

Big Blue blossoms in India

IBM Corporation, which is investing \$6 billion in India over the next three years, already employs nearly 75,000 people in the country, and expects revenues to top \$1 billion this year. It has emerged amongst the most successful MNCs in India.

A report by **Shivkamal**.



ONE in every five employees of global technology giant IBM Corp is an Indian. This may not come as a surprise for a company that has caught everyone's imagination. But what is more interesting is that its work force in India is now more or less on par with the country's second largest software exporter Infosys.

The latest headcount revealed by IBM in India has made many of its rivals re-look at the technology giant's operation in the country. The company now has 73,000 employees in India, almost a 40 per cent jump from last year; the increase is higher than that of Infosys or the country's largest software exporter Tata Consultancy Services. IBM's employee base in India numbered only 9,000 in 2003, and rose to 53,000 last year.

The company, which is rapidly expanding its footprint in many parts of the country, has also been focussing on the potential of the Indian domestic market. IBM expects to see revenue from the Indian market jump to nearly \$1 billion in 2008 from \$700 million in 2006.

Sam Palmisano, IBM's chairman and chief executive, last year announced the formation of a new organisation that will spur the company's investment in emerging economies. The plan is meant to capitalise on the higher growth rates in the BRIC (Brazil, Russia, India and China) countries. IBM's revenue from the BRIC nations increased 18 per cent in the first three quarters of this year.

Last year, IBM announced plans to invest \$6 billion in India over three years, underscoring the country's growing importance as a global hub for IT expertise and a major market in its own right. "The investments enable IBM to fulfil its vision to become a globally integrated company," said Palmisano.

Coming on top of the \$2 billion invested by Big Blue over the last three years, this makes the company one of the largest overseas investors in India. The figure is significantly higher than the \$3.9 billion in combined investment announced for India last year by three US-based companies — Microsoft, Intel and Cisco Systems.

"If you are not here in India, making the right investments, finding and developing the best employees and business partners, you won't be able to combine



IT RESEARCH LAB: IBM's investments in India underscores the country's growing importance as a global hub for IT

the skills and expertise with that from around the world," noted Palmisano. "The investment will ensure that we make the most of the opportunities to grow in this market."

As part of its ongoing expansion strategy covering Tier 2 cities throughout the country, IBM has launched its SMB (small and medium business) operations in Bhubaneswar, Bhopal, Chandigarh, Coimbatore, Cochin, Goa, Jaipur, Jamshedpur, Lucknow, Nagpur, Nashik, Surat, and Vizag. It plans to expand into Ludhiana and Madurai as well. Earlier this year, IBM announced a plan to extend its presence to 14 cities outside of the key metros.

IBM is one of the first companies that has been focussing on the SME (small and medium enterprises) market since the early nineties. In India, IBM foresaw the potential for growth in the SME businesses and recognised the need for innovative offerings to give SMEs a competitive edge in a rapidly evolving marketplace. Nearly 60 per cent of IBM India's revenue comes from its SMB operations with 15-20 per cent of IBM India's workforce dedicated to this segment.

Points out Vivek Malhotra, vice-president, global mid-market business, IBM India/South Asia: "We have made it a priority to recognise the needs and challenges Indian SMEs face in various industries across the board. In order to help them minimise the business challenges

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they face while increasing their return on investment we are providing easy access to a full range of SME-specific solutions and services."

According to him, the company aims to provide SMEs with affordable offerings and a support network of IBM Business Partners, who understand the marketplace in order to help them succeed.

IBM has invested in the development of products and services specifically priced and designed for the SMB marketplace under the brand name 'IBM Express Portfolio'. It comprises hardware, software, services, solutions and financing and is designed to meet specific criteria

'INDIA WILL BE A HUB OF GLOBAL DELIVERY FOR IBM'

IBM's vice-president (financial management) Jesse Green is bullish about the prospects for the company in India. His views (compiled from a recent interview in New York) on:

INDIA IN IBM'S GLOBAL STRATEGY:

Revenues from the Indian operations are expected to be \$1 billion, a 39 per cent growth over the figure of \$700 million in 2006. The growth is driven by strong factors – competitive offerings, effective sales force and strong brand name. The technology base along with the ability to offer hardware and software combination would contribute to the expected figure.

The \$1 billion revenue from India includes revenues from services and solutions provided by IBM. The services and solutions are being provided to domestic clients and other global corporations operating in India. It also includes the revenues generated by IBM Daksh, the business process outsourcing unit. IBM India's revenues in 2006 grew by 37 per cent. The compounded annual growth rate (CAGR) from 2002 to 2006 was 49 per cent.

INDUSTRY VERTICALS IN INDIA

IBM caters to 17 sectors in India. Rapid growth was experienced during 2002-2006 in the telecom, financial services and small and medium businesses. In the telecom sector, the company is working with leading firms such as Bharti Enterprises. The company has also entered into agreements with government agencies like the Central Board of Direct Taxes, Delhi International Airport Limited, real estate company DLF, telecommunications firm Idea and state-owned telecom company Bharat Sanchar Nigam Ltd.

India will not only contribute to the global revenue pool of IBM, but also provide research software. India will be a hub for global delivery, which will help us improve margin components and growth initiatives.



GLOBAL DELIVERY: IBM has set up the complete range of service capabilities at its centres in India

for SMBs. In India IBM has also introduced the SME Toolkit, a free programme that enables entrepreneurs and small businesses to learn how to implement sustainable business management practices needed for growth in areas such as finance, accounting, international business, marketing, human resources or legal. As the fastest growing sector for IBM India, the global mid-market business unit is ready to tap into this growth opportunity and offers SMEs the solutions and technologies that are critical to their growth in a challenging market.

IBM India is at the forefront of global delivery and has set up its complete range of services capabilities in India.

It has six global delivery locations in India: Bangalore, Hyderabad, Kolkata, Pune, Chennai and in the National Capital Region (Noida and Gurgaon). These centres will enable IBM to increase its existing application services portfolio to support a growing global client base. These centres will be an integral part of IBM's global delivery network, spread across three dozen countries around the world.

IBM plans to grow its operations in Noida by hiring technology graduates and IT professionals with skills in IT strategy and architecture, business consulting, enterprise solutions, testing and business

intelligence. Recently, it opened a centre in Noida. "We are excited to witness its growth in scale and capabilities of our global delivery mission," says Rajesh Nambiar, general manager and vice-president, global delivery, IBM India. "This investment in Noida is a natural step for us to increase service capacity and broaden market reach to help improve our ability to deliver industry-leading services to our global clients. Having an enhanced presence in the NCR will give us the opportunity to attract the required talent in the northern region."

IBM is not only providing software services, but is also into research activities. It recently unveiled plans for expansion of operations at its IBM India Research Laboratory, one of the eight labs of IBM Research across the globe.

Earlier located within the IIT campus in Delhi, it has now moved to a larger facility in the Vasant Kunj Institutional Area. The new laboratory has more than double the floor space of the earlier location, better infrastructure and will provide IBM better bandwidth to address innovation needs of a larger client base worldwide. This latest expansion is in addition to an earlier opening of the lab's Bangalore satellite facility.

The expansion of IBM Research facilities in India is driven by a growth in research

THE \$6 BILLION PALMISANO PLAN

IBM aims to target its \$6 billion India-specific investments at five critical areas, announced last year by Sam Palmisano, chairman and CEO. These projects will help Big Blue to realise its vision of becoming "a globally integrated company". The investments, to be spread over three years, will be in the following areas:

- IBM plans to set up a new category of service delivery centres in Bangalore. New processes and technologies that automate IT service delivery would be deployed at these centres to provide clients with enhanced flexibility and increased worldwide access to skills, service offerings and continuous availability at lower costs.
- It would create the IBM Systems and Technology Group Innovation, Development and Executive Briefing Centre in Bangalore. This would focus on IBM infrastructure solutions, technologies and innovations, providing performance bench-marking, testing, data migration and competency-building capabilities.
- A Telecommunications Research & Innovation Centre would be established at the IBM India Research Lab in New Delhi, aimed at serving as a key resource for IBM's telecommunications clients around the world.
- The capabilities and staff of the High Performance on Demand Solutions Lab in Bangalore would be increased.
- Investments would be made to develop the "Great Mind Challenge", which is designed to improve the software development skills of Indian students as they work towards resolving issues facing businesses today.

activities related to IBM's Systems, Software and Services businesses, as well as client collaborations in India. The IBM India Research Lab's achievement list runs long; last quarter alone, the lab rolled out a number of new technologies including Sensei (a web-based, interactive language learning technology), Business Finder (a next-generation, real-time, presence-based mobile resources management technology), and Score/Erocs (an information management technology designed to help HDFC Bank rapidly enhance customer care and identify new business opportunities).

The laboratory provides support to faculty and students from many institutes of higher learning including the Indian Institutes of Technology, the Indian Institute of Science, the Indian School of Business (ISB), and the Indian Institutes of Management. It sponsors faculty awards, fellowships and grants. The lab is collaborating with the ISB in Hyderabad on first-of-its-kind research in Service Science, Management and Engineering.

The India Research Laboratory is focused on a number of key areas, including: information & knowledge management, interaction and collaboration technologies, systems management, distributed and high performance computing, software engineering, analytics and optimisations,

services innovation, telecommunications research and industrial research besides many others. Since its inception in 1998, the IBM India Research Laboratory has aimed to advance state-of-the-art breakthroughs in IT through research in software and services, and to provide leadership by delivering innovations to IBM's clients globally. Co-located in New Delhi and Bangalore, the lab is focused on a wide array of research areas blending pure and applied research. Although the India Research Lab has evolved over the years exploring areas like Blue Gene, speech recognition and services innovations, one thing that has remained constant is continuous innovation.

IBM Corporation acquired Daksh e-Services to serve as a global hub to manage business processes for clients from across the world. Over the last five years, IBM Daksh has grown from a business start-up into the number one employer of choice in the Indian BPO industry, with a staff of more than 20,000 professionals in India and the Philippines. With 14 service delivery centres in India and two in Manila, IBM Daksh is a key part of its network.

India continues to be a significant market, a research hub, and one of IBM's most important centres outside of the United States. 🍌



SAM PALMISANO: Investing in India to help Big Blue realise its vision of becoming "a globally integrated company"