Read below, the descriptions of IBM’s worldwide business strategy and of IBM’s geographic breakdown of revenues and growth and its offer to North American employees being laid off to keep a job with IBM by moving overseas. Then answer the questions that follow.

**Exhibit 1. Palmisano: Multinationals Have Been Suspended**

Everyone, it seems, has a strongly felt position on globalization… The emerging business model of the 21st century is not, in fact, “multinational.” This new kind of organization – at IBM we call it “the globally integrated enterprise” – is very different in its structure and operations. Many parties to the globalization debate mistakenly project the 20th century multinational on to 21st century global reality…

In a multinational model, companies built local production capacity within key markets, while performing other tasks on a global basis…As an example, American multinationals such as General Motors, Ford, and IBM built plants and established local workforce policies in Europe and Asia, but kept research and development and product design principally in the “home country”.

The globally integrated enterprise, in contrast, fashions its strategy, management, and operations to integrate production – and deliver value to clients – worldwide. That has been made possible by shared technologies and shared business standards, built on top of a global information technology and communications infrastructure…

These decisions are not simply a matter of offloading non-core activities, nor are they mere labor arbitrage – that is, shifting work to low-wage regions. Rather, they are about actively managing different operations, expertise, and capabilities to open the enterprise up in multiple ways, allowing it to connect more intimately with partners, suppliers, and customers and, most importantly, enabling it to engage in multifaceted, collaborative innovation.

This kind of innovation is much more than the creation of new products. It is also how services are delivered: three-quarters of most employment is in services… Today, innovation is inherently global.

I believe that globally integrated enterprise is a better and more profitable way to organize business activities – and it can deliver enormous economic benefits to developed and developing nations. For example, integration of the workforce in developing counties into global production systems is already raising living standards, improving working conditions and creating more jobs in those countries…

**Exhibit 2 . IBM’s Global Employment and Compensation**

The majority of IBM’s roughly 400,000 employees (71 percent) are now outside of the U.S., with over 70,000 of those in India. Likewise, as the following information from IBM’s recent annual report shows, most of its revenue (and its fastest revenue growth) has been outside of the Americas as well:

Revenues (in millions) 2008 2007 Year-to-Year Change

Geographies: $100,938 $95,322 5.9%

Americas 42,807 41,122 4.1

Europe/Middle East/Africa 37,020 34,699 6.7

Asia Pacific 21,111 19,501 8.3

One result of this shifting emphasis to overseas markets is that IBM employees who are being laid off in North America now have an alternative to joining the growing ranks of the unemployed – work for the company abroad. IBM is offering laid-off workers in the U.S. and Canada a chance to take an IBM job in India, Nigeria, Russia, or other countries, including Argentina, Brazil, China, Czech Republic, Hungary, Mexico, Poland, Romania, Slovakia, Slovenia, South Africa, Turkey, and United Arab Emirates.

The company also will help with moving costs and provide visa assistance, it says. Only “satisfactory performers” who are “willing to work on local terms and conditions” should pursue the jobs, the document says. IBM would not immediately confirm if it means that the workers would be paid local wages and would be subject to local labor laws.

Some of the jobs are being eliminated because customers have ended contracts or the company has automated tasks. But employees say in many cases, they have been training IBM workers from India to do work that will now be moved overseas.

A spokesman for Alliance@IBM, a workers’ group that is affiliated with the Communications Workers of America but does not have official union status at IBM, slammed the initiative: “IBM not only is offshoring its work to low-cost countries, now IBM wants employees to offshore themselves. At a time of rising unemployment IBM should be looking to keep both the work and the workers in the U.S.” And “It is like people are not only seeing their jobs offshored but their citizenship offshored.”

IBM’s latest round of cuts show that even companies the IBM offer hints at a future where it’s not just skilled Indians who might have to travel halfway around the globe for a job. It’s likely that more American job seekers will have to think globally, say analysts, and the experiences of Americans who have taken jobs with companies here say it’s not something to fear.

“I was making six figures when I left the State, I’m making six figures here – in rupees,” laughs Jeanne Heydecker, a marketing executive now living outside of Delhi and working at her third Indian company. The salary for this single mother actually translated to roughly $50,000 a year. But it would be a mistake to suppose her quality of life has gone down. Most everything she could want is available in Delhi. The healthcare, she says, has been top-notch and bottom-dollar. And like most Westerners and wealthy Indians here, she is able to hire people to cook, clean, and drive for her. “You can come home from work and focus on your family, and not on maintaining the car and the housework,” she says. She left Chicago in 2007 after realizing that she was bored at work and didn’t see companies nearby that were hiring “new people to do new things.” Through the social-networking site Linkedin.com and Skype, Ms. Heydecker talked with the head of Calcutta technology company who eventually hired her sight unseen.

Hers is not yet a well-worn path. But in the coming decades, it will be, says Arvind Panagariya, an expert on the Indian economy at Columbia University in New York. “Does the average American worker think globally? No. I don’t think we’re at that stage yet. But it will happen,” he says. “Such a massive technological revolution will cause the borders to blur, if not disappear.”

So far, there isn’t much evidence of the Americans expanding their search beyond places less like Peoria and more like Pune. In IBM’s case, fewer than 20 people have taken up the offer for help in locating a new IBM job overseas, estimated company spokesman Doug Shelton. But the jobs in places like India are worth considering, Mr. Shelton suggested, saying that the cost of living is lower and international experience is highly prized in a global marketplace.

Moving beyond the IBM situation, in one of the new office high-rises, Mindcrest, a legal outsourcing firm, has recently hired 3 Americans – and has plans to hire more Westerners in the coming year. Like Heydecker in Delhi, the three women are mid-career and weren’t sent here on a temporary foreign rotation by a multinational firm back home. Ms. Vega and her American counterparts Deirdre Byrne and Rana Rosen help the Indian attorneys understand what the Western clients want. None of them believe their work takes away American jobs, but say it instead frees young lawyers in the U.S. from some early career drudgery. Over lunch, the 3 women laugh about stashing pine nuts, manila folders, and lint-remover rolling pins in their luggage when they come back from visits home. There are other challenges; power cuts, the bureaucracy of setting up basic services like cell phone, and the more pervasive scenes of deep poverty on the street here.

But Ms. Byrne, who has worked as a high-powered Manhattan attorney and a realtor for Sotheby’s in the Hamptons, sums up the consensus: “We have a very nice life, and for a fraction of the costs at home” – even with smaller salaries. She stresses that the work is demanding “on the scale of a New York law firm,” but comes with a “bonhomie” generally absent from Big Apple officers.

As for why more Americans are not considering work abroad, expatriates here admit it grows more complicated for those with more family ties. Heydecker’s teenage son had to give up friends and skateboarding but has adjusted well, she says. She adds that the advantages to working abroad are often not communicated well.

“I don’t think companies like IBM are getting people in touch with those who are out here doing it, and showcasing those success stories,” says Heydecker. “It can be isolating in the beginning, but eventually, your life is pretty sweet. It all depends on how open your mind is.”

1. Is IBM’ growth in employment in countries such as India and Eastern Europe inevitable given labor cost differences? How does this relate to Mr. Palmisano’s comments in Exhibit 1?
2. What is your reaction to the critical comments made by the Alliance@IBM spokesman, including the comment about asking employees to “offshore their citizenship”?