up with a company worth far more than the \$187B IBM is worth today. What is the ROI (based on the above investments) that Sam Palmisano has generated?

Posted By Engineer, Rochester, MN: March 16, 2011 4:42 PM

I wonder why so much negativity here from people working on the inside at IBM. Maybe the company has lost track of what made it one of the best companies to work for in the world?

Does anybody remember these? • Respect for the individual

- The best customer service in the world
- Excellence in everything you do

Posted By anon, florida: March 16, 2011 4:01 PM

The article and especially the photo accompanying the discussion of Mr. Gerstner are certainly fitting for a former head of a large corporation. Kudos.

Posted By Zardoz O'Day: March 16, 2011 12:27 PM

Innovation? There is no innovation anymore at IBM. None whatsoever! The CEO props up the stock by layoffs and cost cutting, share repurchases and acquisitions of companies (to add revenues) since IBM does no longer know how to innovate! At some this number game is going to fail and the company will collapse.

Posted By IBMer, Atlanta, GA: March 16, 2011 12:27 PM

The comments from IBMers is better than the article. They show the true nature of the situation for employees.

It is clear also that IBM is abandoning the US workforce and moving jobs offshore. IBM no longer even breaks down headcount by country in order to hide what is happening.

IBM employees worldwide are organizing in order to make their voice heard at

<http://www.allianceibm.org>

Posted By Lee Conrad Endicott, NY: March 16, 2011 11:24 AM

Adding insult to injury: <http://www.networkworld.com/news/2011/030811-ibm-palmisano-compensation.html>

Posted By IBMer, Basingstoke, UK: March 16, 2011 10:25 AM

Harbinder - you sum exactly what is wrong with capitalism and why it will never work. It depends on the few screwing the masses. Yes SOME people can make it to the top, but that means the majority of people who do the actual work get peanuts. Just look at the US health system..fantastic for the rich, but not available for 40 million people. Don't tell me you are proud of that.

There is a big sea change coming, and it's starting in Bahrain, Saudi Arabia, Tunisia etc

Posted By B Jones Portsmouth Hampshire: March 16, 2011 6:12 AM

Jessi, write a follow-up based on some of the comments attached to this article.

Record results, have not resulted in improved pay and conditions for the staff.

IBM in the UK have made pension changes which will cost me personally nearly \$500,000 on a modest assumption of living 15 years beyond retirement. Morale is completely terrible with everybody I know in the company fearful about their jobs. Pay increases are completely inadequate with even top performers not even keeping pace with low to modest inflation rates. The short-term horizon of the senior executives, as demonstrated by Sam Palmisano will completely destroy the future of this business.

Posted By CDW, Manchester, UK: March 15, 2011 8:43 PM

I recommend some real investigative journalism instead of this. Check where IBM's PROFIT has been coming from for decades. Check the software revenue and expense. Get real details: how much of the revenue came (still comes) from zSeries (i.e. 390) software? What sort of profit margin seems feasible (98%?). Who's being RA'd? (Hint: zSeries personnel).

Posted By John Smith, Winchester, UK: March 15, 2011 6:27 PM

What's wrong with IBM - where to begin? The unfair Personal Business Commitments (PBC) "forced ranking" appraisal system together with the associated "High Performance Culture" that leads "Performance Improvement Plans" and firings; the lack of pay rises - not even to keep up with inflation; the huge profit-based bonuses for the Execs (increased profit achieved by stripping away employee benefits); the employees' reducing bonuses based on (lack of) real company growth - and these bonuses weren't particularly generous to start with; more than a decade since IBM featured in the "Fortune 100 Best Companies to Work For"? (which really does say a *lot* about what this company is now like for its employees).

When I think how I used to truly love working for this company. People were treated fairly and willingly gave their all for IBM. Now morale is on the floor.

How to fix IBM? For a start, drop PBCs (forced ranking); drop all this High-Performance-Culture-morale-crushing nonsense; pay people properly and show them some respect - like the old IBM did. And base Exec & employee bonuses on the same metrics!

Posted By IBM 30-year veteran, UK: March 15, 2011 4:39 PM

Smarter Planet, Smarting Workforce.

I'm a line manager in IBM UK. My peers and my staff are wounded, disillusioned and angry with IBM.

Every year we are told that "the bar is raised", and our performance must improve. In order to avoid receiving a PBC 3 (a failed appraisal grade), staff are expected to work ridiculous hours, covering work broken by underqualified offshore staff.

IBMers, by their nature, work hard. I don't have slackers in my teams, and I don't know of any "dead wood" in the teams I work with. I'm proud to work with the brilliant people I work with. Yet IBM insists on allocating failed grades to 17% of its staff every year, year after year. Even after making hundreds of people redundant every year (removing the theoretically weaker performers) IBM still continues with its 17% failed PBC policy.

The system crushes people. I've had staff in tears, after working every hour under the sun for IBM, and sacrificing their work-life balance for the company time and time again, they get a failed appraisal from IBM, and a kick in the teeth as thanks for their hard work.

A failed appraisal grade means no pay rise, no bonus, threat of redundancy, professional shame (yes IBMers are proud of their hard work). It leads to immense stress, and often leads to depression and illness. This counter-productive, unfair system is Palmisano's baby. It's used as a tool to manage costs, freezing salaries, reducing bonus costs, forcing people to leave. It has absolutely nothing to do with improving performance or developing people.

If IBMers find themselves in the bottom performance quartile for two successive years, they are subject to automatic disciplinary action and formal written warning. I have personally been forced to discipline staff who have done nothing at all wrong. That is the true face of Palmisano's IBM. It's a bullying, mean, nasty company. I'm actively looking for opportunities outside of the company, as are many of my talented colleagues. IBM will reap what it has sown. Palmisano however, will be long gone, sitting on his yacht counting his millions.

Posted By leaving IBM - UK: March 15, 2011 4:00 PM

I am a current IBM employee with almost 28 years with the company including numerous staff and management jobs. I've had over 20 jobs in 8 different divisions in 4 different states in IBM and I consider myself very well educated and experienced within IBM. I've had to lay people off and have seen many other let go. And as hard as it was to go through the layoffs that impacted my areas of responsibility, in the beginning of IBM layoffs, they were very necessary for IBM to survive as a business and get healthy again; however, things have changed drastically.

You need to know that I truly love this company, and would do almost anything to ensure it is successful, and even did to the point of almost losing my family in the process until I realized my family is more important and rebalanced my life. I think the people in IBM are some of the best at what they do and even though many of us are not as favorable about IBM and its current policies for its employees as we've been in the past, I truly believe that most of us have so much pride in who we are as IBM'ers and proud of the work we do, that we will continue to work hard for the company, even those whose comments reveal their frustrations toward IBM.

I believe that the issue you read in these notes from current IBM'ers and ex-IBM'ers isn't really just about the amount of pay and benefits as much the inequities within the company, and by the way, this is not just in IBM, its happening across corporate America. There are the have's and have not's and the gap between them is growing greater every day. I am happy with my pay, I am doing much better then I ever dreamed when I was young, its all relative. But when your company tells you that it is better for all of us to share the profits together, as one unit, vs. having different profit sharing by division, and we are all in this game together, and then you see your profit sharing declining every year even though your level and performance are exactly the same AND our executives are getting almost 2x in their profit sharing, then something is wrong with the system.

I know that reducing the top executives pay does not add up to a lot on the grand scheme of IBM's total compensation, however, it is the message that is being sent to the staff and direct line people that is not right. If we are all truly in this together then Sam and his staff need to

find a better way to share the profits during the good times. If they don't, and it maybe too late, when the economy and jobs do turn around, IBM will lose a lot of Intellectual Property from many of us that know how to run the company because we will either retire if able, or find another place to work. In my 28 years, I've never seen moral so low, and I thought I saw the lowest in 1993 when IBM had to layoff people for the first ever in its history, which to me, was a major turning point in our history.

I clearly understand the importance of growing the business and keeping your stockholders happy, but at this rate and pace, neither of those two things will happen over the long term if your employees' moral is degrading year after year. To all who read these comments, including Armonk, this is a wake up call. If you didn't realize this before, then you need to get out and talk (not survey or chat) to people.

Thinking about all the money we make, personally, I would rather have all that bloated executive pay go towards making America a better place to live by putting it towards better health care and education. Most of us in IBM don't need it, we think we do, but the reality is there are many more in our country that need it a lot more. That's another topic for another time. Thank you for reading.

From a seasoned veteran of IBM concerned with the IBM'ers well being and its impact on the "Long Term Future" of IBM.

Posted By Concerned IBM employee, Fishkill, New York: March 15, 2011 2:08 PM

Many of the comments here are absolutely correct. I am now working for a company with no soul and no ethics - where EPS and EXEC Bonuses drive everything. My EXEC has communicated verbally to me only twice, once this time last year to announce a swathe of redundancies in the UK, and secondly last week to announce what was it? Oh yes another swathe of redundancies in the UK. Add to that one paltry 1.5% payrise in 5 years, a cut in pension of 35%, consistent benefit cuts. The IBM of today sees its employees pure and simply as a cost, nothing else.

Posted By wishicouldleave, Portsmouth. UK.: March 15, 2011 12:50 PM

Life at IBM:

Rising revenue and profits for shareholders, decreasing pay, bonuses and working conditions for employees.

Divisions and sometimes (often!) even departments competing against each other - bad for the customer.

Dedication to every clients success? Really really no, only to EPS. Customers rapidly beginning to twig.

One part of the business suffers - lets just heap more pressure on a part that's doing well to do even better - as if the employees have been deliberately operating at 80% in that part.

Disfunctional reasoning.

Agressive and bullying sales management styles - intimidating for the average hard working IBMer who by their nature - wants to give their best.

Monolithitic and out of control expense management. 1st line business owners are demanded to grow their businesses and given no investment to do so. Naive executive management.

Competitors mopping up our best people at a rate of knots.

There's only one way this is heading.

Posted By IBMer, UK: March 15, 2011 12:31 PM

Wow, as I sit at my laptop in NYC and read this article, it's inconceivable to believe that this author is talking about the IBM that I am a part of. You see, I just received my GDP check today and it was 32% less than what it was last year. OK, you math majors out there - after reading the propaganda in this article about how great IBM's performance was in 2010, why would a payment that is based on individual performance ("extraordinary" performance in 2010 - for non IBM'ers reading this - that is a "1" performance rating...) and corporate performance (according to our chief executive, we set RECORDS in profit) be substantially

less than what it was last year? Now if our executives were also receiving less in their bonuses year to year perhaps these paltry payments would be more palatable to swallow. But in what has become all too typical within IBM, there are different measurements for executives and surprise, surprise - their measurements provide for higher bonus payments than the prior year. I am wondering what type of performance will be necessary in future years that will allow a run of the mill, non executive employee to capitalize on GDP? We know what kind of year allows executives to excel - please provide us rank and file with some guidance on what herculean efforts above and beyond what we have already done need to be realized in order to reap the awards that the executive team has certainly earned.

By the way, I thought only the US had these less than stellar feelings about our CEO. It seems that we can't hold a candle to our compatriots across the pond. I always liked the UK.....

Posted By beyond caring about IBM any longer: March 15, 2011 8:14 AM

I'm an IBMer from India. I'm sorry to hear that a lot of you lost your jobs and we are the people grabbed your jobs. We admit that we are not doing a job involving 'Rocket Science'. We have been given only some low level and low grade jobs which normally you people hate to do. Our jobs are not matching with our skills. We have to do whatever the job we are assigned to else we will get lower rating and ending up losing our job. Our performance is also not measured based on the work we have been doing. Instead our ratings are pre-programmed based on some percentage allotted to each ratings (viz., 1, 2+, 2 and 3). Similar is our bonus levels. We never get more than 2-3% of increments or bonus though it is mentioned as maximum of 12% in our contract agreement. We never got that much percentage either in terms of salary or bonus. This is just to let you know that here it is not a paradise. We (with 20+ years of experience) are under the 2000 dollars per month. Our salary grow only by 2-3% every year for the past 5 years, when the economic situation here is really bad (everything is 30% more expensive than last years). All the benefits (including tea / coffee have been cut) and now they have plans to collect parking fee from each and every employee (to improve profit). There is no carrier here as we also hear a massive job cut this year in India (to shift our job to low cost centres like philippines, china and vietnam).

Posted By Laxmikanth, Mysore, Karnataka: March 15, 2011 7:16 AM

Ibm are void of any original ideas. I call them the abattoir of innovation. Where good ideas go to get slaughtered, patented and never heard from again.

Rather than fix product problems they ignore them acquire a new company and move on.

Posted By bob: March 15, 2011 6:09 AM

We've seen devastating loss of market share in our part of the business, because IBM won't invest in competing - yet it expects us to keep growing the business and increasing market share. This is typical of the type of penny-pinching which starts with charging a fortune for coffee in the office and includes a marketing budget more akin to a small start-up. There is some great innovation, but no-one gets to hear about it. Everyone keeps raving about Watson and Jeopardy, but that's not going to help the areas of the business where Watson's victory is totally irrelevant.

As for morale, just ask the people who form the steady exodus to places like Microsoft and Oracle. I envy them and plan to follow as soon as the right thing comes along. The company's annual review system (that's what's referred to by PBC) is a joke - mine was decided even before I sat down with my manager. My average grade is a result of working long hours, evenings and weekends. It affects my potential for a pay rise in the next year, but to be honest that's not much of a worry. Public Sector workers complain about 3% pay rises - they don't know how lucky they are.

OTE (on target earnings) - that's a joke too. Every year IBM find a way to decrease it. Even if targets are met, they still find a way to pay less than OTE. So thanks IBM, after the many

years of loyal service that's what I get. When the best talent walks out of the door you only have yourself to blame.

Posted By IBM employee, London, England: March 15, 2011 4:52 AM

Its interesting to see so many IBMers from around the world who share the same experiences. Our company was purchased by IBM a few years ago. We were a great company with market leading technology, smart people, and a great culture. IBM has slowly destroyed us.

All of the talented people are melting away - as they move forward in their careers they find that their salaries don't keep up and they can make more money working for competitors.

They also find its better to work pretty much anywhere else.

IBM has cut everything. Raises are poor. Bonuses are poor. There are no budgets for training. There is no money for equipment. Staff cuts happen every year regardless of the financial state of our business unit. We can't backfill people who leave. Its impossible to make things happen in an environment where you have no resources. The stress level for those who stay is constantly increasing.

The fact is that the environment for people who still work here gets worse and worse every year. Few employees see themselves as having a long term future in IBM. In one rare moment when we actually were able to go out and hire, the HR recruiter complained that she had trouble recruiting people because word has gotten around in our local community that this is not a good place to work.

I think IBM is boosting its short term profits by making cuts that will kill it in the long term.

You can't have a successful high tech company if you can't retain smart people who understand technology. You can't just go out and buy people like that. They care about the environment they work in and not just how much they are getting paid. They want to come in to a place with a good culture. So, once IBM realizes that they actually need people to lead, they are going to be up a creek without a paddle. It will take years to undo the damage that has been done.

But, I'm sure there are plenty of idiots in Manhattan who think you can run a great technology company with people who only work for you because they can't get a better job. Many of these are the same people who almost destroyed the global economy by over investing in "innovative" packages of mortgages and had their whole industry bailed out by the tax payer. Not exactly our best and brightest, but certainly our wealthiest and best connected. IBM is a symptom of a bigger problem.

Posted By Location intentionally withheld: March 14, 2011 10:08 PM

Global Business Services in the UK where I work is a ticking time bomb that will explode in Palmisano's face any day now (or whoever replaces him). The business model is simply unsustainable, sky high utilisation targets with no time to refresh you skills and an intolerable level of internal bureaucracy means we are delivering poorer and poorer quality projects to our clients. Further, they know this and starting to move to our competitors. This is not "whinging" as some on here would have, it's happening now and Sam and his cronies had better wake up soon before this once great company disappears off the face of this "smarter" planet. Of course I am worried about my future here but more than anything I'm worried about what SP is doing to this once great company.

Posted By UKIBMer, London, United Kingdom: March 14, 2011 3:34 PM

I thought slave labour had been abolished?

Not with IBM. Low pay, lack of prospect, if you do your job you stay there, work extra hrs, oh and if you don't you're not a team player.

Personal Business Commitments, nothing personal about them.

Posted By IBMer, Farnborough, UK: March 14, 2011 1:04 PM

The EPS growth is a bubble. And at some point it will burst and come crashing down, if the current strategy is pursued further. The reason I am sure of this is because you can only keep fishing down the back of the sofa for loose change so much. Eventually, there is nothing there

and nothing more to cut. Of course the crash may not come until Sam's successor is in place, however, as someone else has pointed out, Sam does not have a strong and consistent record of revenue growth. Letting go or making it uncompetitive for the talented to stay, will - is already - feed through to lower service levels and poorer products. On the current trajectory, that will reach a tipping point, the markets will recognise it, and IBM will have a big fall. Then there will be no more speeches to the Council on Foreign Relations and Chatham House. Smarter Planet? Not so Smart CEO.

Posted By IBM Lifer, UK.: March 14, 2011 12:59 PM

I would venture to say that there is not an IBMer on the planet that is not experiencing the lowest morale of their career at this point, no matter how long they have been with the company. In the past, we used to be proud to say we worked for IBM when someone asked us what we did for a living. Now the response is a whispered 'ibm' in hopes the person doesn't hear us. I am embarrassed to work for this company. Employees are down-trodden and abused. We work extremely long hours and uncompensated for our efforts. Most of us work under a dark cloud now wondering when our names will appear on the next Resource Action (kinder word for layoffs).

Posted By Used N. Abused, Armonk, NY: March 14, 2011 12:43 PM

Maybe we've been luckier here in the UK where we are continuing to recruit in certain areas to meet demand, and I appreciate that losing a job is one of the worst things that can happen, particularly if one has been working for a company for so long.

But I still feel hugely proud to work for IBM. Why? Because of the fantastic things that are done across the world by great teams of people: from amazing useful inventions in the Research labs to the on the ground delivery making a positive difference to people and businesses. I find myself constantly working with great people, enthusiastic about the work they do for themselves, their colleagues & their clients. Of course, like every business in the world, it's not perfect - there's always further one could go - yet I still feel that initiatives such as Smarter Planet are vital; a much needed contribution for a better world. IBM's Corporate Service Corps is another great example of great work. Landmark breakthroughs and achievements over the 100 year history show that there is much to be proud of.

What about investment in people? I have long held this maxim: if you don't ask, you don't get. I have never felt that I have not had enough training or people development at IBM. It's easy to moan or complain. I have always found both at IBM & previously, if you take a positive attitude: ask, explain your rationale, then you can make it happen. It's about going out there, being persistent and seizing the opportunities, or creating them where they don't exist.

So what do I make of the cost cutting exercises to raise profitability? The world economy has changed so much; the world is connected & 'live' to an extent that's becoming fast impossible to handle effectively. Comparing any business to even just a few years ago has little meaning as the world faces it's future. So, on the face of it, why wouldn't you be as efficient as possible? That's what all well-run businesses strive for. We've been helping clients to reduce costs for years; if you can do something more efficiently at lower cost, why wouldn't you?

Why wouldn't you save money? Nearly always I will try to get the best price on a purchase: only occasionally do I think to myself, 'Oh, I'd like to pay more for this so that I give these people more money'. No, in general, I will try to reduce my own costs, or where I do pay more, I am buying something else such as customer service or the buying experience itself. It's rare that paying more will be truly altruistic. I imagine most people, including the majority of the commentators here, will admit to behaving similarly. Applying this attitude, why wouldn't I want IBM to reduce costs too? I do not have a management position, & yet I actively want IBM to save money because I know that will help the business to remain competitive and better protect itself from the unexpected.

But what if I lose my job and it is done by somebody else at lower cost, how do I feel? For me personally it's bad; the net effect however is nil as someone else has gained a job. If my job is

replaced by a machine, how do I feel? Again, for me it's bad; but if I believe in efficiency how can I argue against that? Machines have replaced people for hundreds of years; I've never argued we should return to doing work more manually again. These thoughts are very rational: I realise this sets aside huge emotional feelings, such as being paid back for one's loyalty. But there is no contract for loyalty. Perhaps it's human nature to assume there is an unwritten code for this.

If I get no payrise, how do I feel? I am fortunate enough to be able to save some of my earnings every year therefore my real life impact is actually nil. Again, this is highly rational: of course I would like a payrise even I just save it or spend it on something over & above my basic needs; or a payrise helps me feel rewarded; or it may motivate me to work harder. But if I still don't like it, then I can look for another job. And if I can't find another job that offers what I want at the right price & conditions, then that would suggest that the company has made an efficient choice in choosing not to give a payrise to me. As long as the quality of my work does not go down significantly, pure market economics would suggest there would be no need to pay more for the service I provide.

As one of the other commentators has indicated, we have to remember that we work for a business owned by shareholders. Unlike organisations owned exclusively by the people that work for them, that has inherent implications that we have to accept. Emotionally, yes, it would be nice to be financially rewarded more, but I find I have no difficulty standing by all of the logic above. At the end of the day it comes down to whether we share profits with shareholders or employees. There's no rule about what the balance should be. For the good of the company overall maybe the balance has swung too much towards shareholders; in the current economic climate, maybe not: don't forget economic conditions have been dire since the collapse of the banks. So, for all the great work we do with great people, I am still proud to be an IBMer as, I am quite certain, are many many thousands of IBMers across the world. I believe IBM is a great company with the potential to become even better: not just EPS, but also, as we emerge from recession, including in areas many of your comments point to. I hope my 'article' helps add an interesting, & perhaps helpful, perspective.

Posted By J M Douglas, St Albans, UK: March 14, 2011 10:08 AM

Dear Super Sam,

Your article left me wondering whether this was really the company I am working for! I stop reading the whole thing, didn't want to waste my time - blowing your own trumpet.

Why did you fail to mention Human Resources is mainly for the Executives and middle management. They get away with murder and HR helps them along. You will go to any extent to save money for the company. Employees no longer get tea/coffee/milk and Christmas lunch celebrations have also been taken away! People can't travel to duly complete their assigned work.

Do you even have a conscience? How can you sleep well at night when your employees have such low morale!??

Posted By IBMer, Sydney, NSW, Australia: March 13, 2011 11:43 PM

Having worked for IBM in the UK for over 30 years only to see my promised pension decimated by Sam and his cronies I had to laugh at at this article otherwise I would have cried. Sam may have lined the pockets of the shareholders and his senior execs but he's killed the heart and soul of IBM, the people. Sam will learn that he's only as good as the people who work for him. More and more talented people are leaving IBM because of Sam's personnel policies. IBM's reputation as a good employer is being rapidly eroded and that can only be bad for IBM and its employees. As a younger IBM employee said to me on hearing that I'd left to protect my pension before Sam decimated what I'd worked for for 30 years "your one of the lucky one's" I've no choice but to stay until the economy picks up " Yeh, great job Sam but I don't think history will be to kind to you.

Posted By Scott, forced retiral UK: March 13, 2011 9:03 AM

IBM has lost its way.

As an employee I've no problem with the company updating its practices - we learned in the late 80s that things have to change, you can't be complacent. However, the cavalier way in which the company has decided that employee loyalty, and promises made over many years, can be simply discarded is misguided at best, and dishonest at worst. The constant chasing of quarterly profit at the expense of employees is corrosive and unsustainable - there will be a time in the future when these particular chickens will come home to roost. Maybe IBM has enough momentum (or inertia?) to survive that as it survived the crisis of the late 80s, but it will be just as painful to recover from, if not more so.

The most disheartening thing is to see young professionals having the enthusiasm and eagerness crushed out of them as they gradually realise that IBM doesn't give a hoot about them, their careers, or their future, just about this quarters profits. Watching Sam and the other senior execs get fat at our expense has been an unpleasant experience - the only saving grace is that normal IBM employees are still some of the most professional and talented people in IT.

Posted By Current employee, Hampshire, UK: March 12, 2011 7:16 PM

I have been on the chopping block (R/A) three times in the last 15 years. The good thing is that I had the skills to move onto another job within IBM but thats rarely the case. IBM often freeze jobs right before the layoffs so jobs you may be qualified are unavailable. It's a mass layoff that has nothing to do with skills but rather moving jobs to lower paying countries. A few years ago IBM was offering US employees the opportunity to take jobs at the prevailing local wages in foreign countries. The new stock purchase program is sad compared to the old program.

Innovation at IBM? Where?

Whats unfortunante is that with most of the recent compensation cuts is there is no incentive to strive to go the extra mile and excel. Quarterly bonuses and challenges have been eliminated for many people and working 50+ hours a week is expected. IBM put a big push for the mobility worker and now they cut what used to be provided to the mobility worker.

Morale is down, total income is down for many employees, pensions are gone except for a few lucky ones. If someone was lucky enough to work for IBM for 30 or 40 in years gone by, take the money and run as the best of times are past.

Posted By Anonymous: March 12, 2011 4:56 PM

I would like to contact the author of this article so I can provide her with what the reality is with regard to IBM, its Chairman and the majority of its workforce. Up until the latest earnings cycle, we managers were, for the most part, attempting to toe the party line despite the deterioration in morale, respect for its employees and their contributions and the overall malaise that has overtaken the non executive population at IBM.

When your chairman boasts (and frankly this might be his greatest trait besides outsourcing the domestic workforce) about 2010 earnings and uses all of the superlatives that accompany record breaking performances, even us swill of the earth non executives thought for one fleeting moment, the "trickle down" theory of economics would apply to some extent. But instead, the inverse was applicable - the more IBM earns in profit and revenue, the less GDP profit sharing is earned by the bulk of its employee population.

Think about it Sam - can you please have your crack finance team put together a presentation that somehow explains in the great IBM bureaucratic tradition how to "normalize" the results and shortchange the majority of the employee population. Rather than hobnobbing with Barack Obama, try listening to your employees and understand how unhappy they are.

Trust me, the bulk of these comments are not from "deadwood" veterans who were resource actioned out of their jobs because they couldn't keep their skills current. The folks most upset with you and your policies are folks who are your key contributors - 1 and 2+ performers who toil 50 - 70 hours per week and see less in compensation the better IBM performs.

But you still have a chance to rectify this and come out smelling like the proverbial rose. Blame this gross injustice called 2010 GDP payments on some mid level executive and his staff - replenish the bucket to the extent that all 1's and 2+ receive AT LEAST the same as what they received last year and it will be a beginning on the road to rebuilding your reputation.

Posted By a disillusioned manager in Connecticut: March 12, 2011 12:09 PM

As an experienced & successful Enterprise Middleware seller, supposedly the 'big engine' of topline revenue growth and profit; intended to power IBM to its 2015 goals, I have been immensely dismayed to see the steady procession of highly talented and long-serving colleagues in UK SWG (inc. Brand Leaders) move to join competitors over recent months. I agree with previous posters; in that the Corporation is seemingly making ZERO effort to retain skilled staff, with the drive to reduce costs (to feed EPS) trumping ALL. In the trenches, the predictable net result is greater pressure, higher quotas and lower earnings potential for those who remain, which merely serves to accelerate the downward spiral. I'd imagine that amongst the Execs, the expectation is that we should be delighted to accept being (consistently) paid on the 25 market percentile, the shortfall presumably being bridged by the inherent pride of being an IBMer...unfortunately my Bank Manager is increasingly unwilling to see it that way, and faced with the prospect of going slowly broke with Big Blue, I too, THINK I will shortly be 'seeking new career challenges'. From what I've already seen, I have every confidence of realistically doubling my total remuneration, in a broadly comparable role. Telling.

Posted By IBMer, London, UK.: March 12, 2011 10:48 AM

IBM = India Based Manpower...enuff said

Posted By IBMer, Quebec, Canada: March 11, 2011 8:30 PM

All the credit goes to Sam for making this iconic American technology giant as a new 21st century "globally integrated" profit hungry corporation for its share holders and high level executives by sacrificing anything getting in the way including most important assets - talented & dedicated employees who toil every day to build the company.

Posted By Steve, Chicago, IL: March 11, 2011 5:39 PM

It's amazing to me how many IBM'ers are willing to stand up in these comments and voice their displeasure for what's happening with IBM. And, specifically our Executive team. C'mon Fortune.....Or, any other magazine. Run an article on the inner workings of the company and get the real picture. Inflation and Quality of life costs go up. The average employees capability to keep up goes down every year. Shouldn't someone be telling THAT story. The only reason the company does well is BECAUSE of it's employees.

Posted By IBM'er BTV: March 11, 2011 4:09 PM

If Fortune is interested in some traditional investigative journalism, they might want to dig a little deeper and uncover what I call IBM's "Dirty Little Secret". This company has deteriorated consistently and dramatically over the past 15 years while its EPS has grown. Why you might ask? Relatively simple - keep all of the profits generated at the expense of the rank and file with Sam and his executive team.

If Fortune would like to generate a bit of comedic relief, I suggest they examine IBM's "GDP" or profit sharing matrix - big on rhetoric and short on payment. In 2010, according to our erstwhile chairman, IBM broke all records - yet - surprise - all of the profit payments were down up to 30% year to year. Perhaps the winnings by our Watson computer on Jeopardy can be used to replenish the GDP bucket. Or perhaps someone can explain to Sam that there is a serious disconnect between company earnings and employee profit sharing. Lastly, as a manager who is tasked with the unenviable requirement of explaining how we are setting records but lowering profit sharing with our employees, can the powers that be come up with better "talking points"? They are an absolute embarrassment to use with our employees. I

suggest we hire spin doctors from CNN and FOX news to help us explain the inexplicable. Ever onward IBM.....

Posted By A Manager in the East IMT: March 11, 2011 3:18 PM

In 2010 IBM made a net profit of \$14.8bn.

In the same year, IBM "returned \$18.6 billion to shareholders through \$3.2 billion in dividends and \$15.4 billion of share repurchases".

See link for details...

<http://www-03.ibm.com/press/us/en/pressrelease/33414.wss>

Yes readers, IBM spent more money buying its own shares last year than it made in profit.

Sound like a sustainable business model to you? No, I didn't think so.

Blowing your cash manipulating the share price isn't going to generate the clever products of tomorrow that your customers need. It's your customers that pay your wages Sam, not the shareholders. You forget that at your peril.

Posted By Paul, Portsmouth UK: March 11, 2011 1:24 PM

As a current IBM employee, the people commenting about short-term cost cutting have it exactly right. In recent years long-term employees have been forced out by the pensions fiasco, younger band 6-8s are quitting in droves, and nobody is ever replaced. Minimal payrises (in the last two years a PBC 2+, 1 and a promotion got me 1.5% and 1.5% - and i'm one of the 'high performer' lucky ones), declining benefits, no education, no replacement hardware ... everything's been cut to reduce short-term expenses.

Result: severely under-resourced development (and we don't have a test team any more), buggy software, furious customers, overloaded service teams... short term it works and pumps SWG numbers, but long term the billion-dollar product I work on is being driven into the dust.

Posted By David, Winchester, UK: March 11, 2011 11:43 AM

EPS is the only thing that counts for Sam and his cronies. If that means completely ruining the morale of the company he doesn't care. None of the management do, or if they do they are too scared about their own jobs to speak up. This was a great company once with employees that were proud to work for it. Sam Palmisano should be ashamed of what he has done.

Posted By IBMer, Manchester, UK: March 11, 2011 10:08 AM

As a UK IBM employee, and soon to be ex-employee (I'm getting out now), my main reason for leaving is lack of respect and lack of reward; no pay rise since 2007; a stunning performance by IBM, My team and Personally was very poorly rewarded. I have key skills in a growing technical area and would have personally brought in £250K revenue in just normal work let alone additional new business.

Did anyone at the high-levels bother about this. Nope. Not one bit.

The modern IBM does not care about employees; just costs and profit.

Posted By IBMer, Basingstoke, UK: March 11, 2011 8:35 AM

Its refreshing to see the dialog among past and current IBMer, I agree there appears to be quite a disconnect of the observations of the article and people who work directly in IBM, maybe Fortune could broaden its research on this topic.

Posted By IBMer, Raleigh, NC: March 11, 2011 8:00 AM

IBM is not only bad in US, do you think that work for IBM in other country such as Argentina or India is better ? we are all under the same rules and IBM is IBM in every country in the world.

We have very low salaries, IBM politics are not to pay over time hours, the company is doing billions and our bonuses are coins... and even if some people complain about work being done in other countries I can assure that here we have a lot of professional people with lot of skill and experience and also doing the work in a second language.. I would like to see people in US just trying to work in Spanish.. but this is not the point.

Salaries are not updated, inflation is not respected, over time hours are not payed and every

day we hear stories of IBMers resigning they're jobs going to work to other company for a better salary.

Wish things could be different, and not have to be looking for another job out of the company as many of my coworkers.

Posted By IBMer, Argentina: March 10, 2011 2:06 PM

Hi All,

I'm IBMer (from Argentina). And I'm NOT glad to say that. I know that a lot of you lost your jobs and we are the people that are doing your tasks. And to be honest with you we hate that. I believe that in Argentina we do a great job too (actually I get congrats every day from US)but is not fare you get fired. Just for you to know here tehre is not a paradise. We are under the 1000 dollars per month (and we have the same cost of ife here than there in us or more). They tpook out all the benefits we get. Our bonus was lower than the 2 %. Last year our salary grow only 1-3% when the economic situation here is really bad (everything is 30% more expensive than last years). We have great technicians here, great people great workers but they all are going out from here (IBM). There is no carrier, the \$ is really sad... so I just can tell you that I can understand you, and no this is not the same company that 80 years ago appears in Argentina.

This is just what we think here in the south America

Posted By IBMer in ARgentina: March 10, 2011 1:35 PM

As a US employee, these negative comments aptly describe the simmering resentment I feel about IBM. For the past sevealr years IBM earnings and stock price have climbed, yet our bonuses are cut. The rationale = we didn't "grow enough". We didn't? Well the executives still got their bonuses and stock options. Yet after putting in 60 hour weeks due to 1/3 of my dept being laid off in the past 3 years, that was not good enough? I beg to differ. What this displays is simply the greed that has overtaken IBM executive management. The executives claim "employees are our most important asset", but I realize now that's because if they need to impress Wall St with more cost cutting, they just load up a few more thousand jobs into the torpedo tube and fire!

Perhaps a more sobering aspect of this story is the realization that this is the future direction of the country. US workers salary, benefits, even their very jobs are going down and away while China, India, Brazil, etc. will have jobs added and salaries increase. Those forces will continue until they are more balanced, but that will leave the US standard of living decimated and the economy reeling as there are no longer consumers able to spend. I fear for my children as that happens.

Posted By Dave G. Austin, Tx: March 10, 2011 7:13 AM

The worst mistake of my career was joining IBM. The second worst mistake of my career was staying there for 10 years in the vain hope that things would improve. They didn't.

IBM is run as a sweatshop purely to boost EPS, period. The workforce are down-trodden, expendable and abused. Palmisano is the architect of carnage in the lives of tens of thousands of skillful, dedicated IBMers and in the lives of their long-suffering families.

Smarter Planet? IBM is a bureaucratic, inefficient, lumbering monster. If that's Sam's vision for the future of planet Earth, book me on the next shuttle (RIP) trip to Mars. IBM needs to get its own house in order, treat its people with respect and live upto its fine traditions, before it starts preaching to the planet. The Smarter tag is just a ploy to get more government tax dollars from fat outsourcing deals. Having witnessed first-hand the comical IBM offshoring fiasco of recent years, I wouldn't outsource management of my electric tin opener to IBM, let alone allow IBM to manage a major IT installation. Child, play and loaded gun spring to mind.

Palmisano has managed in a decade to destroy something precious that took 90 years to build. Now the trust has gone, the respect has gone, the morals have gone, the morale has gone. Shame on you Palmisano.

Posted By Andy. Ex-IBMer. Making money with an honourable US Blue Chip.: March 9, 2011 2:42 PM

I work in the services division of IBM. After the 'RA' slaughter of American workers, here's what I see:

- IBM executives no longer talk to us. We never see them, no email communication, nothing. When Gerstner was in charge, he'd get on the television and talk to us at least once a quarter.
- Smart Planet... fine. But in services we don't see any emphasis on growing the business. The pressure to 'cut' is tremendous.

- I cannot communication with non-US employees. I end up cutting the call short because I can't understand them.

- Our support teams are siloed. No one goes above and beyond anymore. They turn their widget and that's it. Working together and teamwork is going the way of a 30 year employee.

- Our main productivity tool is a spreadsheet. A spreadsheet in a technology company! Unbelievable.

- We are audit compliance focused. Customer? What customer?

- Someone mentioned fear. Yes, morale is in the toilet. No one knows when the grim reaper will appear and your job disappears.

- While Sammy and the exeutives reap millions of dollars, we humble employees are told, 'sorry, didn't make the numbers. You're bonus is lower this year... and no raise again.'

I would love, JUST LOVE, to have this conversation with an IBM executive. But I can't find one.

Posted By Hanging on, Boulder, CO: March 9, 2011 1:30 PM

This is a shameless puff piece that could have (has?) been written by IBM's public relations department.

Revenues have been flat for years. Earnings have been increased by share buybacks and massive reductions in labor costs through offshoring of jobs. In the process, quality has suffered significantly.

Though customer rumblings about poor performance have started, Palmisano will retire before the major effects on the company's business will be felt.

Posted By Jason Brand, New York, NY: March 9, 2011 1:18 PM

This year I have attended town hall meetings where employees have stood up, shouted down their division general manager (staying just a hare's breath away from using profanity) and been applauded by other employees (much to the consternation of the GM). This type of behavior would have been un-THINK-able in the IBM I knew. Employee morale has been decimated. They understood why their benefits were cut and their pay was stagnant (declining in real terms) over the last decade of tough times. They know that 2010 was a FANTASTIC year for IBM and they don't understand why they get NO SHARE of it. IBM had a great year and Sam is seeing an INCREASE in his bonus. Great! But the employees are seeing a DECREASE in their bonus. What? Didn't IBM have a great year? How does the boss get 180% (\$9M vs a \$5M plan)of his bonus plan and the employees get less than 60% of their plan (less than 3.5% vs a 6% plan). The employees I know are crushed. They know that results don't get much better than they were last year. If this is how they get treated when things get good then what could they possibly have to look forward to. They have awoken to the realization that the only think that they TRUST is that the SVPs and C-suite will continue to line their pockets while coming up with new and innovative ways to stepping on the backs of the employees.

Maybe this is a sustainable model, but I doubt it.

Fred, in Fishkill

Posted By Fred, Fishkill, NY: March 9, 2011 8:57 AM

I like this article on IBM. It makes you wonder what will be achieved in the next 100 yrs.

Posted By Eric, KL,M'sia: March 9, 2011 4:54 AM

IBM US Workers (1/4 of the total work force). Is it truly an American company? Please write an article about that.

2010: * I bet under 100k.... if you manage to decipher those numbers from the annual rpts

2009: 105,000

2008: 115,000

2007: 121,000

2006: 127,000

2005: 133,789

Then again, you will say his job is to make the company money... True... but at what cost?... ruining peoples life while top management pockets gets full?

Posted By Elvis, New York, NY: March 8, 2011 10:57 AM

I retired from IBM after 33 years with the company. I've since been working as a subcontractor for another 10 years. Is it the same company I joined 43 years ago - No; but neither is it the same world and the same industry it was 43 years ago.

I continue working for IBM because I enjoy the working partnership of the people it employs. Yes, I've had many working partners 'surplused' after long careers with IBM, but had Palmissano and Gerstner before him not made the tough decisions they have, the company likely would have been on the trash-heap of history.

It's sometimes hard to realize - but the purpose of a corporation is to return a profit to its shareholders. It is not to be a benevolent parent to its employees. When the company was founded, that was the way to increase profit; it's a different world today.

Kudus to them!

Posted By Al Raden, Boca Raton FL: March 8, 2011 9:10 AM

Much discussion here about the cost to US jobs of Super Sam's leadership. Not much to add there, except to second the sentiment that cuts are no longer just trimming the fat - and to say that it's not surprising when the dedicated workers left continue to do more with less and fix the problems created by the off-shore resources in an attempt to keep the customer satisfied (as much as possible).

If the business goes on at a lower cost, why would the leaders not continue that direction? So instead I pose the question of how long the business can or will go on? If the business is Strategic Outsourcing, it needs customers to buy the service. Those US customers are increasingly dissatisfied with the service they receive. And the dwindling US workforce trying to hold things together for them is increasingly burned out. EPS does not sell or support customers - dedication to a client's business does, and that value does not appear to be shared worldwide. I see a third act following Sam's tenure -- one where he takes his golden parachute billowing with the millions he makes for himself and the other top executives and runs away to leave IBM crumbling in the wake of a diminished client base.

Yes, EPS will continue to rise for a time, driven not only by cost takeout of US salaries and benefits but also by higher prices. Sam IS trying to drive revenue growth. And the way that is being done is through straight-out pricing increases -- no added value, no added service, software or hardware -- just plain out added markup.

Yes, Sam has expanded on the direction set by Lou before him. But, from what I remember, at least Lou was honest about it, and while still painful I could respect his straight talk. He would send division-wide communications announcing Resource Actions saying that he was trimming the fat. And even inviting those who were coasting and not maintaining their skills to leave and make room for someone more energetic. What ever happened to the VOLUNTARY separation package, that would allow the remaining workforce to rebalance before involuntary cuts? Long gone, I'm afraid. Instead, shrouded in secrecy, quality US

workers are replaced with off-shore workers whose water-cooler talk cheers the demise of the US overall in the global economy.

There is nothing wrong with growing the global economy and global jobs. In fact it's good. What IS wrong is doing so by needlessly shrinking the US economy - the US salary, US tax base and all the other US jobs that salary supports - with no benefit to the end US customer unless they also happen to be an IBM stockholder.

Posted By Hanging on but for how long? Twin Cities, MN: March 8, 2011 9:09 AM

Excellent article you wrote here, and a lot of interesting history about IBM. It's also undeniable that Sam has done great things for the company's stock price, unfortunately it's been done by ruining the lives of an awful lot of American IBMers, and by slowly destroying the company from within.

When I started at IBM in 2000, we were proud to say that we had 450,000 IBMers worldwide, 50,000 of which were overseas. Today we have 400,000 IBMers, and only about 130,000 are in the US. That means that in 10 years, 270,000 Americans were fired, or 27,000 per year - every year, for 10 years. That's an awful lot of ruined lives. And this pace has kept up as the economy tanked, and as we went into recession. IBM is more than doing it's part to contribute to that.

Those of us that are left are not getting raises, bonuses get smaller each year, there is no mobility upward or even sideways into different divisions. We're underpaid as compared to our peers in other comparable positions, and expected to work insane hours. Sam and his inner circle on the other hand spend all their time on the golf course, and collect BILLIONS in bonuses each year.

The feeling within the company is not one of Innovation and excitement, it's one of terror. The senior executives are brutal, screaming and cursing on calls and driving people to work 80 hour work weeks and achieve impossible goals. The cost cutting measures taken within the company are done with ONLY quarterly profits in mind, and will have dire consequences in another decade.

IBM has been a great company for 100 years largely on the strength and dedication of it's employees, who can and will do things no one else will, because they're dedicated, because they were proud to be IBMers. No more. Those days have gone, and those of us with real talent are going to leave the company as soon as the economy recovers.

In understand your magazine's angle is purely financial... if money is being made, noting else matters. And for that reason, you paint Sam as if he's a god. But in reality, and from within IBM, he's more akin to Satan.

Thank you for your time.

Posted By A Senior IBM Executive Manager: March 8, 2011 8:47 AM

Sam is raising the IBM stock price (and lining his pockets) at the expense of US/Canada workers. Highly skilled employees are fired (IBM calls it a "Resource Action") to be replaced by workers in low cost countries, mainly India and China. Many of these people fall just a few months short of 30 years of service and lose what little pension they may have gotten. The company is a shell of what it once was. They don't grow revenue, but they sure know how to cut expenses.

Posted By Liz, East Fishkill, New York: March 7, 2011 6:16 PM

Mr. Watson would definitely not be happy with Sam. During the depression Mr. Watson said he was more concerned with his people being able to put food on their table than making huge profits. He cared for American and its people. Sam could be helping the American economy by keeping Americans working. These are skilled technical employees...with great appraisal ratings. 5 years ago the lays offs just took the top layer of our flesh, but now he has taken the muscle and cutting into the bone. It takes 2 to 3 times the length to solve problems because the skill overseas doesn't know our applications. The latest cuts will hit our customers.

Where is the value if we don't have experts left to solve problems. Bill Gates cares for America and has a group willing to give back...do you see Sam on that list? NO. He only rubs elbows with people who want to cut jobs not save jobs. Cuts were needed 10 years ago, even 7 years ago. But the last 3 to 4 have hurt IBM. IBM is like a speeding train headed for a brick wall and Sam and his VPs have their heads so high in the clouds they won't see it until its too late. So sad. Wish Sam would look down long enough to figure it out. And it would be nice to see an article that tells it like it is. Not Sam's mafia version. The new technology and focus is good and needed but we need our people to run our business.

Posted By Rob in Arlington, TX: March 7, 2011 6:02 PM

If Palmisano is so great how come employee morale is so low? How come most IBM employees absolutely hate him and the rest of upper management? How come customers complain more and more about product quality and support?

Posted By Jac, san jose, ca: March 7, 2011 5:50 PM

The mahogany paneling maybe the only thing Sam Palmisano has preserved from Mr. Watson's day. During the past 10 years Thomas Watson (both Sr. and Jr.) has been rolling over in the grave.

Posted By J. Matick, DC: March 7, 2011 3:46 PM

IBM is a Great company, Sam is a great leader and I find this article to be balanced.

I work for a company that is a partner to IBM. I have been 18 years now and I have been involved in projects in and outside the USA.

I consider a privilege to witness how people transform their way of living using IBM's technological and services muscle. Fraud detection, water supply optimization, improvements in medical analysis, improvements that help teachers in places were you cannot imagine teaching possible... real stuff that saves lives. Not only toys that some selfish may consider the only source of innovation.

And yes, I am sure IBM also was a great company in the past as I sometimes have to deal with some old timers that are stuck in the 70's where it was all golden and great.

Yes, I know... "I gave all my life to this company and this is how they pay me, by transferring my job... bla bla bla..."

I feel sorry for them, as I feel sorry for all those that post complains, they are missing the best part of IBM.

Posted By Joan Stewart, San Jose, CA: March 7, 2011 3:40 PM

I'm sorry but this article is just way too positive. When you think of innovation IBM does not come to mind. Palmisano is just a shill. Lou G. did indeed save the company in the 90's. He was the right hatchet man for the job - but he was there too long, went too far and cut too deep. He didn't understand technology. He left the company without a heart - in the hands of executives that were out of touch with the history, people and vision necessary to keep it great. Palmisano returned the company to pre-Gurstner top heavy layers of management burdened with inefficient and ineffectual processes. Maybe his numbers look good but he did nothing to improve the company IMHO... he just rode it.

IBM when I "retired" from Global Services recently it was not the same company that I joined. It had abandoned its principles and everything that was its roots. It turned on its employees - Reneged on its promises. It turned its back on quality. It sent its jobs overseas to stay cost competitive because it lost the value and respect it once had. (I only have to offer as evidence Bob Moffat <http://www.makli.us/bob-moffat-arrested-0010156/> who I knew well enough to have no sympathy for).

I had a great 25+ year career with IBM but I'm glad I'm no longer there. The people I used to manage that still have jobs in USA are being abused. Some are forced to move at their own expense to keep their jobs. Salary cuts, long hours, lost benefits... its sad. Very very sad. Oh, but now they can play Jeopardy...

Posted By So Sad... Retired in FL.: March 7, 2011 1:27 PM

This discussion is important to bring to light, but as a relatively new (entry level, non-management) employee, I found that the sentiment of the article resonates with my feeling towards IBM. I have worked in growth markets technical strategy and now in IBM Research. This company is changing fast, and those whose skills and job descriptions align more with Smarter Planet, analytics, growth markets, etc. are probably more likely to be satisfied. I am proud to be a part of the incredible and meaningful innovation that is happening here. Despite the cost-cutting and layoffs (which I have not personally seen or experienced), there is a progressive, and innovative side to IBM. The people I work with care about and find meaning in their work. I believe the article captured that well.

Posted By Steve, New York, NY: March 7, 2011 1:10 PM

Being part of the Old IBM and seeing the IBM I'm not impressed with the gains that the company has made. While CEO Palmisano may have a vision for the future of the company how he and his staff obtain these goals is another issue. All too often over the past ten years the bottom lines were made by significant layoffs, elimination of manufacturing or sending it overseas, and reductions in development groups as well as funding. THIS type of management is not to be commended but rather questioned as it compromises the ability to acquire leadership in technologies as well as one's product lines. In the Old IBM employees were considered "golden" as they had the utmost respect of upper management. Bottom lines were made by sales of our world wide superior product lines. Today IBM is in the Services and Server industry. To my knowledge we do not dominate the market place in either of these areas but are just another "me to" company. Gone are the days where IBM owned the marketplace which is not the case today. One has to question why this is.

Now it is said often that "...times have changed" as an excuse for not conducting business as we did 50 years ago. Nonsense. Today's management style is easy, involves little risks, small development dollars, elimination of manufacturing, and it often uses employee layoffs to achieve the end of the year financial results. AND where is IBM today in doing their part to solution the unemployment problems that this country faces? The company has been deftly quiet. That to me is NOT the definition of outstanding leadership in Armonk. Far from it. Sorry but I'm disappointed with IBM in 2011. I remember what IBM used to be all too well.

Posted By Anonymous in Hilton Head, SC: March 7, 2011 12:17 PM

I second the comments made by San Jose Anonymous on 3/5/2011. I've been employed by IBM for 33 years. It is no longer the company I hired on with. Good performing teammates that had years of experience and necessary skills were let go and "replaced" by brand new hires in Slovakia, leaving people like me to do not only my own job but to teach the new people everything from the ground up. Of course IBM needs new markets. Americans who get laid off by companies like IBM can't afford the goods and services of US companies that have been IBM's strongest customers.

Posted By Anonymous, Raleigh, NC: March 7, 2011 12:10 PM

I agree IBM has done well. Imagine how much better they would have done if they did not desert the tens of thousands of dedicated 20 plus year US employees. I was a lucky 31 year employee that chose to leave and was able to get the pension I was promised in turn for a lower salary when I joined in 1977. While the decision to move from strictly a product company to a product, software and services company was indeed correct, it has come at a tremendous cost to the men, woman and the families the have enabled IBM to maintain 100 years of success only to be deceived and thrown to the curb as they reached what should be the pinnacle of their careers. An IBM with Ginny Rometty or Mike Daniels at the top will be an even worse place to be.

Shame on you Sam Palmisano.

Posted By New York, NY: March 7, 2011 10:15 AM

I've been retired 5 years after 35 years with IBM. I lived through the changes many decry in this blog. The plain fact is Gerstner and Palmisano saved IBM, period!

Sure, some of the changes were Draconian and many lost jobs, some without cause, but the severance packages were always fair and better than most. And those that remained had jobs - none of which would have existed without some drastic actions.

So its ironic that those in the lifeboat are complaining they are not on the ship that would hae sunk if they remained there. So let's be fair.

John E. Nevola - Author of The Last Jump - A Novel of World War II.

Posted By John E. Nevola - Author of The Last Jump - A Novel of World War II, Hackettstown, NJ: March 7, 2011 9:39 AM

My IBM job (and NOT highly paid 'expensive' job) was 'Globally Integrated' to a former USSR 2 1/2 month from my 30th anniversary. IBMs plan it to have all jobs filled with contractors or foreign employees. There is no respect for employees. I do not know how he sleeps being the most hated man in IBM.

Posted By KnifeInBack, Dallas Texas: March 7, 2011 9:18 AM

IBM can compete and still get back the morale it once had. There is 12 Billion in cash. Share some of it with your employees. Recent bonus dollars were cut back about 20% or more for some. This formula was manipulated to reduce cost. The value of the stock has risen significantly. It is about time, executives in Armonk provide a meaningful compensation package that at least keeps pace with inflation. Many of us stayed here, over the bad years, and made sacrifices. We were told it would be made up to us when things improved. Well things have improved, but we are not seeing the benefits. I'm not bitter, I am just stating the facts. Sure we are all happy with the improvements on paper. Morale however is very low and the motivation of the average worker here, and not the executive with perks and stock options has been affected. It should not be this way. Simply adding and improving the compensation plan, and adding some award money would supplant all this negative energy. I do hope someone in Armonk summarizes some of these comments. I did enjoy reading this article and the comments. Still happy with IBM, but know it can improve. It's about time, isn't it? Look inside, we deserve better.

Posted By RS, Piscataway, NJ: March 7, 2011 8:39 AM

This article is not looking at the big picture. It does not take into consideration the countless number of workers that have been laid off so Sam could look good. After 28 years and several months, I was laid off without full pension, no medical and with no warning. I suggest the magazine talk to more of the ex-employees. There is a right way and a wrong way to treat people who have given more than a quarter century of their life to this company.

Posted By Joe, Atlanta ,GA: March 6, 2011 9:02 PM

To "Retired Too" I also reside in Burlington, and I'm not sure if you wear blinders, but clearly you are not looking with your eyes wide open. I'm in GBS - I'm a '1' performer - consistently work 50-70 hrs a week, and constantly worry when the target will hit my back. I've seen many of my superior co-workers shown the door. These are experts in their field. They work on certifications, are willing to work 24x7, be on call, support their co-workers. How many times are US resources asked to fix problems due to the lack of knowledge from the offshore resources. Yes, offshore resources want to learn, but what happens when all the US resources no longer exist? Hmm.. don't think I want IBM stock when that happens.

Posted By Burlington, VT: March 6, 2011 8:55 PM

I knew Thomas Watson, and Sam you are no Thomas Watson.

Posted By TJ, Phila, PA: March 6, 2011 7:11 PM

Corrected audit type :

I am not a disgruntled worker. I was "RA'ed" recently. I trained my replacements on the accounts they were going to run. The replacements are located in Argentina and India. On one of the accounts that I was working on. The personal in Argentina falsified an e-mail from a Project Executive (PE). Indicated they had received permission to do some work on the account with the PE's approval. I noticed that the time stamp was wrong. It reported it to my

manager and nothing was done. The PE was not aware. This is an small example of what the out-sourcing people are doing. They can not do the work correctly and generate fake email to cover their mistakes. I have seen this more than once.

I had sat in on a manager meeting. Our manager told us that the SAS70 auditors were killing them. He stated that IBM were working deals on accounts that showed poorly in a SAS70 audit. Trying to keep them out of the final report and make the SAS70 audit look better.

Also, when working with my replacements in India. I was amazed on how little they knew about the service they were taking over. I was fielding calls all hours of the day and night to keep the account going because of low amount of training they had received in India.

I feel sorry for any accounts that does not have in the contract "US only or American only" people to work the accounts. This would save the clients loads of money and time.

Bottom line is Greed for the top people and talented people are being let go here.

Posted By Jack Greer, RTP, NC: March 6, 2011 6:12 PM

Dear RTP: Sounds to me like you're upper mgt @ IBM and if that's the case, then you're like the rest of your peers and somehow have lodged your head so far up the butt of the other person above you that it's impossible to see clearly. If you're familiar with flow charts, I can link you to a well known process for "Cranium removal from upper managements anus."

Posted By I've Been Molested, Boulder CO: March 6, 2011 4:07 PM

I'm the granddaughter of one of IBM's early techies, and grew up with IBM's former culture. I'm disgusted with what the new leaders have done to what was once a wonderful company. May it evaporate overseas, and may new American companies bloom in the place where it once was.

Posted By Barb, Denver, CO: March 6, 2011 3:35 PM

I am not a disgruntled worker. I was "RA'ed" recently. I trained my replacements on the accounts they were going to run. The replacements are located in Argentina and India. On one of the accounts that I was working on. The personal in Argentina falsified an e-mail from a Project Executive (PE). Indicated they had received permission to do some work on the account with the PE's approval. I noticed that the time stamp was wrong. It reported it to my manager and nothing was done. The PE was not aware. This is an small example of what the out-sourcing people are doing. They can not do the work correctly and generate fake email to cover their mistakes. I have seen this more than once.

I had sat in on a manager meeting. Our manager told us that the SOX auditors were killing them. He stated that IBM were working deals on accounts that showed poorly in a SOX audit. Trying to keep them out of the final report and make the SOX audit look better.

Also, when working with my replacements in India. I was amazed on how little they knew about the service they were taking over. I was fielding calls all hours of the day and night to keep the account going because of low amount of training they had received in India.

I feel sorry for any accounts that does not have in the contract "US only or American only" people to work the accounts. This would save the clients loads of money and time.

Bottom line is Greed for the top people and talented people are being let go here.

Posted By Jack Greer, RPT, NC: March 6, 2011 2:51 PM

I am a current IBMer and if you want an honest account of IBM's strategy, you need no more proof than this. I was personally in a meeting where Randy McDonald, Senior VP of Human Resources, made the following statement to a large group of mid-level managers: "Get your teams out of the U.S. before you can't." Lovely, huh?

Posted By Joe, Lexington, KY: March 6, 2011 2:02 PM

As a 25-year IBMer laid off about 7 years ago, I can say without doubt that the company has changed over the years, and not in a good way.

In the good ol' days, IBMers from the lowest to the highest rung on both the management and technical ladders had a high sense of loyalism, integrity, honesty and respect for the individual. And people felt relatively secure in their jobs. None of these apply now.

As a result, the company hasn't been truly innovative for many years, everyone's looking over their shoulders and most have little respect for the CEO who has stripped their pensions, benefits and salary increases while enriching his own. The Watson family members are rolling over in their graves.

Posted By Sad, New York: March 6, 2011 1:14 PM

To those who say they are doing great in IBM and calling the others posting negative comments whiners or union-lackrys, I don't see you refuting with facts. Without a counter-argument, your comments are more dismissive than the "whiners" and basically worthless.

Posted By Andy, Fort Lauderdale, FL: March 6, 2011 12:10 PM

Very good article of the turning of IBM. It demonstrates the flexibility of the management team and it's employees. It makes me proud to be on the IBM team. I hope that Sam's replacement will continue the path to success. Thank you IBM.

Posted By Austin beemer , Austin , Tx.: March 6, 2011 11:05 AM

To "Retired Too": You obviously left your cush job in Burlington and were probably even one of the lucky ones to get the old pension plan, huh? Or, do you just play golf with Mr. Palmisano? IBM has become an unpleasant place to work for many, particularly in the Global Services division. This is due to off-shoring of jobs. Morale is the LOWEST I've ever seen in my many years @ IBM. I am not in any union, but I assure you that it is painful working in IBM Global Services, seeing your colleagues laid off continuously and wondering when you will be next. They were not laid off due to performance. It was because their jobs were sent offshore. IBM is a big company, and some divisions are definitely more miserable than others. So, "Retired Too", consider yourself lucky, and have a little empathy for what it's like for others. And BTW, I am a "1" performer (1 is top), and I still do not feel secure in IBM, so there goes your theory.

Posted By Anonymous, San Jose, CA: March 5, 2011 9:24 PM

It's all right here:

<http://www.ibmemployee.com/>

Posted By Renshe Ducola, San Hose, CA: March 5, 2011 9:07 PM

Well I see some of the alliance readers are on a letter writing campaign trying to discredit the good job Sam is doing. I assume they can't stand the success of the company and the stock results. I enjoy working there and expect many more successful years.

Posted By RTP employee , Raleigh , NC: March 5, 2011 8:53 PM

As an IBM customer, I have to say I am disappointed in the quality of IBM Software Products. Onc upon a time IBM's software was solid with great customer support. Today's IBM software product are so buggy I had to hire extra staff to deal with all the complex problems that arose. It's become obvious that it's become more important to IBM that they manage quality instead of producing it. When I try to get fixes for obvious problems in their software, I get the run-around and delays and excuses. I'm very tired of it. I am in the process of researching competing products for an eventual top to bottom replacement. I do see some innovation, but it's not worth the cost to dependability for my critical systems.

Posted By Bill Hobson, Columbia,SC: March 5, 2011 8:39 PM

I am third generation IBMer. Sam and Lou have totally ruined a once great company. I worked in Endicott New York. At one time IBM Endicott employed over 12,000 people. Today there are a total of 500 IBM employees. Fourtune Managazine ought to do a story on Endicott New York, home of IBM, and see how Lou and Sam has ruined a town in upstate New York and discuss with the residents the drinking water from IBM chemicals.

Posted By Ana.,Dallas,Texas: March 5, 2011 7:20 PM

Hmmm... IBM lies too much... fooling people into believing they are creating "NEW JOBS" such as the 1300 jobs in dubuque, ia.... when they were just jobs of people they RA'd.... that's not what I call change that America Needs

Posted By Unknown: March 5, 2011 6:01 PM

With all due respect to '@Retired Too from Burlington Vermont', most IBM'ers I know who were RA'd were extremely talented technical people who were targeted because they were either over age 50 or were simply in positions that were targeted for offshoring or general headcount reduction and -were not- "people who failed to perform" as you have claimed. Being from Vermont, I would have expected you to be more sympathetic to the layoff issue since your local IBM Burlington Site took it's share of layoffs over the years with many high quality people being pushed out the door. Please have some empathy for talented hard working people who encounter a job loss due to conditions beyond their control and don't simply assume that they were fired due to incompetence. I personally volunteered to be RA'd in 2007 to allow someone else's job to be saved since I could readily retire and not because of a "failure to perform".

As a retired 30-year IBM veteran, I have worked with some wonderful people during my career and can honestly say that IBM has some awesomely talented people in their technical ranks and that they have arguably the best workforce in the world right here in the U.S.A. On the other hand, IBM Management 'led' by Sam Palmisello is totally clandestine and self-serving and are completely out of touch with the general IBM Employee Population. Employee morale at IBM is at 'rock-bottom' since they are generally overworked, underpaid, are totally disrespected by Management, are no longer provided with any sense of job security, and have seen many of their talented fellow IBM employees fired and their jobs moved to offshore locations (Brazil, India, China, etc.) simply for cheaper labor and definitely not for technical advantage. Their Raises and Promotions are rare and realistic career paths are non-existent for non-executive personnel. Many IBM'ers I know totally despise those pompous and greedy ARMONK-EY Executives and would hardly call them 'leaders' since they don't have a clue how to grow revenue and rely on perpetual cost cutting (offshoring, layoffs, salary rebanding, benefit reductions, etc.) as the primary means of profitability. The Technical folks are the major reason why IBM is a successful Corporation and they deserve the utmost respect from those IBM Corporate Executives.

A final thought:

Don't believe everything you read. IBM is probably a major advertiser for many of these Trade and Financial magazines and they would be hard pressed to print any negative stories about IBM and risk losing that 'Big Blue' revenue steam. Money talks and they will take all possible steps to protect that income by only printing 'glowing' stories about IBM.

Posted By JimW, Newburgh NY: March 5, 2011 5:16 PM

Excellent article! as a thirty-plus year IBMer who had the pleasure of working directly under Sam in the past, I am proud of what he has done to keep IBM growing. Too bad so many wannabe union cheese folks came hear looking for whine (pun intended), no wonder they aren't with the company anymore. IBM may have shrunk its U.S workfocre, but there was a lot of dead wood there that didn't realize the world was changing and new skills were needed, and wanted guarantees for doing so-so work. Just look at the jobs IBM is advertising on this jobs website, there is lots of opportunity for those with skills. I am glad how IBM is positioned for the future. Even if I should be laid off (which I doubt, since I maintained my skills and the whiners did not), I will still thank IBM for a great career, pay and benefits that will give me a comfortable retirement.

Posted By Happy IBMer, White Plans, NY: March 5, 2011 4:14 PM

Nice paid piece - but IBM is no longer a great company. Just ask the people that work there (I am one of them). Sam may have created solid financial results, but in the process he has stripped the heart and soul out of IBM's culture. Employees are treated as machines and not empowered. Over the next 5 years, 25,000 American IBMers will be discarded and replaced with cheaper Indian models. That is hardly sexy.

Posted By Jared Anders Plano, Texas: March 5, 2011 4:06 PM

It's not only in the US that IBM has been moving work to low cost countries and using tight cost control (including renegeing on promises previously made to its loyal workforce) as a way of driving up profit in the absence of any real growth. IBM is now run for the benefit of the senior execs, not the share-holders, not the Customers and not the employees. Does anyone really think an effective, dynamic, creative board could not find something better to do with the profits than buy back its own stock? Unless of course, buying back stock increases EPS and bonuses are linked to EPS.

As a counter to "Retired Too", I'm still employed by IBM and deemed an above average performer. This once great company is not utterly without any sort of moral compass.

Posted By Jim, Portsmouth, England: March 5, 2011 3:35 PM

unfortunately a public traded corporation doesn't answer to the state, federal gov..... they answer to their shareholders, customers, and investors. If it means shafting all the us employees due to the fact they can hire lower cost employees out of the country - they do it. Until the three (shareholders, customers, and investors) start saying no - it's gonna continue.

Posted By Ex IBM'r Raleigh NC: March 5, 2011 3:25 PM

The companies name is INTERNATIONAL business machines. So yes, Sam has done a great job finding success GLOBALLY. Yes that means a reduction in US employees but that's part of the business. He's taken the hard steps and taken advantage of growth opportunities outside the US.

I do feel for the US workers. I've seen some slackers let go, which was great. I've also seen some high performers get laid off which was tough. But this is not a communist country. Its capitalism and Sam doesnt need to care about the US or any of the US employees. He needs to worry about the company and he has done really good job at that.

Posted By Harbinder, Atlanta, GA: March 5, 2011 2:46 PM

To 'Retired Too' re: "... I see a few disgruntled people who failed to perform are here complaining...". Please note that IBM has fired MANY people that were absolutely top performers and loyal employees for many years! It does not matter what ones rating or ranking is if IBM decides to ship your job to a BRIC country. Many of these top performers could easily fill other job slots within IBM but IBM does not care. They are only concerned with finding a cheaper resource and they tell anyone who has been put on a 'resource action' list (i.e. fired) that they have 30 days to find another job - and then they freeze hiring for anyone on the list. Short term - things are looking great for IBM shareholders because of this massive cost cutting. Long term - heading towards a major catastrophe. IBM continues to get rid of top U.S. employees at a record rate. This will catch up with them.

Posted By Retired Also, Austin, TX: March 5, 2011 2:40 PM

IBM's sole focus is totally on EPS. The EPS graph looks spectacular, but look beneath the covers and it's all an illusion.

IBM's revenue figures for example (in \$Bn):

2003 - 89
2004 - 96
2005 - 91
2006 - 91
2007 - 98
2008 - 103
2009 - 95
2010 - 99

(Source - IBM.com)

Hardly spectacular. Over the same period, IBM has propped up EPS by spending \$Billions on share buy-backs: instead of investing hard-earned profits in long term growth, it has frittered away billions on short term gain for investors. IBM has even borrowed additional \$Billions to buy-back its own shares! Utter short-term folly.

Palmisano has also destroyed IBM morale in the US and Europe. Evidence for this? IBMer overall employee satisfaction levels in internal surveys is at record lows (about 50% of IBMers say they don't like working for IBM). Further evidence can be gleaned from the fact that IBM has not featured at all in the Fortune 100 best places to work in almost a decade. Despite the hype about Watson and Jeopardy, the bulk of IBM's business is not in supercomputers, it's in provision of IT services. The bulk of this business is now in low-cost countries. IBM regularly lays off highly experienced Western IBMers and ships work to inexperienced staff in India/China. The service subsequently delivered to customers is appalling. Witness numerous high-level complaints from the like of Air New Zealand. It's not the fault of the Indian/Chinese/off-shore IBMers, they have been dropped in the deep end. It's the fault of Palmisano and his cohorts, chasing a cheap buck in the lowest cost labor pool. Under Palmisano's tenure, IBM has implemented a brutal staff appraisal system. In short, the system attempts to "manage out" about 1 in 5 IBMers every year (the "relatively low performers"). An IBMer can perform their job in an exemplary fashion, and still be forced to leave. The system is hated by a large proportion of IBM staff and managers. If we look at IBM's results since 2003, Palmisano himself should have been "managed out" when revenue dived in 2005, 2007 and 2009. Sadly, Palmisano doesn't seem to apply the same exacting appraisal standards to his own stuttering performance!

Overall, Palmisano has been a disaster for IBM. He has wrecked the morale and ethic (respect for the individual) of a once great company. Palmisano is cited as saying "It's not you're father's IBM". He's right. Our IBM forefathers would be shocked and dismayed at what this greedy, immoral man has done to the company of Thomas J Watson. Watson once said "A manager is an assistant to his men". Palmisano does not care about his troops, and he is certainly no Thomas J Watson.

Posted By Dismayed IBMer: March 5, 2011 2:25 PM

Retired Too, are you a shill for management? Gutting the US workforce is a short term solution that will not succeed in the long run. You say that the American workers fail to perform. If you mean fail to perform for only pennies per day, perhaps so, but that's not a true failure. Did you get your cushy pension and medical benefits? Those who are being kicked to the curb now are being stymied. Fortune mag shows its true colors here, as a very partial reporter.

Posted By Anonymous, Somewhere, OK: March 5, 2011 2:17 PM

It's all smoke and mirrors. EPS is the rule of the day, and cut/cut/cut to make that happen. Don't invest in your people, and offshore every mature-market job to BRIC asap. It's a sad state of affairs

Posted By IBMer, Louisville KY: March 5, 2011 2:16 PM

Great article. Sam has done a great job in continuing to bring the company around. I see a few disgruntled people who failed to perform are here complaining about them being fired. It seems they are having a write in contest from the small make believe union group. I'm sure people can see the success of Sam's management based on the performance of the company. After retiring last year I am more than happy with the stock performance. Great company and solid management with a great employee team.

Posted By Retired Too , Burlington , Vt.: March 5, 2011 1:29 PM

Let's talk about how IBM is "expanding hot businesses", shall we? IBM buys a US company that has a product IBM couldn't develop, then transfers ownership of the product to one of its sites in BRIC and lays off the US staff. What a great way to reward and encourage American innovation.

Posted By Countzero, Endicott, NY: March 5, 2011 1:14 PM

@Joseph Smith...thanks for commenting on that...Revenue is truly down, so the only way to increase is to cut...how do you think IBM will meet their goal of 20 bucks a share in 5 years...bye bye to all US workers except Sam's group...

Some of our clients in our division put in the contract not to offshore any work, because they know the quality stinks. Americans have to do all the rework when offshoring totally messes up the programs, etc....so in the long run, clients are paying more than they would if we did it to begin with.

Posted By Anonymous, Shiphouse, WY: March 5, 2011 12:39 PM

IBM under Sam Palmisano has been offshoring U.S. jobs to the BRIC Nations (Brazil, Russia, India, China, also Vietnam, Malaysia, Phillipines, Argentina) at a frantic pace for many years simply for cheaper labor and never for technical advantage. For example, staffing in India has jumped from just 9,000 workers in 2003 to 74,000 workers in 2007 while U.S. jobs have steadily declined. IBM has chosen profit over patriotism which is treasonous and therefore should *NOT* be eligible for tax breaks since they are eroding the Federal, State, and Local tax bases and are contributing to the devastation of the U.S. economy by eliminating U.S. Jobs. It is rather disgraceful that IBM laid off Employees after disclosing a 4Q2008 profit of \$4.4 billion in arguably one of the worst Economies since the Great Depression. IBM simply took advantage of the prevailing economic conditions to fly under the radar and justify these layoffs to fatten up their bottom line and Corporate Fat Cat wallets. A smarter approach for a profitable company in a down economy would be to show some loyalty and retain their valuable employees rather than risk a mass exodus by their top talent when other employment opportunities become available. No Talent - No Company! From a personal standpoint, I am a retired IBM'er who was Resource Actioned in 2007 at which time my job was offshored to Brazil, so I have first hand experience with IBM layoffs.

IBM will also extort money from the various States to keep the jobs in place and will pit each state against the other to up the ante. The sole residence factor for a Corporation should be that there is a skillful local labor pool available and not how much money the State will fork over to IBM to appease them and supplement the labor cost.

<http://www.recordonline.com/apps/pbcs.dll/article?AID=/20090123/BIZ/901230359>

Posted By JimW, Newburgh NY: March 5, 2011 12:37 PM

What a joke...IBM has done nothing but layoff all their US workers including me. I was forced to relocate to another state by my IBM Manager 6 months later I was reassured my job was safe I purchased a new home in the new state because I was "just relocating" even though my house in the other state had not sold yet. Then was layed off gee Thanks Sam now I have two houses and no job. Should have just axed me before making me relocate HELLO what is wrong with that picture?

Posted By Unemployed, Boulder, Colorado: March 5, 2011 12:23 PM

Amazing how consistent the comments are. Sam represents whats worse in corporate America. Cut the employees salaries and massive layoffs while the bosses bonuses go up for the executives. History will view these titans as responsible for the downfall of the United States.

IBM has totally turned its back on US employees and the 100 years we spent building the company.

If you want to learn about the character of IBM execs look at Bob Moffatt.

Posted By Bob, Raleigh NC: March 5, 2011 11:55 AM

This whole praise is BS. The Company is making profits by moving thousands of high-tech jobs offshore (cheap sweatshops in the name of Gloablisation!) while we Americans are now jobless. Shamefully IBM has a culture of laying off hard working & dedicated American workers who have been preached BLUE values. I guess Sam's innovation is to boost stock value at the expense of the middle class hard working folks in this country! Our Govt. needs to regulate better, before we dwindle down to being a third World!

Posted By AJ, Columbus, OH: March 5, 2011 11:22 AM

When I think of INNOVATION I think of corporations Apple or Microsoft. Not IBM.

Can anyone picture Palmisano doing an IT pitch like Steve Jobs does or Bill Gates used to do?

IBM? I just think of acquiring (buying through acquisitions) innovation and just cheap offshored IT services.

Once IBM cost cuts itself to death to make their almighty EPS target we can finally lament what was once a great company.

Palmisano, a junior executive compared to Gerstner, need not have any worry. He will retire and sleep on a 24K gold sheeted mattress filled with tons of \$\$\$ much like his predecessor Gerstner.

Posted By anonymous, Poughkeepsie, NY: March 5, 2011 11:18 AM

IBM will no longer give headcount numbers for it's USA workforce. Why? To obfuscate the resource actions (RAs) they continually do. And Palmisano is supposedly advising President Obama on job creation? IBM is offshoring more USA jobs and only hiring a fraction of USA jobs they are RAing. Palmisano should not be on the President's advisory panel. Since IBM's pillar belief was dropped with Gerstner and now further buried by Palmisano of "RESPECT FOR THE INDIVIDUAL" IBM feels they no longer have to disclose USA IBM employment information.

To say IBM doesn't have to disclose this information because their competitors sometime don't shows IBM doesn't truly lead anymore, but does follow the crowd.

If IBM had integrity and was forthcoming with the information in the past it shared, like employment numbers, then maybe it would be the great company it used to be.

Posted By Bill McGreevy, Wingdale NY: March 5, 2011 11:07 AM

What an unbelievable group of myopic whiners. Wake up, old timers - the world has passed you by. You're out at IBM because your skill set is no longer needed and your entitlement mindset is a relic of the 1950's and 60's. Thinking like that is what nearly destroyed IBM in the early 90's. Nothing lasts forever; not jobs, not company cultures, not terms of employment. It's a globally integrated enterprise now at the top of its game and if that means moving work to the BRICs, it's hardly IBM's fault. I'm a 33-year employee in my mid-50's and while I could get whacked tomorrow, I'm proud to be a member of a company that has figured out how to prosper in the toughest economic conditions in decades. Snipe at us if you wish while you cash your dividend checks, but I'm betting Big Blue will be around in 2111.

Posted By Jim, Oklahoma City, OK: March 5, 2011 10:07 AM

Oh, please.

IBM's no Apple and this guy just knows how to outsource jobs.

Laid off another 250 people just last week.

He's no Steve Jobs.

Posted By lrd, ny, ny: March 5, 2011 10:03 AM

Sure the stock price is going up but at what cost? Tens of thousands of people that made lifetime career choices based on what IBM promised them are laid off. All this to line Sam's pockets with millions in compensation. IBM used to be an honorable company but not any more. I'd be will to bet that Sam does not loose any of his benefits.

Posted By Bob, Lodi, NJ: March 5, 2011 7:32 AM

Interesting article. Palmisano's strategy is this. Raise earnings per share in a two-fold strategy: buy back shares and cut costs. Buy-back is simple. Cost cutting: increase low cost India employees, decrease US and EU employees.

He cuts US + EU employees in two main ways. Each year 25% forced low performance grades - once you have one of these your days are numbered. He also uses legal loop holes as per UK where 850+ 50-55 year olds were given Hobson's choice regarding their pension.

Both methods are dishonourable to time served employees.

What is lacking in IBM strategy is any technical developments, OK so the new Power 7 chip continues the strong market hold of mainframe and big UNIX boxes where competition is

weak. However in the Wintel space and datacentre the network companies like Cisco and Juniper will dominate. Software group is a strong business model to be fair.

IBM has become a Services sweatshop based on low cost delivery. They are losing many skilled and talented customer facing people in US+EU. It is hard to sell and project manage from India. It can only result in poor service and customer defections.

The Earnings per share strategy has driven share price increase. Where is the Revenue increase strategy? The share price is over inflated. Palmisano's legacy will be judged by corporate history.

Posted By ExIBM, London, UK: March 5, 2011 3:49 AM

What is so hard about laying off your higher paid staff and replace them with lower paid staff from low-cost countries? And in the process increase your profit margin? Any first year MBA student can do that. What has IBM done in the past 7 years to grow revenue? The revenue stays pretty much constant during Mr. Palmisano's stewardship of the company. The only reason why profits kept on growing because of massive cost cutting at the expense of IBM's employees in North America, and Western Europe i.e high cost countries. IBM is now an acronym for Indians, Brazilians and Mainland Chinese.

Posted By Joseph Smith, Los Angeles, CA: March 5, 2011 1:44 AM

Our company has IT helpdesk support & some of them are in South America. What a joke - they are probably nice people but they are under-skilled and act like robots...no help at all. I'm amazed we actually pay for this "support". As someone else said our company's executive don't use this helpdesk so why would they care about the level of service. It will swing back the other way as people in the US realize outsourcing gains you nothing but problems.

Posted By Staffer in Tech Firm, Boulder CO: March 4, 2011 11:17 PM

The record EPS numbers is directly on the backs of former(fired) and current(soon to be fired) IBM employees. Is it any wonder why Doug Shelton (IBM spokesman) states "we do not comments on layoffs" It's because they DO NOT want anyone (especially Obama) to know IBM is silently and surgically firing their US employees and moving work to the BRICS. Fortune, please investigate and report level and complete journalism, not just the feel good stories that tickle the money-bone of top 2% in this country.

Posted By Delhi Gupta, RTP, NC: March 4, 2011 10:49 PM

Everytime I see Sammy I get sick to my stomach. I was let go on Black Friday April '09 with 10,000 other U.S. employees, and after 30 years of service. If you work for IBM and are over 50 years old looking at retirement just forget it. Age discrimination is rampant at IBM. I bet Sam will get to retire with full benefits and a multimillion dollar payout. Then you see him at some summit with the president talking about creating jobs... yeah, maybe in India.

Posted By St. Louis, MO: March 4, 2011 9:43 PM

How about discussing the fact they have record profits, but thats due to cutting expenses but consistently firing good US workers and hiring people in overseas markets.

Let's discuss how we have record profits and record performance, but US bonuses are less than last year, our raises are barely 1-2%, yet costs keep going up (benefits up 46% over the last 2 years). IBM does not live up to the values and traits they expect us to follow.

Posted By Anonymous, Belkin, OK: March 4, 2011 9:34 PM

IBM will probably be Sam as the sole employee & everyone else as a vendor, business partner or sub con. Hey Watson, how close is IBM turning into Enron?

Posted By Ides of March, Baltimore: March 4, 2011 8:59 PM

What this article fails to see, is that he is selling out for bonus money, his only concern is share price. Why is it high, because they spend the profits buying it back to limit shares, raising the price. What does he invest in the company. ZERO. Anyone who is a non executive lives day to day with threats for personal reduction. IBM claims to be fair and progressive, yet first line managers hire people with no experience for more money than people working at the

company for 10 years. Ask a actual non management employee what IBM truly is, not a spokesman who hides in Armonk behind corporate lawyers.

Posted By Jake Banefield, Newark NJ: March 4, 2011 8:56 PM

Sam has worked very hard at improving the company's earnings and bottom line but the culture here and employee morale is at an all time low. It would be better to own stock in IBM, rather than work here unless you're up very high in mgmt. Almost everything that made working at IBM over the decades has been cut. There's nothing great about IBM as an employer. Outperform and you might keep your job. Perform to expectations and you're surely gone soon -- your job sent to India/Asia.

More than 100,000 jobs have been sent overseas. No loyalty to the people that help produce the so-called turnaround.

Posted By john s., dallas, tx: March 4, 2011 8:22 PM

"Somewhere the ghost of Tom Watson Sr. is smiling." - More like turning over in his grave. Respect for the individual is a thing of the past in IBM.

Posted By ScrewYouSam, Lexington, KY: March 4, 2011 8:20 PM

I am an IBM retiree who was forced out after 28 years and have steadily watched my "free for life" medical costs go up. The respect for the individual principle went out the window with Lou and Sam was a great student, learning all the tricks. Most admired? IBM used to be number 1 on best company to work for; now it is not in the top 100. Sam is a greed CEO, certainly not a role model for any moral person.

Posted By IBM retiree, Richardson, TX: March 4, 2011 7:06 PM

It is inaccurate to say that Sam Palmisano has "expanded hot businesses such as supercomputing." The High Performance Computing (HPC) business pre-dates Palmisano's tenure as CEO. In addition, the development cost of the current iteration of the project comes almost entirely from a contract with the Department of Defense (and DARPA). It is called PERCS, and was a highly publicized win for IBM, as they had to compete for the project. Having worked in HPC at IBM for over 10 years, I have witnessed the software testing and lower-level programming support jobs shift to IBM development labs in China and India. A highly-skilled software development group continues to be employed in the US, albeit with fewer resources and head count. Were it not for the government contract, which requires an integrated hardware and software solution, I am convinced that IBM would not be in the HPC game to the same extent. There is an internal push to make an off-the-shelf HPC solution and shift all of the development to India. This is not innovation. Fortune needs to provide another example besides supercomputing to support the claim that Palmisano has "expanded into hot new businesses". Within IBM, he is mostly known for outsourcing IBM's US workforce.

Posted By Innovator?: March 4, 2011 6:41 PM

In 2009/10 IBM UK forced over 850 older employees into early retirement without any of the usual redundancy or early retirement packages - as part of IBM's programme to transfer jobs from the US and UK to India, China, and other low cost countries. Over 250 of those employees are now taking IBM UK to Industrial Tribunals for unfair dismissal and age discrimination. Sam's reputation, and that of IBM, will be badly damaged when IBM UK is found to be guilty of age discrimination.

Posted By Retired IBMer, Winchester, UK: March 4, 2011 6:22 PM

He is doing this by firing (RA is the IBM Term) North American staff 600+ this month alone. Morale is so bad in the company at this time you wouldn't believe it. In 2010 they would not even release the 2010 results in Canada they were so bad. Sam you will be gone before the real impact of your changes become apparent, just ask your buddies at Toyota how their Lean Program has worked out. How many recall in the past 18 months. Your time is coming.

Posted By HP Exec Now, New York, New York.: March 4, 2011 4:52 PM

Yeah, Sam is super great. When IBM fails to cut it, instead of admitting the problem is internal to IBM, he claims some external issue and sells the business unit off. IBM profits are

driven by exploiting cheap global labor, and driving US based wages down via any means possible. They few times a Sam P. led IBM has attempted to drive technical innovation have been a joke.

Posted By Clive Smithy, Raleigh, NC: March 4, 2011 4:48 PM

Yes IBM use to be a great place to work. Respect of the individual was their motto. It is now respect for the almighty buck. I worked their 14 years and ever 6 months I had to lay more people off. When it was my time to go, I was happy. We won't even bring up the fact that IBM took people's retirement away from them. Many people made career decisions based on this. Its a shame that Mr. Palmissano's goal is to pretty much outsource the entire company. Why should he care, he'll be sitting on millions of dollars when he retires.

Posted By Katherine Jacobs RTP NC: March 4, 2011 4:46 PM

It's mostly smoke and mirrors. Earnings per Share has risen almost solely on massive buy backs. IBM is maniacal about hating Americans. It was announced in their 2010 earnings call that \$8B of "efficiencies" are expected over the next five years. That translates into \$8B worth of American jobs going off the books.

Posted By Bob, Atlanta, GA: March 4, 2011 4:03 PM

This article fails to mention the tens of thousands of America workers, many in the prime of their careers, IBM permanently laid-off to help bolster the stock price. It is a strategic tool used to bolster short-term stock gains at the expense of IBM talent.

It also fails to mention the tens of billions of dollars of stock buy-backs that IBM has made over his career, money better spent on improving the company rather than a short-term stock gain gimmick.

Palmisano may be the darling of Wall St. (and the Bush Clan), but he is the devil incarnate of tens of thousands of American works, including me.

Posted By Former Big Blue, Denver, Co.: March 4, 2011 2:59 PM

"Palmisano also delivers quarter after quarter"? Really? This is only after firing employees quarter after quarter. Come on, wake up Fortune and tell the WHOLE story.

Posted By Raleigh, NC: March 4, 2011 2:20 PM

What Palmisano did was all the more impressive because Gerstner left him with a compromised balance sheet, which isn't uncommon for CEOs of large firms to leave their successors.

So, for investors in IBM, watch the accruals when Palmisano leaves. Perhaps he will be more honorable.

Posted By David Merkel, Baltimore, MD: March 4, 2011 11:17 AM

Great piece. Thanks for the insight into Mr. Palmisano.

Posted By Lorenzo, Atlanta, GA: March 4, 2011 10:48 AM

He is a genius. I always have admired him.

Posted By Samir Shah, Mumbai, Maharashtra, India: March 4, 2011 7:55 AM

« Who's winning the smartphone race?

Steve Jobs' post-PC credo »

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