

# IBM "flatly denies" report of mass layoffs

January 26 2015, by Brandon Bailey

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This Jan. 13, 2011 file photo shows the IBM logo in Yorktown Heights, N.Y. Calling it "ridiculous" and "baseless," IBM on Monday, Jan. 26, 2015 dismissed a report that said the technology giant plans to lay off 1 in 4 of its workers, or 100,000 people. (AP Photo/Seth Wenig, File)

Calling it "ridiculous" and "baseless," IBM on Monday dismissed a report that said the technology giant plans to lay off 1 in 4 of its workers, or 100,000 people.

The company "flatly denies" the Forbes report, IBM spokesman Ian Colley said in a phone interview. IBM previously has announced layoffs affecting "several thousand people," only "a small fraction" of the number predicted last week by a blogger on Forbes.com, IBM said in a

statement.

Employees may be relieved, but investors appeared to have welcomed the idea of big changes at Big Blue. Between Thursday, when the report was posted online and Monday morning's denial, IBM shares rose about 4 percent to peak at \$159.46. The stock closed up just 49 cents at \$156.36.

Investors may be looking for IBM to make some significant changes, said Morningstar stock analyst Peter Wahlstrom, although 100,000 job cuts is more than he would expect. These kinds of rumors come up periodically, Wahlstrom said, though they get "snuffed out pretty quickly" if there's no weight to them.

BlackBerry investors got excited earlier this month when Reuters, citing an unnamed source, reported that Samsung was in talks to buy the Canadian smartphone maker. Shares spiked 30 percent but the surge stalled after both companies denied the report. Some analysts said that rumor was plausible because a tie-up could be the boost both companies need.

However, laying off a quarter of IBM's workforce would be "off the charts," said Daniel Morgan, senior portfolio manager at Synovus Trust Company, which holds about 300,000 IBM shares. "I can't see that. But I wouldn't be surprised if we did hear of some more layoffs." IBM has had three big reorganizations in previous decades, he noted. "They do let people go. I think that's why this is gaining some traction."

Such a huge layoff would be disruptive and "inconsistent" with IBM's recent statements, Bernstein Research analyst A.M. Sacconaghi said in a note to investors. But, "ironically, given the stock's increase over the last couple trading days, we also see the potential for disappointment if a meaningful workforce action is not announced in the near-term."

IBM is confronting a sales slump as it struggles to adapt to big changes in the way businesses buy software and other commercial technology. It issued another disappointing earnings report last week, as both revenue and profit fell in the December quarter. CEO Virginia Rometty says she's working to refocus the Armonk, New York, company on new tech markets, including data analytics, artificial intelligence and cloud computing. Its planned layoffs are aimed making cuts in some areas to then hire about 15,000 workers with new skills. As of the end of 2013, IBM had 431, 212 workers.

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Citation: IBM "flatly denies" report of mass layoffs (2015, January 26) retrieved 20 March 2024 from <https://phys.org/news/2015-01-ibm-disputes-big-layoffs.html>

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