

## IBM To Invest \$6 Billion In India To Increase Offshore IT Services Offerings

IBM currently employs 43,000 workers in India, up from 23,000 just one year ago.

Jun 6, 2006 - By [Paul McDougall](#)

Courtesy of [InformationWeek](#)

IBM said Tuesday that it will triple its current level of investment in India over the next three years, bringing its total spending in the country during the period to \$6 billion. The plan aims to vastly increase the range of IBM's offshore computer services offerings. Those services are designed to help businesses cut costs, but critics say they also threaten U.S. tech jobs.

In a sign of IBM's no holds barred approach to India, CEO Sam Palmisano personally announced the plan in the IT hub of Bangalore as he spoke to a group that included Wall Street financial analysts, 10,000 IBM employees, and Indian president Dr. A.P.J. Abdul Kalam.

"If you are not here in India, making the right investments and finding and developing the best employees and business partners, then you won't be able to combine the skills and expertise here with skills and expertise from around the world, in ways that can help our clients be successful," said Palmisano. "I'm here today to say that IBM is not going to miss this opportunity."

The announcement comes on the heels of a plan IBM unveiled in March, under which the company is moving all development of business solutions based on service-oriented architectures to Bangalore.

U.S. labor advocates charge that Western tech companies like IBM overstate the business benefits offered by India and that their recent hiring binge in the country is motivated mostly by the desire to slash salaries. Programmers in India are typically paid anywhere from 40% to 80% less than their U.S. counterparts, though salaries in the country are on the rise as more companies compete for staff. Among others, Dell, Hewlett Packard, and Computer Sciences Corporation are also significantly boosting hiring in India.

IBM currently employs 43,000 workers in India, up from 23,000 just one year ago. At the same time, the Armonk, N.Y.-based company has been quietly trimming payrolls in the U.S., where its staff complement is now less than 150,000. IBM officials were not immediately available to comment on how plans for India would impact the U.S. operations. On a Web site operated by current and former IBM staffers, [www.allianceIBM.org](http://www.allianceIBM.org), posters routinely share news about layoffs at IBM sites around the country.

To be sure, however, IBM's \$6 billion investment in India will help fund a number of new initiatives that should benefit its roster of blue chip business customers. The company says it will launch "a new breed" of service delivery centers in Bangalore that feature breakthrough technologies designed to automate the delivery of a number of common IT services, such as network monitoring, server, and storage management. That could give U.S. companies the option to offshore or automate a far greater range of IT functions by outsourcing to IBM.

Additionally, scientists and engineers at IBM's eight, global research labs will be paired with Bangalore-based service delivery experts to find ways to further enhance the provisioning of IT services from remote locations.

Also in Bangalore, IBM will open a Systems & Technology Group Innovation, Development, and Executive Briefing Center. There, customers who fly in from around the world will be able to test out IBM servers and other hardware in various configurations running a range of system and application software. It will also offer facilities for performance benchmarking of equipment and proof of concept work with a special focus on Linux-based systems.

IBM further plans to launch a research and development center for telecommunications at its research lab in New Delhi. IBM says researchers at the center will look for ways in which telecom providers can make better use of data—such as call center records—to better serve customers. The company also says it will increase staffing at its On Demand solutions lab in Bangalore.

Finally, IBM unveiled plans for an academic initiative in India called The Great Mind Challenge. IBM mentors will work with students at the country's engineering schools on various business software projects. The top 20 projects will be put on the Internet and offered free of charge to end users and IBM Business Partners. The program will begin June 15 and continue through the end of this year.