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September 10, 2023

Case 1 – IBM Corporation Turnaround Analysis

IBM is one on of the largest tech companies in the world. IBM has been known to be at the for front of technology, the company to compete with. In 1981 IBM invented the first personal computer and the popularity of decentralized computing skyrocketed and the popularity of this item lead to the reduction on mainframe sales which was most of their profits. They were seeing the rise of decentralized purchasing, as previously IBM had sold to companies and had relationship. The shift away from proprietary technologies was also being made as the Internet, the World-Wide Web, The Netscape Browser, and Java became popular. Some would say IBM was best position technologically to reach into this new market but instead they watched from the sidelines as companies liked Dell, Microsoft, and Intel took over the market share. However more things were going on underneath the surface of IBM. (Austin *IBM Corporation Turnaround*)

IBM was deemed the place to work at. Before 1991 they even had a “no layoffs” policy in place. But even managers knew that there was a much bigger internal structural problem going on. It was known that CEOs were promoted from within the company (Austin *IBM Corporation Turnaround*) and when someone was promoted their team went with them and people thought this wasn’t the best idea as the relationships may have prevented better suited people from being in the position. This also led to decision making being slowed down. Executives had large team but had little involvement in their own task such as presentations and reports. Meeting was cumbersome with large crowds and relied heavily on projectors.

They also faced issues as customers complained that as they were releasing new products the product that they had were not compatible with them and that included IBMs products too. To mitigate the losses CEO Akers planned a company-wide reorganization which also included voluntary retirements and the employees were reduced by 20000 and 19 factories were closed (Austin *IBM Corporation Turnaround*). And these changes did help finances for the time being.

During this time IBM was still suffering as the popularity of their mainframe technology still declined people wanted mid-range and client/server technologies but IBM refused (Austin *IBM Corporation Turnaround*). Different parts of IBM were still costly. IBM was extremely decentralized having 20 different business units that sold 5,000 hardware products and 20,000 software products with many different products that did the same thing and different processes to achieve the same thing (Austin *IBM Corporation Turnaround*). A lot of this redundancy could have been avoided.

Under Akers directions more efforts were made to reduce cost which ended their “no layoffs” policy. The had both voluntary and involuntary “retirements” layoff and when that wasn’t enough IBM had layoffs (Austin *IBM Corporation Turnaround*). There was also talk of breaking up the company believing that that was the only way to prevent major loss and in May of 1991 the Integrated Systems Solutions Corporation to enter the IT services market. Later there were more involuntary “retirements.”

With Akers leading there was no major recovery, and he was then dismissed as CEO. Many declined considerations but Louis V. Gerstner, the previous chairman and CEO of RJR Nabisco, a top executive of American Express, and consultant of McKinsey &C Co, became CEO. He became the CEO meet with the CIO’s so they could communicate issues, he was a kind of CEO they had never had before. As he began to familiarize with IBM, he was jarred by the fact that they didn’t have concrete marketing and PR as well as had a difficulty maintaining relationships with customers (Austin *IBM Corporation Turnaround*). Gerstner regularly met communicated through notes with the employees so they could understand his vision. He wanted to do the opposite of breaking the company apart and wanted to integrate. This is something, he had learned that was wanted from the customers. He had changed the way executives where to manage making it mandatory that they make decisions and write their reports and lead their meetings. Executives were to pull their weight and meet with customers and handle their concerns directly.

Gerstner hired former Chrysler CFO, Jerry York to lead cost cutting by reducing expenses and once again leading quick layoffs. A Corporate Executive Committee and a Worldwide Management Council was also created to handle strategy and global affairs respectively (Austin *IBM Corporation Turnaround*). There were no longer these global entities acting independently and they would have a set way of working. He also hired Abby Kohnstamm to handle advertising and Rick Thoman to handle the PC division. And even the board of directors was restructured. And in return they had progressed into a period of recovery.

During this period of recovery, the PCs continued to be a problem. The potential solution was purchase of Apple which never came to fruition, but to see growth and no longer lose money on it they made a deal with Lotus Development Corporation so IBM PC’s could compete with Microsoft (Austin *IBM Corporation Turnaround*). In addition to the PCs, they refused to give up on mainframes, and centralizing their services made a turn for the positive.

I believe the best choice to make was the centralization of the companies organizational structure. The executives, employees, and CEO are the main stakeholders. Throughout the struggles of IBM employees were impacted by layoff, the CEO had been changed, and the executive roles had been changed. I say centralization was the best choice because all the company’s entities were not on the same page about most things like how business process are completed, forcing them to come together creates one solution. Similarly, to our readings IVK and IBM had a suffering IT department (Austin *Adventures of an IT Leader*). And this suffering IT department cause issue in all the other department. In IVK the IT issue where so bad that it forced the previous CIO to be replaced with a new one as well as a new CEO (Austin *Adventures of an IT Leader*). The two situations are similar because they deal with companies on the decline and a CEO is brought in to fix the problem. Although *Adventures of an IT Leader* follows the directions of a new CIO under the new CEO. The comparison can be made that neither CEO Gerstner nor CIO Barton have no history in IT but have brought a positive change.

Works Cited

Austin, Robert D. *IBM Corporation Turnaround*. Harvard Business Publishing, 2000.

Austin, Robert D. *Adventures of an IT Leader*. Harvard Business Review Press, 2016.