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IBM has been able to leverage their Intellectual capital into businesses as diverse as life sciences, automotive and banking and more importantly, a constant revenue stream for the company. After several months on the job as IBM CEO Lou Gerstner's diagnosis of the company's problems was clear: Costs were out of line, they had lost touch with customers, the firm was too decentralized, and they had stayed with their old strategy too long. He summarized this by saying, " We don't move fast enough in this company. This is an industry in which success goes to the swift more than the smart. We've got to become more nimble, entrepreneurial, focused, cost driven. Based on his understanding of customers' needs, Gerstner recognized that the market was shifting. He pursued a completely different approach than the old IBM business del. These insights led to a transformation that subsequently led IBM to exit the network hardware business, application software, storage, and personal computers and to enter the services businesses and develop a freestanding software business.

It also led to a realistic evaluation of the firm's core capabilities resulting in the decision to exit consumer businesses which required skills very different from IBM's enterprise focus. After reviewing IBM's strategies, it found that " The Company didn't lack for smart, talented people.

Its problems weren't fundamentally technical in nature. It had file drawers full of winning strategies. Yet the company was frozen in place. The fundamental issue in viewing is strategy execution". To begin the transformation he emphasized focus, speed, customers, teamwork. ND getting the pain behind them.

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He did this by developing a few global core processes, centralizing the company to leverage its strengths as a provider of solutions to customers, fixing the core businesses, redesigning the metrics and reward systems, and relentlessly driving the culture toward a focus on the marketplace. He began to assign customer responsibility to senior executives who acted as ombudsmen for the customer relationship. This forced senior managers to listen to customers' problems and complaints and created a sense of urgency about the marketplace.

Incentives were changed so that business unit heads were no longer rewarded solely on the performance of their business but on how well they operated as a team. Since 2002, Sam Palominos, has continued the transformation of the company into an "on-mean Dustless" using advanced computer and network technologies to facilitate the flow of knowledge within companies and help executives respond instantly to changes. This entails offering open architecture, integrated processes, and self-managing systems? selling computing services, not computers.

This has required a transformation of the company around customer needs.

Who are IBM's biggest competitors today, and what risks do they face with their current strategy? IBM's main competitors are Hewlett-Packard Company (HP) and Dell (DELL), each of these companies has a different focus area. Dell makes most of its money on PC and server hardware, while Hewlett-Packard is more diversified as the leader in PC's and Imaging & Printing as well as offering IT services. Since IBM relies heavily on its Software and Services segment, it mainly competes with Hewlett-Packard in

the servers and IT services markets and with Dell in the servers and software markets.

In addition to HP and Dell, IBM also competes with firms such as Accentuate (CAN), Amazon(AMAZON), Apple(PAL), EMCEE (EMCEE), andMicrosoftCorporation (MOST). During Vim's profitability decline in the sass, the company found some strategy issues as below, bad decisions in terms of industry focus too much reliance on brand name poor decisions dealing with outsourcing technology a bad focus on market position, and high costs IBM considers solutions its primary focus and product on the basis of Michael Porter's business strategy model.