

# Company overview of ibm



IBM one of the leader brand of I. T industry which is basically related to computing, having its arm spreads to almost all dimension of technology whether it is about gadget or the software. IBM is world's largest information technology company with 2005 revenues of \$91 billion. IBM provides the biggest of the following services:

IBM has invested in IT services (\$47B),

IBM has invested in hardware (\$24B) and

IBM has invested in rental and financing (\$2B).

Approximately 329000 employees have been hired by the company and the business is flourishing in almost 170 countries.

“ International Business machine is an I. T giant now days, stretching it hands”. The IBM now days provides wide range of data storage as well as servers with enormous storage devices as well as servers secure database. IBM is now aiming for animation, consolidation which saves wide range physical assets.

IBM has also good contribution in the space research like IBM ThinkPad 750. The environment monitoring software was established by IBM in 1999 which has contributed to environment management and protection. IBM's system/390 is the world most powerful mainframe computer. Many cost effective technologies were developed by IBM like, instead of pure silicon chip, introduced a blend of silicon and germanium. IBM designed the website for Nagano Olympic winter games, the website made 650 million hits from around the world. IBM earns more profit than the next nine computer firms

generated in total sales, spending more on research and development than they made in earnings.

This report is focuses on the new strategies through which IBM survived over the competitions. This report shows how IBM states itself feasible beside of its massive operation size.

## **2). Strategic Analysis:**

This includes the following aspects:

### **Vision Statement:**

IBM strives to lead the invention, development and manufacturing of the industry's most updated information technologies, which includes softwares, computer systems, microelectronics, and storage systems. It translates these advanced technologies into value for its customers by providing professional solutions, services and consulting businesses worldwide.

### **Mission Statement:**

IBM's main activity is to find solutions to its wide range of clients using the advanced technology. Its clients comprises of individual users, specialised businesses, and institutions such as government, science, defence, spatial and educational organisations. IBM is a multi-tasking company that creates, develops and manufactures many of the world's most updated technologies, ranging from computer systems and software to networking systems, storage devices and microelectronics, in order to meet and respond to its customer's needs. Through this mission statement IBM is striving to dynamically galvanize their props in various field and trying to maintain a

stabilize balance between all above aspect like clients, government, educational organisation etc.

The main strategy of IBM is to deliver its high value added services to customers by using its server product. And it can be divided into 4 pieces as follows:

1. Reallocation of the resources in order to enhance its server product business, reduce the operation costs and increase the level of efficiency.
2. In order to pursue an innovative agenda with its clients, partners and in other relationships, and also to continue refining its portfolio to achieve higher value.
3. The businesses contributing strategically to its portfolio are acquired.
4. In order to maintain its leadership of the rapidly changing business by aiming on high-value innovation-based solved services while generating consistent high returns on the invested capital for its shareholders.

To satisfy the stakeholders whose have high powers IBM should consider such new strategies which interest them. For example, for the government in “ keep satisfied”, who have high power (legislation power) but low interest. To conclude, if the strategic decisions are against the benefits of the key stakeholders, that strategy might be difficult to be implemented and achieved.

**Internal Analysis:****Value Chain Analysis Firm Infrastructure:**

Supply-chain management in IBM, are becoming more complex, harder to manage and more costly to run. In fact, nearly \$3.4 trillion was spent on supply chains in 2005. To address this, Supply Chain management business is being established by transforming the outsourcing practice. IBM has been supported by The Supply Chain Management (SCM) to improve costs and customer services, while decreasing overall supply chain inventory. IBM's (2006) Business Performance Management enables companies to view end-to-end processes across the business and IT systems, analysing the execution in real time against goals, and making adjustments as required. For instance, consulting services and the middleware are offered by IBM in order to monitor and stimulate business processes, and also provide clients with real time analysis of the underlying IT systems which carry out those processes.

**Organisation Structure:**

- Sales & Distribution Group.
- Global Business Services Group.
- Global Technology Services Group.
- Software Group.
- Systems & Technology Group.
- Integrated Operations Group.
- Innovation & Technology Group.

**HRM:**

To eliminate repetitions or overlapping and overhead structures to drive productivity, the integration of HRM has improved IBM's capacity to innovate

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by providing greater clarity of key priorities around shared goals and objectives and leads to a sharper focus for the company on learning, developing and sharing of the knowledge. Perhaps after this integration, IBM has acquired numbers of companies to enhance their capability. However the integration issues could appear during the acquisition process that would be the challenge of the HRM, e. g. the culture conflict.

**Technology Development:**

IBM's research and development, operations differentiate IBM from its competitors. IBM annually spends approximately \$5-\$6 billion for research and development, including capitalized software costs, focusing its investments in high-growth opportunities. IBM has some of the best technology registered in its account that made revolutionary changes through huge amount of business data transferring around the world.

**Procurement:**

IBM has development Business Partner relationships with establishment, best-of-breed Supply Chain Management solution providers. IBM provides the products and services, competitive cost, scalable and secure infrastructure along with their solutions which the customers require. Acquisitions and mergers in order to improve their businesses on the high value products and services, IBM acquired service-related companies into the global services segment, and the software-related companies that were integrated into the software segment.

**Inbound & outbound logistics and operations:**

IBM integrated supply, manufacturing and logistics and customer fulfilment operations in one operating unit to reduce inventories, improve response to

marketplace opportunities and external risks and convert fixed to variable cost. This feasibility IBM has acquired after facing a huge flexible competition by Compaq in 1982. Through this flexible and enormous services exchange system IBM now days possessing almost top position at market in its segment.

**Key financial system/marketing and sales:**

In 2005, the company realigned its operation and organisational structure in Europe to give sales and delivery team's great authority, accountability and flexibility to make decisions and to execute more effectively on behalf of our clients. The company had broken their dimension to Asian countries in order to increase their sales; company has explored a huge profitable market In Asian specially in middle & Far East Asian countries which includes some of the fastest growing countries' economies

(china, India, Taiwan, Hong Kong, Singapore, Thailand, Indonesia and the Philippines etc.)

**Services:**

Few Services provided by IBM are technology and transformation to the clients, business and invests to improve the ability to help their clients innovate which is really a high value added and profitable process.

The service IBM provides besides of above mentioned are middleware services, outsourcing services, security and privacy services, server services and facilities services, mainframes, communications , mainframe storage, minicomputers and personal computers.

**Global business services (GBS).**

IBM global business services replace what was formerly called enterprise business services and business consulting services. Redbooks are distributed by IBM and are increasingly available through online bookstores such as fatbrain. com and amazon. com.

IBM provides services basically in three categories:

1. The more it-oriented technology services offerings like strategic outsourcing, integrated technology services and hosting.
2. It infrastructure delivery, which is becoming increasingly strategic as a lever to drive productivity, efficiency and margin improvement.
3. And offerings targeted toward transformation and high-end business value consulting, systems integration, application services, business transformation outsourcing, assist innovation, and strategic business development.

**Value system analysis:**

The value system of IBM is as follows:

In this value network of server products, the processor and the software providers have higher profit pool than other suppliers. Furthermore the retailers keep a high profit pool for the distribution. Therefore, IBM does not have enough profit space of the server products.

**Value drivers:**

Channels value drivers

Wholesalers: price, choice, quality, logistics



Retailers: price, service, guarantee.

Business orders: prices, service, guarantee.

The information above shows the main distributors of IBM and their value drivers. Because of high buying power, IBM needs to satisfy its distributors.

### **3). Demographic Factors:**

IBM is a software and computers manufacturing and developing company and so the age group interested in the products, information, news provided by the company lies between 20-45 years. The outcomes of the company are more influential for the working group specially the IT industry.

More of the computers and the softwares developed by IBM are used by the Businesses like Mc Donald, Safeway, and many more companies.

### **4). PESTEL analysis:**

This includes following factors:

#### **Political factors:**

Taxation, heavy taxes in the UK make the IBM server products increase the weakness on the price factor, especially on the premium price IBM products.

#### **Economic factors:**

GDP, factor, the healthy economic environment with strong and stable GDP in all the regions provides a good market for the product and the service business of IBM. Although the rate of increase in GDP is not too fast, this disadvantage element can be balanced by the stability.

**GDP-composition by sector:**

The service industry in the world contributed nearly 73.4% to the GDP in 2006. that indicated that the high value added service market in the world is matured, and the customer experience on the service would be higher or more difficult to be satisfied.

**Socio culture factors:**

Population and the internet users, in 2006, the population in just UK it was nearly 60,609,153 and according to CIA,(2007), more than half of these people(37.6 million in 2005) were internet users. The well known about the internet indicated the opportunities of relevant product and services.

**Technological factors:**

Internet, a survey from CIA,(2007) shows that there were 6,064,860 internet host in 2006 and more than 400 internet service providers in 2000. in this sophisticated market, the opportunity and competition will exist together.

**Environmental factor:**

In environmental factor dimension the IBM made some of the major technologies like to trace the weather throughout world, IBM made computers for NASA for astrology that made them to set the satellite which monitors the environmental changes over the globe. IBM also added some of the revolutionary environmental friendly strategies which not just provides environmental saving factors, but also cost saving factors like energy cost.

**Legislate:**

Main legal constraints for IBM are cyber protection and the chemical the use in marketing hardware (like carbon, germanium and silicon), the cress

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country business, currency exchange and many legal registrations for their business outsourcing facilities.

### **5). Potters 5 forces analysis:**

#### **The threat of entry:**

The threat of entrants for the server was low because of the enormous costs on the R&D, relevant supporter's products and services, manufacturing and the distribution. For example , IBM spent nearly \$171 million in system and technology for server product in 2005,(annual report, 2006) and IBM spent over \$1 billion in Linux operating system in 2001.(shankland, 2002)this was only the barrier on the cost, there were other barriers like technique, distribution channels etc.

#### **Power of suppliers:**

Intel and AMD, as the two biggest processor provides (monopolies) in the world, have very strong power on the chip supplying. Although the power of suppliers might be decrease resulting from the competition between these two companies , the wide range of customers and high cost on switching cause the buyers lack of power to bargain with these two giants.

However, the power of suppliers for other low technical required material parts was much lower than the core hardware providers.

#### **Power of buyers:**

The power of buyers for the server products in the UK was high because the buyer did not concentrate to the firm and the switching costs for the buyers were low. There were many product choices for the buyers, for example IBM, HP, DELL etc.

**Competitive rivalry:**

By 2003, the world server market continues to show promising signs; according to IDC, (2003), the competitive rivalry in the market was becoming intense in the world. The competitors included HP, IBM, Sun micro system, DELL, and Fujitsu Siemens computers were becoming fifth leading server vendor in the world.

**The threat of substitutes:**

The web hosting business might be the biggest threat of substitute for the server products in the world. The advantages of web hosting include low cost, tech-support, easy to manage and low switching costs. In addition, the advanced personal computer might be another biggest threat to the server product. However, currently the pc cannot instead of professional server for the business uses.

**6). SWOT analysis:**

Following are the points included under this:

**Strengths:**

- Advanced business performance management.
- Good organisation culture.
- Strategic outsourcing mergers and acquisitions.
- High efficient fulfilment centre.
- Flexible marketing management.
- Creative services.

As company handling all most 95% of business task of top 1000 companies of wall street, the company have some of the world's fastest main frame and many revolutionary technologies like speech recognition software with which

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you can work just with your voice, blue gene a supercomputer which is 500 times fastest than world's fastest computer and capable of more than one quadrillion operation per second. Through such outperforming technologies IBM is able to provide some of the best back hand facilities. The most recent merge of IBM is with Lenovo in which Lenovo is providing the outer hardware technology and IBM providing all of its latest chip facility . IBM has developed the wide range of services i. e. resiliency services and business continuity, end user services, integrated communication services, it strategy and architecture services, maintainer and technical support services, middleware services, outsourcing services security and privacy services, personal computers and mini computers. Now IBM came in market with its revolutionary green technology through which they can save 40% of energy cost through animation, consolidation and consultancy

**Weakness:**

- High cost in the value chain.
- Possible acquisition issues.

Since, IBM spends much on its research and devolvement then it's earning and have very limited supplier in market. Since company owing very sensitive place in the market, because of its massive organisation size the immediate change are likely impossible.

**Opportunities:**

- Strong and stable economic market co

ntext.

- Sophisticated service market.
- High individual consumption power.

- Matured internet market.
- High level of entry barrier to the server market.
- Wireless applications

Well, company pusses a good place in the market just with little feasible strategies to market changes , IBM can hold a large share in the market . since IBM has very less count of competitors In its segment; almost the star of its field, through these specifications IBM can create a monopoly in the market. The internet is one of the wide application, that is growing faster than anything on earth, the opportunity is open for IBM , because IBM already in this field by providing huge data storage facilities . since , IBM is almost created monopoly on server market , that's why it is not easy for other companies to enter in this field and compete over IBM, except some huge market giants like Microsoft Wireless solutions enable customers to extend their reach to clients , suppliers and employees using wireless and emerging technologies.

**Threats:**

- Customers may have high experience on the service.
- Customers may have low switching costs.
- IBM has high switching costs on the core hardware.
- Due to Intense competition.
- High threat of substitutes in the market.

As being one of the oldest players of its field, customer may look for change. Today's market is so flexible; IBM may face threat from small companies like Compaq because of their small size they can change rapidly with customer environment. IBM high spending than its earning on research and

development can be a loophole for IBM. Because of very limited suppliers during value chain process, IBM can barely afford to substitute.

**7). Strategic challenge/ issue:**

These are the aspects that affect the strategy changes within the management of IBM. Stakeholder expectations and interests, owners private/shareholders profit, performance, direction, government taxation, VAT, legislation, Employment Rate, senior Management staff Performance, Targets, Non-managerial staff Rates of pay, Job security, working environment and hours, Trade Union working conditions, Minimum wage, Customers Quality, Customer, Care, Price, Creditors credit score, new contracts, Liquidity, Suppliers Long-term Contract, Stable, Payment, Local Community Jobs, Involvement, Environmental issues, shares.

**8). Strategic option/ future strategy/ objectives:**

It is becoming widely understood that the way in which companies are behaving as a society is environmentally unsustainable, causing irreparable damage to our planet. Rising energy prices, together with government-imposed levies on production of carbon, has been increasingly impacting the cost of running business, making many current business practices economically unsustainable. It is becoming progressively more useful for all businesses to act in an environmentally responsible manner, both to fulfil their legal and moral obligations, but also to enhance the brand and to improve corporate image. Environmental issues are one of the important aspects of this company, because the material they use is toxic in nature and the use of these gadgets is all over the world and in massive amount. That's why government are getting strict on these factors and screwing it up

day by day with strict rules. IBM has already begun on this champagne of green and save energy cost which worth million, from their environmental strategy IBM has save 40% of energy. This dimension is eco friendly as well a positive sign for IBM because they are saving huge amount of energy amount.

**Hungry for change:**

The future enterprise is empowered to change rapidly and successfully. Rather, merely responding to trends, it changes itself to shapes and leads them. To move ahead of the competition, market and industry shifts are a good chance.

**Innovative beyond customer imagination:**

The expectations of the increasing demands of the customers can be surpassed by the future enterprise. Deep collaboration of the relationships allows it to surprise customer with innovations that make both its customers and its business successful.

**Globally integrated:**

To take the advantage of today's global economy, the future enterprise had integrated. Its business has been strategically designed in order to access the best capabilities, assets and knowledge from anywhere they reside in the world and apply them wherever required in the world.

**Disruptive by nature:**

The business model is radically challenged and disrupts the basis of competition. This also leads to a shift in the traditional delivery approaches,



proposition value, and also as the opportunities arises it reinvents itself and its complete industry genuine not just generous.

The future enterprise goes beyond philanthropy and compliance and also the genuine concern for society in action and decisions is reflected.

### **9). Implementation and change:**

IBM has the biggest threat in front of it that is global recession. The company has to find some strategy which act as cure for their company in this unsteady market. The main focus problems for the company are:

- Complexity.
- Inflexibility.
- Speed.
- Scale.

The antidote to complexity is transparency. Complexity can hide the reality about financial condition. This led to great uncertainty in the minds of investors and can cause irrational behaviour among players. Runs on solvent companies arise where customers cannot tell the difference between those organisations which can meet their financial obligations and those which cannot. The first remedy to future crises is greater transparency in the form of stronger reporting requirements to the public.

The antidote to inflexibility is insurance. Firms and individuals who want to borrow should be required to purchase “ shock absorbers” with which to withstand a loss of income, natural disaster or default. The most basic kind is a “ rainy day account” a reserve fund of cash that a firm or individual could use in case of adversity.

The antidote to speed is a coordinated braking mechanism. Trading in markets can be suspended, as can provide a “cooling off” period in which news and information can disperse, allowing panicked player to assess the situation more fully. The brakes need to be applied infrequently and carefully. If player in the market can correctly anticipate a reaction by governments, the player will begin to game system.

The antidote to the massive scale of losses will be the creation of larger reserve institutions. The company must maintain a reserve that is equal to the loss they has expected and creates dent to such occasion. The company must consider the another constraints like global currency slump, wealth distribution scheme.

#### **10). Conclusion:**

The information and fact available above in report, gives a brief over-view of IBM strategies and core operation via SWOT and Internal analysis which includes sales and distribution, KFS, PESTEL and Porter 5 Forces. This report also lightens the future objectives and challenges for organisation. And on the basis of above analysis the last aim of this report is to suggest some of the strategy which covers the loophole of the organisation weak points.