

Tabulating machine company

[Technology](#), [Development](#)



" The company which became IBM was founded in 1896 as the Tabulating Machine Company by Herman Hollerith, in Broome County, New York. It was incorporated as Computing Tabulating Recording Corporation (CTR) on June 16, 1911, and was listed on the New York Stock Exchange in 1916. IBM adopted its current name in 1924, when it became an international manufacturing company". (Kelly and Aspray 2004) In 1981 IBM introduced the IBM Personal Computer which is the original version and progenitor of the IBM PC compatible hardware platform.

IBM sold its PC division to the Chinese company Lenovo on May 1, 2005 for \$655 million in cash and \$600 million in Lenovo stock. IBM was recognized as one of the " Top 20 Best Workplaces for Commuters" by the U. S.

Environmental Protection Agency (EPA) in 2005. This was to recognize the Fortune 500 companies that provided their employees with excellent commuter benefits that helped reduce traffic and air pollution. IBM's downtime IBM was at a very critical stage as it was constantly incurring losses and their efforts to bring back the organization to the profitability stage failed intensely.

The company faced problems due to its negligence towards its customers' needs and requirements, as a result at the end of financial year 1992 IBM had a loss of around 8. 10 billion US dollars. (IBM Timeline 1993) (IBM's revenue and net income 2006) If we analyze the revenue growth of IBM in the graph above, we can see that it was making a gradual increase in its revenue from 1980 to 1990 and thereon there is an abrupt decline from 1990 to 1993.

This was the time when Louis V. Gerstner Jr. was appointed as the CEO of the International Business Machine, he did his magic and set about revitalizing the company, however it took him a very long time and enormous effort to again take IBM to its apex. Note: If we critically analyze the graph, we can see that the revenue is increasing on a gradual pace (increased from 26.21 billion to 91.1 billion US\$). However, there is no such gradual increase in its Net income.

This is because of the increased competition; IBM has been expending plenty of money on advertisements, marketing, patents, trademarks, etc. to remain in the market and to compete with its competitors. Let us analyze the problems more intensely

1. Longer Lead-time: One of the major reasons for its downfall was its longer lead time; customers had grown extremely frustrated with its poor response to their changing needs and problems. IBM had grown an image of being sluggish in the eyes of its customers. Above that they used to take a whole month to process one Purchase Order which brought IBM's image down the hill.

The time it used to take to get a contract in place was six to twelve months.

2. Lack of Proper and Flexible Layout: One of the major problems with IBM was its vast and improper layout. Work centers were not in a sequel order and that was the reason materials have to flow from one work centre to another. They had grown up dozens of discrete operating units under its loose administration.
3. Lack of customer oriented: Many people thought of IBM as a large, bureaucratic, and unresponsive company.

The company faced problems due to its negligence to the customer's needs and requirements as the management failed to provide better service to the present clients and to attract new clients by updating its service offering, and market strategies were not executed well which made the situation more worse. 4. Improper Market Research: The Company faced problems due to its negligence towards its customers' needs and requirements. They were focussing on what they are producing more than what their customers need. Inadequate market research made IBM keep their huge Mainframes in their ware house.

They were producing more and more mainframes where as customers had increased their emphasis on departmental and desktop computing. 5.

Absence of employee empowerment: Employees were not authorized to make decisions and as a result they could not take initiatives. Rush orders must have to be approved by the President Roger Rhodes. 6. Ineffective Communication: Any company to be successful, they must communicate internally and externally. Where as in IBM there was lack of communication between management and employees.

Re-engineering became the need of the hour as their strategies were not concrete enough to control the crises and the time was running out for the organization to make a successful strategy to save it from sinking. This was the time when IBM adopted re-engineering tool to prevent the organization from losses and to revitalize its growth. Necessity for Re-engineering and why re-engineer: Reengineering is very essential for the organization as it takes back the organization to its basic and re-examine their very tools.

Business process reengineering is a tool which not only focuses on improving but brings reinventions in the organization which doubles up the speed of performance of the organization by strengthening its basic structure. It is one approach for redesigning the way work is done to better support the organization's mission and reduce costs. Reengineering starts with a high level assessment of the organization's mission, strategic goals, and customer needs. There were other alternatives also available but as the organization was facing severe losses the best option available for them for quick recovery was business process reengineering.

Actions taken by Louis Gerstner Louis Gerstner was appointed as the chairman and executive officer of IBM to manage the crises situation and to fetch positive results. He first concentrated on the critical areas of the business by following the rule of first thing first. He first looked at near - term company operations than he went for cost cutting and brought customers satisfaction at the centre of all activities which would help the organization to improve its image in the market and to attract new clients.

Focus on Operations and Strategy Before going out and trying to change the outside process, it is very important to first analyse and make the necessary changes within the first hand processes which Gerstner successfully did. He made every member of the organization instrumental for executing his plans, he assigned deputies to lead each reengineering effort and making them accountable for their actions and then by linking people's rewards to process performance.

His formulation of the strategy was so effective that the execution became easy; he just followed up his executives to make sure that they are going towards a right direction. The need to improve IT " Effective alignment of IT infrastructure and BPR strategy, building an effective IT infrastructure, adequate IT infrastructure investment decision, an adequate measurement of IT infrastructure effectiveness, proper IS integration, effective use of software tools are the most important factors that contribute to the success of BPR projects" (Majed Al-Mashri and Mohammed Zairi, 1999)

Gerstner identified the need and came up with IBM Information Management, Lotus, Rational, Tivoli and Web Sphere software that can help its clients deal with almost any business challenge - and the expertise of IBM's extensive Business Partner network is the key to unlocking the value of these technologies. Effective Communication " A management vision communicated to the entire workforce ensures re-engineering efforts to be a success" (Mc Adam, 2000). " Effective communication is considered a major key to successful BPR-related change efforts" (Jackson, 1997).

" Communication should take place frequently" (Davenport, 1993) and " in both directions between those in charge of the change initiatives and those affected by them" (Jackson, 1997). He executed his plans by controlling the work force and their action and regularly informing them by addressing " Dear Colleague" letters to communicate important messages. From my own industrial experience I can say it makes a big difference between one who say " I am working for an XYZ company" and one saying " I am working with XYZ Company".

By addressing employees by 'Dear Colleagues', Gerstner gave them a feeling as they are a respectable and important part of IBM. Customer-Driven Process Redesign " Delivering superior customer value and satisfaction are critical to a firm's competitive advantage"(Kotler and Armstrong 1998). For addressing customer's major concern with IBM, Gerstner managed to reduce the purchase order processing time from one month to unimaginable one day. The time it takes to get a contract in place dropped from six to twelve months to one month.

Average contract length shrank from forty pages to six. Gerstner was on his extremely spectacular journey to making IBM a success icon in the industry. Turning IBM's size and diversity to its advantage, Gerstner expanded the company's small services division, making it a place customers could come for network solutions. By recommending products appropriate for each customer rather than simply pushing IBM goods, Global Services grew rapidly. Research Method

" Researchers were also instructed to spend more time working directly with customers, focusing on solutions for real customer problems". This was one of the main factors that brought IBM a good name in the market. Many of its researchers had issues with Gerstner's new policy of focusing specifically on customers problems, many researchers even resigned. However, it was more important for the company to address customers' problems rather than holding a bad in the market for a few scientists. IBM's Boom in the Internet world

In the mid-1990s, Gerstner's strategies were already bearing fruit. He realized the increasing demand of internet in the market, indirectly the need of big servers to run it. IBM was specialized in the server design in the market. Gerstner fully utilized this opportunity and the company made a massive growth as a result the company posted a profit for the first time since 1990. IBM started helping its customer by creating websites and encouraging e-commerce. Those employees who did not see the virtues of common processes were reminded that they could look for work else where.

Outcomes of actions taken Business process reengineering helped IBM in regaining its profitability status and it has been showing remarkable change in its approach towards its customers that today they are the leading organization in providing best customer support. Working with IBM Business Partners enables companies to leverage the skills they need to build compelling solutions; advanced IBM technologies provide the tools to support IT and business process optimization. Conclusion:

An intensive customer focus, superior process design and a strong and motivated leadership are vital ingredient to the recipe for the success of any business corporation. Reengineering is the key that IBM adopted to achieve success. BRP does not offer a miracle cure on a platter, nor does it provide a painless quick fix rather it advocates strenuous hard work and instigates the people involved to not only change what they do but targets at altering their basic way of thinking itself.

To get the most out of strategy as discussed above, companies must have clear objectives, let staff take initiatives, resource a significant programmed

and be determined to drive through necessary changes. As we have studied, BPR can be implemented for those companies who want total reinvention not just small improvements. As authors argue that organizations must analyze existing process and then try to redesign it. So I think Louis Gerstner needs to focus. Nevertheless, he must have to have strategies which make those processes better to increase profits and have customer satisfaction.

References

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