

Big Blue in deep

India is traditionally suspicious of multinationals. So IBM's huge investment plan has provoked a mixed response, reports K. S. Jayaraman.

The news that one of the world's largest computer companies is planning to invest a staggering US\$6 billion in India over the next three years has sent ripples of excitement through the nation's emerging information-technology industry.

IBM chairman Samuel Palmisano was joined by the president of India, A.P. J. Abdul Kalam, when he announced the expansion to a cheering crowd of thousands of contractors and employees in Bangalore on 6 June (see *Nature* 441, 811; 2006).

A recruitment spree over the past three years has already brought the number of IBM's employees in India up to 43,000 — by far its largest contingent outside the United States. So last month's move has got analysts asking just how far the computer company might go in transferring skilled, high-value jobs — including research positions — from Europe and the United States to the subcontinent.

So far, most of IBM's activity in India has involved hiring computer programmers and customer-support specialists, many of whom work at a huge centre in Bangalore. From there they service the needs of client companies who use IBM computers and services around the world.

The company hasn't yet taken the next step of doing research and major product development in India: its activities in this sphere have been relatively modest. That comforts political leaders in the United States and Europe, who fret about such jobs moving abroad. But it frustrates some observers in India, who accuse the computer firm of taking advantage of cheap, skilled labour without relocating high-value positions.

"Job booms created by IBM and similar companies are only a short-term gain for India," says C. N. R. Rao, science adviser to the prime minister, Manmohan Singh. "Instead of making our skills cheaply available to others, we should try to become leaders ourselves."

IBM currently has two research laboratories in India — a communications lab established eight years ago in New Delhi and a smaller one that opened last August in Bangalore, to back up the support centre there. The labs employ



The chairman of IBM is joined by India's president as he reveals major investment in Bangalore.

about 110 people between them. That's about 3% of IBM's research staff, most of whom work at its major corporate labs in Zurich, New York's Yorktown, and Almaden in California.

IBM hopes to expand the proportion of its research that supports computer services, says Mahmoud Naghshineh, IBM's head of research in that area. He says that India will play a big part in the expansion. "I hope the Indian labs will grow to be the size we have elsewhere," he says. "But the goal is not to cut down in the United States. We need to grow faster in India to have a more solid impact there."

According to Naghshineh, the great attraction of India is its workforce. "The hard part is that a lot of similar things are happening in other companies," he says, and so staff turnover is very high. "You have to be street-smart in managing your business."

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The Bangalore facility is a "living lab" that benefits from direct proximity to the people providing computer services, Naghshineh says. "It will do a lot of applied work. But we have a portfolio to explore new ideas, as well."

The expansion was welcomed by some rivals. "It is good for the community as a whole," says Mathukumalli Vidyasagar, a vice-president of Hyderabad-based Tata Consultancy Services, one of Asia's largest computer-services companies and a major IBM competitor. "If IBM starts doubling its headcount, the centre of gravity of global software development is going to shift to India, giving legitimacy to our industry," Vidyasagar says.

And India's Congress-led government strongly supports the arrival of multinational companies. It sees a promising model for the future in General Electric's John F. Welch Technology Centre in Bangalore — home to 2,200 scientists and engineers, more than half of them with PhDs. But not everyone is so enthusiastic.

IBM left India entirely in 1978, during the long cold-war period when the country viewed investments by multinationals with distrust. It crept back into India in 1992, after economic liberalization, but the company's activities there really took off in 2003, when it made a strategic decision to base support services for global clients in India, and started recruitment there on a large scale.

Now smaller firms are getting nervous about competing with IBM for staff. And research managers fear that the lure of high wages from multinational companies will pluck scientists from their low-paid positions in government laboratories, with negative long-term effects. "We already see this in the space, atomic-energy and defence sectors," says Gangan Pratap, director of the government-run Centre for Mathematical Modelling and Computer Simulation in Bangalore.

IBM has been cagey about the details of its investment plan, and speculation has arisen that much of it will go on acquisitions. Two years ago, the company bought Daksh eServices, a New Delhi back-office outsourcing firm, for \$160 million — and has since increased its workforce from 6,000 to 20,000. According to industry insiders, such purchases are a better route to accruing experienced and reliable staff than attempting to hire them from scratch.

India's computer industry will create 2.3 million jobs by 2010, indirectly spawning a further 6.5 million positions, according to the US consultancy Kelly Services. IBM has clearly decided to be part of this explosion: "India is going to be key for us," says Naghshineh. ■