

Essay on business

Business



The PEST analysis heading is a framework in which environmental influences are categorized into four main types: political, economic, socio-cultural, and technological. Political forces, as the political arena has a huge influence upon the regulation of business and the spending of consumers and other businesses. The political is including government stability, taxation policy, social welfare policies and the trade regulations.

In this case, there was an antitrust litigation against MM in 1952, in the meantime, it required MM to sell and ease its equipment that let it help other companies to enter the business, and it also made IBM to implement license system on existing and future patent, these patents were about computer systems, and decided the license ratios. Economic forces, as the state of a trading economy in the short-term and long-term influence the wealth of a population. The economic is including interest rates, inflation, and disposable income and product seasonality and so on.

From year to year, IBM had the potential threat to the market especially. For example, Japanese computers with low cost began to enter the United States market, which made IBM face much more competition, so IBM invested 400 million dollars to reduce manufacturing costs in mid-1980s and tried to differentiate IBM products. Socio-cultural forces, such as religion and demographics impact upon product design and spending by consumers. It includes lifestyle trends, education level, population demographics and social responsibility.

Customer demands are important to MM, Serener advocated that technological innovation should not be around the products, but should focus

on the needs of customers and markets. When Serener new that some customers complain about the high prices of IBM mainframe software, he lowered the price by 30%. Technological forces, such as information technology influences production methods, and transportation influences market penetration and product costs. It will include speed of introduction of new technologies, innovations/developments and consumer buying options and so on.

In 1965, MM developed minicomputer technology. Until the 1986, IBM developed the AS/400 minicomputer that joined the competition with companies, such as Apple. In order to face this situation, IBM set up a PC development team, which has 50 people. In less one year, BIMBO was better than Mac computer. BIMBO let people easier to use computer in anywhere. The analysis Of the organization's internal and external strategic environment is referred to as a STOW analysis. STOW is an acronym for strengths, weakness, opportunities and threats.

The STOW analysis is a very popular tool with managers because it is quick and easy to learn. The strength of IBM is that it was the largest of the eight major computer companies through most of the sass. Good reputation brought more profits to IBM. In that year IBM generated 6 billion revenue and 90 million net profits by leasing 50,000 test of computers for a monthly fee of 10,000 dollars, and IBM produced about 70% of all computers in 1964. These proved that when IBM was the largest computer company, it had largest profit. The weakness of MM is that IBM had a new computer system was named as 360.

For the IBM system/360, Larson estimated large cost that was 2.5 times of the "Manhattan Project", which is the first atomic bomb developed by the United States. Watson Jar. Admitted that this large invest was the most risky decision for him. However, Watson Jar. Did not aware of the potential threat to the market especially, those factors made IBM mainframe annual sales growth decreased sharply between 1984 and 1990. So this large cost of 360 for IBM is the weakness. The opportunity of IBM is that IBM developed the AS/400 minicomputer to join the competition.

In order to develop the minicomputer preferably, IBM had a 50 people PC development team. After a period of time, the products of IBM become industrial standards for personal computers in the world. For IBM produced mainframe computer before, minicomputer brought new opportunity to it. The threat of IBM is that competitions from other computer company. For example, low cost Japanese computer began to enter the United States market, which let customers has more choices, and many customer wanted to buy computers with lower price.

Through a STOW analysis an organization can assess its current position and make comparisons with competitors in order to plan activities and resources appropriately. It is the first stage of planning and helps managers to focus on key issues. It is important remember when carrying out a STOW analysis that it is not absolute. Simple rules for successful STOW analysis like next: Be realistic about the strengths and weaknesses of the organization. Analysis should distinguish between where your organization is today, and where be in the future. Be specific. Avoid grey areas. Always analysis in relation to the competition.

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Keep your STOW short and simple. Avoid complexity and over-analysis.

STOW analysis is a kind of subjective and short term in its nature, so it can't use to analysis long-term situation. For example, when it analysis the opportunities, it can think about " where are the good opportunities available to our organization". Section 2 OrganizationalcultureOrganizational culture is difficult to define precisely. A simple description is hat it is a system of shared meaning between members of an organization or 'the way we do things here'. It acts as the social glue that holds the organization together.

Research shows that the culture of an organization can significantly affect the way in which the company operates, particularly in terms of its effectiveness. Shared values become embodied in the organization's ideology or philosophy and act as a quite to behavior and ways of dealing with anxiety. In IBM, every employees were treated equally, it let employees know in various ways that each person could make difference in the company. For example, there was no parking spot marked " Reserved for Y Office", and no restroom was labeled " Exclusive Use for X Officer", the single office also did not have title plaque in IBM headquarter.

These illustrates IBM treated every employee is equal that can make employee more comfortable to work. This is a good computer culture for IBM. A kind Of recognized model Of Organizational culture is Deterrence Deal and Allan Kennedy. It is based on how quickly organizations receive or strategies and the level of risk that they take. Deal and Kennedy stated that these two factors gave rise to four generic types of cultures, which they called tough ay/macho culture, work hard/play hard culture, bet-the-company culture and process culture.

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Through the case, we can know Serener is a 'big man' in his company; he manages the company with his mind and idea, it company is include by the computer industry, all the staff work hard every day, and then they will have a holiday for several days. So IBM is suit the tough work hard/ pay hard culture. The work hard/pay hard culture's core value is keeping good customer service. In the case, the company has a 'lifestyle guarantee' which aims to give managers time for a life outside work. Another key aspect of the Meany's operation is 'involvement and communication'.

Staffs are kept in touch with weekly newsletters, a monthly company video and by publicizing the minutes of Board meetings. The company always pays highly attention to the staff and the customers, and the information's high-speed recreation, and the company also does these suggestions quickly. (c) Culture is something every organization has, but it is not a concrete entity. The culture of an organization impacts upon how that organization reacts to change and it also explains what an organizations stands for. Organizational culture is difficult to define precisely.

A simple description is that it is a system of shared meaning be; en members of an organization or the way we do things here'. The founders of the organization have traditionally had a major impact on the organization's early culture. Through the culture and the behaviors, in the company, the company built the pubs environment very quiet and let its staff work hard in several days and have a holiday in several days. So, a kind of culture will have a kind of behavior. The other type of Deterrence Deal and Allan Kennedy of recognized model of organizational culture is process culture, it is focus on details and process excellence.

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However, the stress may come from internal politics and stupidity of the system. This kind of culture has slow feedback/reward and low risk. As a computer industry, it pays attention on the result about the customers satisfied. So it isn't paying much attention on the details and process. If the company becomes the process culture, it will bog down with how things are done and not with what is to be achieved. Section 3 Business strategy In the Generic-Strategies-?-Michael Porter (1990), there are four strategies: cost leadership, differentiation, and segmentation, niche or focus strategy.

Cost leadership is a low cost leader-gain competitive advantage from being able to produce at the lowest cost-?-cost advantage is the focuses', the low cost doesn't mean low price---gain the benefits. It in a broad market scope environment where it has a kind of substitute products and power competition. Differentiation is differentiated goods and services satisfy the needs of customers, and the companies can De-sensitizes prices and focuses on value-higher price and a better margin. So it needs to incur additional costs in creating its competitive advantage.

It in a broad market scope environment is in that the customers'loyalty can help the company limited and reduce new entrants and competitors. The segmentation, niche or focus strategy is included cost focus and focus differentiation. The cost focus is a firm aims at being the low cost producer in that niche or segment, it in a narrow market scope environment likes low cost than the differentiation in a niche. The focus differentiation is a firm creates competitive advantage through differentiation within the niche or segment. Its potential problems are small; specialist niches could disappear in the long term.

Its associated environment is in the narrow market scope; it can use a special product from the major developed market competitors who have different purposes. In the case, Serener advocated that technological innovation should not be around the products, but should focus on the needs of customers and markets. In order to understand customers' needs, Serener spent 40% of the time. In three and half years, he flew 542 times and visited Chairman of many large customers. When Serener knew that some customers complain about the high prices Of IBM mainframe software, he lowered the price by 30%. O I devise that the company's situation is suit Generic-strategies---Michael Porter (1990), differentiation. From the strategy, IBM gets more benefits, here I only identify four about it: the company build its own style and brand, it has its own customer group, the expansion about share and scope is growing quickly, and the benefits is more than before. In 1 952, there was an antitrust litigation against IBM, and requiring IBM selling or leasing its equipment, it also required IBM implementing license system, in order to help other companies to enter the business.

So on December 28, 1 961 , IBM had an 8-page report titled The IBM System/360. That is a 360 full application computers from businesses to the scientific community, and the Vim's objective was full range of services for its customers. So it suits Generic-strategies-?-Michael Porter (1990), segmentation, and niche or focus strategy. Customer demands are important to IBM, Serener advocated that technological innovation should not be around the products, but should focus on the needs of customers and markets. When Serener knew that some customers complain about the high prices of IBM mainframe software, he lowered the price by 30%.

To its customer, the company thinks that people are its best asset. It is Generic-strategies--? Michael Porter (1990), differentiation. There are many forces to make IBM change, for example, the fierce competition in IT industry is one of the forces. After the release from government, more and more competitor step into this field. DCE which take the dominant role in minicomputer, Apple Company also take a large share, in addition, the producer from Japan are also keen to this field. Another force is the limitation of strategy of that time.

In 1965, most producer began to research minicomputer and made some outcomes. However, due to the strategy vision limit affected by mainframe, IBM did not invest in minicomputer technology development. This limitation make a bad effect following years which is IBM loss the dominate role in minicomputer field. When IBM updating its strategy, there are some forces changing. For example, the developing direction is clearer. The new CEO Serener sell out the Federal Systems Division and focus on the integrated solution supply to customers so as to change the direction. In addition, a powerful culture is also built up.

Serener not only survive the IBM but also make it more active than before, therefore, a confidence built by Serener will make the culture within IBM more powerful and every employees work hard and loyally. The benefits of changing strategy are countless. For example, after taking the new strategy, the financial situation is in the black by 1994, which is also the deadline of continuous decade's loss, what's more, the current profit is 3 billion dollar. In addition, the development of IBM is clearer than before because that Serener

sell out the Federal Systems Division to others so that IBM could focus on the integrated solutions offering.

Besides, more opportunity offered to the worker. IBM makes it happen from edge of break- p to alive, therefore, more jobs will be offered to the worker so as to decrease the unemployment rate. At last, the number of customer is also increased. IBM focuses on the integrated solutes offering so as to take more power on this field. Comparing with former business, better service brings IBM more customers. Section 4 Change The change strategy of IBM after Serener became CEO belongs to directive strategy. This strategy highlights the power of manager's and use of authority to impose change with little or no involvement Of other employees.

Because of the fail management on MM, the operating condition is ever-working. Therefore, Serener could use directive strategy to change without any obstacle. This directive strategy advantage is the change could be undertaken quickly and effectively. This is also the most important point that needed by Serener. However, the disadvantages are also obvious; this approach done not take into consideration the views, feelings of these involved in or affected by the imposed change, which may lead much obstacles during the change. The objective of stakeholder is one of the reasons, which force IBM to change.

At the former age, the operating condition of IBM is getting worse and 30 ears golden age ended. At that time, the main objective of stakeholder is to keep operating of IBM and try to stop loss. After Serener taking CEO of MM, the objectives of IBM changes. Under many change on strategy, the IBM start

to make profit, which is also the change on the objective of stakeholders. Another force make IBM change is the organization culture. After Serener taking CEO of IBM, the organization culture of IBM changes. Former, the culture is role culture in which worker make full use of their specialization.

However, with the ever-working operating condition, the role culture is not suitable. Serener change the culture into task culture in which specialized worker could gather together for the same task and in this way, people get the full use and efficiency soar. Driving force A new personnel is the power to change. For MM, the used strategy and operating model are not suitable to the new market. New personnel coming from the new market could help on the improvement of operating efficiency and profitability. Changing market is also the force to change. To MM, there was an example in 1965 that was the competition on minicomputer field.

Because of the lack on research on minicomputer, IBM lost the dominant role in that field. Therefore, the changing market is the best force for change the strategy. Increased competition is force for change. To IBM, the fierce competition is a fatal challenge because of the low industry threshold. Newcomer could challenge IBM's dominate role if they gain certain new technology. Therefore, the change is necessary when there is increased competition. Restraining force The fear of failure from the other top manager is the restraining force for MM. The other top managers will lose their current benefits if the change fails.

Therefore, the top managers may vote not to change. The fear of the unknown is also a reason why top managers vote not to change. One of the

humans features is that fitting in current and refuse to change because Of the fear to the unknown. Top managers do not know what IBM will be after the change, therefore then tend to not change. Lack of resource is another restraining force to change. To MM, before Serener becoming CEO, the IBM lack change resource to change. Serener bring the new idea and strategy to IBM and finally make the change successful. Education and communication would be the best methods for reduce the resistance to change.

During all the stages of change, the top manager should get an education and good communication to workers. Manager takes education and communication with employee to inform them the benefits and advantages of change so as to reduce the resistance of change. Communicating with employees to help them see the logic of a change can reduce resistance. If employees receive the full facts and clear up any misunderstandings, the resistance will subside. In this way, the adverse idea and mind obstacle will be reduced peacefully and trigger the least confliction between management and workers. Conclusion

This report is to the all outcomes to the Business Culture and Strategy. In this report, all theories are based on the study on IBM PI. PALEST analyze is explained in this report. In addition, STOW analyze is also explained well with a set of guidelines to follow. As for the organization culture of IBM, this report also lists the importance and suggestions of culture to IBM. In term to the business strategy, this report explains main difference between business strategy and strategy choice with suggestions to IBM as well. In addition, the changes of IBM are also mentioned and show own opinions on the change of MM.

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