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Individual Assignment

MM6013 Leading and Managing Organizational Change

**IBM’s Decade of Transformation:   
Uniting Vision and Values**

***Company Profile in Brief***

IBM is an IT company which started its business in mainframe and Personal Computer. It was founded on 1911 and had achieved almost 40 years of success during Thomas J Watson era (1914 – 1952). Due to the changes in technology and business and the down situation happened in 1993, IBM transformed its business from “a high volume, undifferentiated product play, focused on the components of a business solution” to “a high value, business innovation and solution play, focused on the extended enterprise”

Based on the culture maps, IBM could be identified as company which maintains its flexibility over where there was individual empowerment, mobility, flexible work arrangement and lack management dictate. It also allowed people to have their own point of view and free to express their idea. Besides, IBM also claimed itself would give its dedication to client’s success by fulfilling their needs related to business solution. The company shows strong external focus. All in all, the company shows ADHOCRACY culture as the combination of flexibility and External Focus. However, the culture and values implemented in the company that is shown by its Basic Beliefs, Eight Principles and their brand-new values, indicates that IBM also maintains its internal focus, can be defined s CLAN.



***Problem Identification***

IBM had been faced several transformations during its lifetime. This transformation especially create specific that was brought by the leader. One of the well-known one was happened in 1992 during the era of Gerstner as below:

Although IBM had been implemented a great value that was brought by Gerstner, IBM had problem in internal integration which had been a significant challenge in company. The company also had a problem about the understanding and the implementation of the Gerstner Principles. IBM’s 325,000 employees had no idea about IBM’s value other than one to drive up profits, instead.

***Change Analysis***

* The Background of Change (Why)

IBM condition in 2002 was quite different from what happen in the company in 1993. Unlike 1993 when company faced the lowest level, 2002 is the era of growth. However, this does not mean that company was free from several issues that potentially would lead the company to another failure. One of significant difference of issue IBM face between 1993 and 2002 was the pressure that company suffer. In 1993, the rapid changes of industry caused the declining of mainframe demands and can be identified as Environment Pressure while in 2002, the pressure mostly came from internal company itself. Below are the pressure from internal that IBM faced during 2002:

* Growth Pressure
* To fulfil market demand and customer need, IBM changed strategy and focus of company by embracing the Internet as an operating platform. Internet technology has been create many business opportunity for any IT-based company. It brought many changes in the way people doing business and their needs. This condition made the existing values and the current method of business were no longer applicable.
* IBM had capabilities in doing business-related technoogy yet they was not enough to running its business based on the changing of technology nature. Most of the problems came from the way its people doing business.
* Integration and Collaboration Pressure
* As IBM transformed its business from component to solution, it had to deal with volatile marketplace which needed rapid and effective responds. The solution in the form of web-enable discrete systems, process and business units are needed to be pulled together and integrated with core business. In the meantime, IBM is a matrix organization that operate in 170 countries and have more than 60 product lines and 47,000 business consultants. The collaboration and integration of these resources was required to create customized solution for its customer yet still became the challenge for company. In simple word, it can be said that offering the integrated soution a client needed demanded the corporate values serve as the bridge accros IBM divisions.
* Sam Palmisano once realized that IBM faced potential lost of business opportunity as the impact of conflict and uncertainty among business units.
* Identity Pressure
* IBM’s internal values were not well-shared among the entire company. This condition led to profileration of company values, principles and precepts
* There were difference between employees in understanding of values. 25 % were recruited during the Basic Beliefs era and the rest were in 8 Gerstner’s Principles era. Most of employees didn’t acknowledge the importance of the values except the one drove up profits as the result of the trust shaken by lost job security and reduced benefits.
* Many employees thought that the only value in IBM the corporate care about was stock price.
* What Type of Change and What Change?

Objective of IBM’s transformation in 2002 – 2003 is creating new value, embedded them to the running of whole company and to made the employee understand and implement it well.

Based on the case, the changes that implemented in IBM were “Second-Order Changes”, discontinuous change or Transformational Change. It entails not developing but transforming the nature of organization. It was shown in several aspects that became the object as follow:

* Company Business Focus (as Trigger)
* Company Values

Below is the overview of value changes at IBM. In creating 2003 value, IBM executives at that time implicate every level of employee through online discussion forum named “Jam”

Beside discontinuous, it also can be identified the way company react to the changes in external environment. IBM Value Transformation is more like Anticipatory rather than Reactive. It indicates that change can be categorized as **Re-Orientation**.

* Key Person (Who)

Key Person as the one who took initiatives in IBM’s Transformation based on case is **Sam Palmisano**, IBM CEO since 2002.

***Images of Managing Change : COACH.***

The fact that indicated Palmisano as COACH and Shaping Method which focus on capabilities is The Implementation of Change stresses the importance of humanism, democracy, and individual development to organizational life as explained below:

* He had no intent of taking a top-down approach in developing IBM New Value. The most possible reason for this action was Palmisano had a very strong conviction that values from high will not work because of nature of his people.
* The CEO facilitated open discussion through “JAM” and welcome any idea from the employees
* Palmisano was pro for the IBM culture that allow his people to make decision on their own without bothering organizational structure or management dictate. He also believe that IBM should sign up for total dependence on the creative and adaptive skills of employee as well.
* Time of Change (When)

The Transformation related to Uniting Vision and Values in IBM, based on the case is occurred around 2002 – 2003, in the early era of Sam Palmisano.

* The Change Method (How)

Since the type of leader in this transformation process is COACH who implemented the Shaping Method (capabilities-focus), the method of change applied was Appreciative Inquiry. The explanation of this method is described as follow:

The steps in appreciative inquiries are shown below

* Discovery

Discovery Step has objective to gain information about what is currently practice in company. In IBM, current situation at the time showed that IBM has 8 Principles of Gerstner yet the employee only acknowledge value related to profit. However, IBM implemented the ‘unwritten’ value in their workplace such as employees have strong feeling about their work and their workplace which lead to strong commitment.

* Dreaming

IBM Management believed that to support its business, company has to empower its people to make their own decision which can support and give life to IBM’s strategy and brand and shape IBM culture. In addition, the value has to cover the condition of mobility and flexibility of work arrangement as the highlighted the importance of individual empowerment. Furthermore, Management wanted to create value-based decision making and make its people become IBM brand which are total dependence on the creativity and adaptive skills in order to fulfill the industry demand. Lastly, corporate values serve as the bridge across IBM divisions.

* Designing

In this step, IBM enriched idea through open online discussion that allows them to do brainstorming and gathering idea. For ensure this initial step would bring the expected outcome, in the fall of 2002, Palmisano created a committee of senior executives from HR, marketing and communications to lay the groundwork for ValuesJam and develop foci for discussion.

The committee prepared three proposed value to trigger the discussion: Commitment to the customer, excellence through innovation and integrity that earns trust. Finally, through brainstorming which involve every level of employee, in November 2003, IBM launched its new value as below:

* Dedication to every client’s success
* Innovation that matters – for our company and for the world
* Trust and personal responsibility in all relationship
* Delivering

To ensure the expected implementation, IBM held WorldJam2004 which focus on practical issues involved in the implementation of values. In this jam, senior executives were responsible for following and engaging in discussion of the implications of values in daily activities and set of management principles and practices. Next step that IBM took was how to put this value to work. For this objective, IBM focused on main activities:

* Integrating Values into Programs
* Enabling Individuals and Teams
* Aligning Performance Management, Compensation and Training with Values.

***Change Assessment using DICE***

The value transformation of IBM can be assessed using DICE tools to gain the overview of potential success of the project. In this case, the calculation can be defined as follow:

* Duration [D]

Duration is parameter to calculate the frequency of project review. Although it is not clearly mentioned in the case, but considering there was tight schedule during the implementation of the project with the several review has been done to monitor the progress, this review can be claimed as regular review with relatively short time between reviews.

Score: 1 Point

* Integrity of Performance [I]

Integrity of Performance assesses the capability of team leader and team member. Since Palmisano creates a committee of senior executives from HR, marketing and communication to guide the transformation, the capability of the team can be considered as high.

Score: 1 Point

* Senior Management Commitment [C1]

IBM senior management showed strong commitment in the transformation. Although some aspects still remained questionable, top executives are willing to give their attention to the transformation, even they join the ValueJam to ‘provoke’ the discussion. In the WorldJam, they took part in following and engaging in discussion of the value implications.

Score: 1 Point

* Local Level Commitment [C2]

The open discussion through ValueJam shows that many IBM employees aware to the need of changes. However, some of them were still resistant and gave negative or cynical comment, possibly because of during the outsourcing, lay off, change pension benefit and so on, they lost trust to IBM and management. However, the discussion was getting better after first 24 hours of ValueJam opening.

Score: 2 Point

* Effort [E]

As the method of change can be classified as transformational change, the effort took lot of effort to success. Company had designed the several programs to ensure the value will embed to the daily work through program, employees themselves, performance management, compensation and training alignment. All these programs need high effort from employee.

Score: 4 Point

***Calculation:***

DICE Score = D + (2 x I) + (2 x C1) + C2 + E  
= 1 + (2 x 1) + (2 x 1) + 2 + 4  
= 1 + 2 + 2 + 2 + 4  
= 11

***Interpretation***

By this calculation, the score of 11 (between 7 and 14) indicates that the project is very likely to success and called as **The Win Zone.**