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**LETTER FROM SAMUEL J. PALMISANO**  
Chairman, President and Chief Executive Officer

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This year, a small team of IBMers, drawn from locations around the world, came together in Ghana to explore a new way for enterprises to relate to communities, markets—and their own people. The program they were launching was IBM’s Corporate Service Corps. Modeled in part on the Peace Corps of the 1960s, this program aims to give tomorrow’s IBM leaders a new kind of global experience and education. It aims to empower and equip them to take action and make decisions based on their own knowledge and judgment. And it aims to engage our communities around the world by working together with them, on the ground, to help them develop new businesses.

In addition to the inaugural team in Ghana, we are deploying a dozen of these groups in 2008 to Romania, the Philippines, Vietnam and Tanzania —with plans to increase significantly next year. And when participants go back to their “day jobs,” they will socialize what they learned with their colleagues—via blogs, discussions, podcasts and more—helping IBMers everywhere to gain a clearer, more personal understanding of what it truly means to be a global citizen in a globally integrated enterprise.

The Corporate Service Corps is one program of a broad initiative we call the Global Citizen’s Portfolio. We undertook this new approach not out of philanthropy, but out of competitive necessity. The competition I’m talking about here isn’t over market share or the pursuit of “the next big thing” in technology. I’m talking about attracting and enabling the innovators and leaders who will shape the future of business and society—sometimes called “the global war for talent.” The enterprises, countries and communities that provide the smartest, most connected and most open environment for these coming generations to grow and innovate in will be the ones that win.

They’ll also be the ones that shape the planet on which we all live.

Pursuing a progressive agenda for business and society on a global scale is nothing new for IBM. It has always been central to our purpose as an enterprise. But it is both possible and necessary today in very new ways.

For the first time in history, almost anything can become digitally aware and interconnected. And with so much technology and networking abundantly available at such low cost, all businesses, societies and communities will soon begin to transform their systems, operations, enterprises and personal lives to take advantage of them.

This is an enormous opportunity. It also raises equally significant responsibilities. It will be imperative for all enterprises, institutions, communities and individuals to seize the new capabilities at their disposal, in order to confront the new challenges before us.

These challenges are formidable, including:

- › **WASTED ENERGY:** According to the U.S. Department of Energy, 67 percent of all electrical energy is lost due to inefficiencies in the grid.
- › **GRIDLOCKED TRAFFIC:** Congested roadways in the U.S. cost \$78 billion annually in the form of 4.2 billion lost hours and 2.9 billion gallons of wasted gas—and that’s not even counting the impact on the quality of the air we breathe.
- › **INEFFICIENT SUPPLY CHAINS:** Consumer products and retail industries lose about \$40 billion annually, or 3.5 percent of their sales, due to supply chain inefficiencies, according to a report by the Yankee Group.
- › **WASTEFUL FOOD CHAINS:** In a world that faces food shortages, it is a tragedy that grocers and consumers throw away \$48 billion worth each year in the U.S. alone, according to the United Nations.
- › **UNHEALTHY HEALTHCARE:** Electronic medical records could help prevent deaths from medical error, estimated at nearly 100,000 a year in the U.S. in a 2000 study by the National Academies.
- › **UNMANAGED CLIMATE SYSTEMS:** According to a 2004 report from Lawrence Berkeley National Laboratory, the economic costs of weather-related events totaled \$1 trillion worldwide from 1980 through 2003.

- › **ERODING WATER SUPPLY:** Global water usage has increased sixfold since the 1900s, twice the rate of human population growth. According to the Asian Development Bank, one in five people living today lacks access to safe drinking water, and half the world's population does not have adequate sanitation.

This list could go on. Fortunately, the technology to turn these inefficient systems into smart systems is now available or on the horizon. That's because, over the past two decades, a new computing model has emerged based on openness, networks, powerful new technology and the integration of all that digital intelligence into the fabric of work and life.

The world is becoming smaller, flatter—and smarter. We are moving into the age of the globally integrated and intelligent economy, society and planet. But achieving its potential and extending its benefits to everyone will take more than technology, or enhanced productivity or higher profit margins. It will require innovation that runs much deeper: new workforce models, new management systems and new curricula, along with forward-thinking policy regimes and political cultures. It demands new kinds of engagement with a wide diversity of stakeholders. Most challenging of all, we will need to begin the difficult journey toward shared values.

Taken together, this amounts to a new model of global citizenship among individuals, organizations and society at large—the sort of new model that a team of young, idealistic IBMers from around the world was helping to explore this year in Ghana.

You can read about their experience on pages 13-15. This, and many of the other ways IBMers are making the new and progressive global enterprise of the future a reality in the present, are described in the pages of this document. I encourage you to view it not only as a report on our own progress, but as an invitation to engage with us on the urgent and exciting work ahead.

From IBM's inception, nearly a century ago, our company has always been in the business of engaging with forward-thinkers across business, science and society to make the world work better. IBMers have always believed that when people think about how the world should work, they are inevitably driven to challenge the status quo, and to change it. And the resulting benefits flow not just to them and their organizations, but to their communities and global society.



Handwritten signature of Samuel J. Palmisano in black ink.

Samuel J. Palmisano  
Chairman, President and Chief Executive Officer, IBM