

SAVANNAH MORNING NEWS ON the WEB

SAVANNAH LOCAL NEWS *now*

QUICKLINKS

- INDEX
- SEARCH
- ARCHIVES
- ADVERTISE
- HOME DELIVERY
- LETTER TO EDITOR
- E-MAIL WEB
- NEWSROOM STAFF



CURRENT CONDITIONS



Light Rain, 57°
Humidity: 96%
Wind: N at 12 mph

[GET YOUR 5-DAY FORECAST HERE](#)



[local news](#) [lowcountryNOW](#) [obituaries](#) [sports](#) [opinion](#) [business](#) [diversions](#) [city guide](#) [classified](#)

HOME

Web posted Wednesday, April 25, 2001

Power Search

OUR SERVICES:

- home finder
- auto finder
- job finder
- excursia travel
- stock quotes
- free e-mail
- pda sync
- email news
- desktop news
- forums
- golf
- tides
- www links

Chief addresses IBM's future

Company puts on a new face while sitting the blues

By Ben Werner
Savannah Morning News



Louis V. Gerstner, Jr., IBM's chief executive, admitted that how price earning multiples are made was beyond his understanding.

IBM stock holder Jose W. Noyes looks through a magnifying glass at the impressive detail on IBM's Bertha, the world's highest resolution flat-panel display. The monitor was one of many new devices that were on display at the Savannah International Trade & Convention Center following the annual IBM stockholder meeting.

--John Carrington/Savannah Morning News

"I'm just a computer salesman," the head of number eight on Fortune's top 500 list said Tuesday.

The notion of Gerstner thumbing his gray business suit's lapels and proudly proclaiming himself a simple monger of desktops and servers, hardware and software sent chuckles rippling through the Savannah International Trade & Convention Center, site of the 2001 annual stockholder meeting.

Last year International Business Machines paid Gerstner \$2 million, with an \$8 million bonus.

During his address to IBM stockowners, Gerstner stressed how IBM's future was tied to much more than computer sales. Giving consumers the services they need to take advantage of new products will improve IBM's price earning multiples, however they're figured out. And this, he said, is done by a committed work force.

"Over the last eight years, we've rebuilt our entire company around the

Click category name for advanced search or type in keyword and hit 'go' for quick search.

- [News Archive](#)
- [World Wide](#)
- [Yellow Pages](#)
- [Stocks](#)
- [Classifieds](#)
- [Local Business](#)

[Or search by category](#)

National News

- Updated 7:24 p.m.
- ▶ [Bush Warns Of Yields on Taxes](#)
- ▶ [Court To Hear Cigarette Ads Dis](#)
- ▶ [Judge To Consider Vieques Bombing](#)

Special Feature



SIMPLY SAVANNAH:

- live views
- our community
- our schools
- 'midnight'
- st. patrick's
- man in black
- jane fishman
- mstreeter

ENTERTAINMENT:

movie times
dining guide
tv listings
comics
postcards
tv crossword
horoscope
chat rooms
personals

blocking and tackling of execution," Gerstner said. "Whether that's in the work we've done to remake our software, server, or technology businesses; whether it's decisions we made to get into new businesses like services, or our decisions to withdraw from some businesses."

Last week, IBM reported its first quarter results. IBM had revenues of \$21 billion and earnings of \$1.75 billion for 2001's first three months, something Gerstner described as very good.

"We feel good about the performance we're delivering and sustaining after a fairly tumultuous ride through most of last year," he said.

MULTIMEDIA:

multimedia site
radio now
through the lens
jane's garden
our backyard
in the news

But the happiness of his message to shareholders did not carry through to the shareholder question time. Gerstner was dodging and parrying more than blocking and tackling.

Talk of a failed employee bid to reinstall IBM's old pension plan dominated this part of the meeting. Gerstner made an impassioned reply to the suggestion that part of IBM's success, and Gerstner's executive compensation, were brought on by vapor profits - ones that exist on paper only due to accounting rules, not business success.

SPECIAL SECTIONS:

town hall
aging matters
health & fitness
food section
sav magazine
coastal senior
coastal antiques

"There is something either very naive or very malicious in this comment," Gerstner said. "If we wanted to manipulate compensation at the price of employees, we could reduce salaries. We could cut variable pay."

When pension-related comments were made during the meeting, Gerstner's image, projected on two huge screens, was replaced with a generic blue field with white lettering saying, "IBM stockholders meeting."

Shareholder James Leas, a supporter of the employee desire to reinstall IBM's pre-1999 pension plan said the changes saved the company no money. IBM had not paid anything into the plan for years because, as far as Leas can tell, the \$70 billion pension trust fund earns nearly twice as much as it pays out.

IBM officials say they need the new plan, connected more to stock options, to attract new employees. The average IBM employee is said to have seen retirement pay drop by about 20 percent. Some say their retirement pay has decreased even more thanks to changes in the medical benefits.

Talk of working Americans losing pension benefits was enough to momentarily veer the Rev. Jesse Jackson's Georgia New South Tour from union halls, church meetings and community rallies to trade center's south side - the doorstep of IBM's annual shareholder's meeting.

"On a mission for healing, hope and shared economic security," Jackson



said. "There once was the race gap, now it's the resource gap. That's the New South challenge."



Leaving the meeting, shareholders were shoed away from the trade center's south side, toward a showcase of IBM's top-of-the-line and cutting-edge prototype technology.



The blue blazer and khaki trousers crowd enjoyed learning how IBM technology is creating a wristwatch-size device that can control functions on a laptop remotely. They viewed hand-held devices that could display three-dimensional views of items such sneakers, cars, machinery or anything else too cumbersome to fit into a pocket.



They saw how computer screens are getting souped up. In June, IBM plans to release its high definition screen - big enough to show three separate Web sites side by side at anytime.



They missed hearing Jackson rattle off some of the New South's sadder statistics. He said 60 percent of Georgians make \$20,000 or less annually.



Two million people in the state have no health insurance and 25 percent of Georgia children live in poverty, Jackson added.

"There's another Georgia, too poor to be conservative," Jackson said. "They don't need a tax cut, they need a pay raise."

Jackson's voice was amplified by bullhorn speaker held by Lee Conrad, a former IBMer from upstate New York. Conrad now is with the Alliance at IBM, part of the Communication Workers of America union.

"We think this company has been hijacked," Conrad said. "It's run by executives and they've hurt stockholders."

IBM's committed workers saw their proposed return to the old pension program fail -- it garnered only 14.7 percent of vote, 159,172,103 shares for, 925,456,501 shares against.

They did draw a rise out of Gerstner, keep the security detail on constant alert, and divert attention away from Big Blue's year to the Rev. Jesse Jackson's appearance outside the trade center. But what was gained?

Several IBM staffers working at the meeting clustered around the trade center's South wall windows, peering out as Jackson spoke to the crowd of shareholders, union members, employees and curious passers by.

Most were not pleased about Jackson becoming their spokesman. Others were curious. A few filtered outside, trying to nonchalantly

blend their dark business suits in with the more casually dressed audience donning union T-shirts.

Teddy Tinnell, an IBM shareholder who was down from Atlanta for the meeting, and to see some of Savannah's sights, was left wondering what all this meant.

"It seems there's a lot of dissent in the company," said Tinnell. "I kind of find it hard to believe. I kind of don't know what to make of it."

Donning a "Power Lunch" cap, from the CNBC stock market television show, he could be described as a fan of market action. His friend, Shelly Searcy, who has some stock, but no IBM, joined Tinnell in Savannah.

That a company like IBM had an annual meeting segue so smoothly into what looked like a union rally was something Tinnell, a Wal-Mart employee, called very interesting. The subject of unions is not one that comes up with smiles at Wal-Mart. It's a subject he was not willing to discuss, other than saying "I'm just curious what Wall Street will think."

At the end of yesterday, a piece of IBM cost \$112.67, an increase of 67 cents from Monday. IBM's price earning multiple was 28.57 - the stock price of \$112.67 divided by the first quarter's annualized earnings per share of \$3.92.

Business reporter Ben Werner can be reached at 652-0381 or by e-mail at bwerner@savannahnow.com. Business reporter Tasha Gatlin contributed to this story. She can be reached at 652-0385 or by e-mail at tgatlin@savannahnow.com.



PRINT THIS STORY



SHARE YOUR OPINION



E-MAIL THIS STORY



EMAIL HEADLINES