

IBM's corporate culture essay



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IBM's Corporate Culture Table of Contents Abstract1 Roots1 Company1 Culture2 Culture3 Impact3 Managed4 Results4 Troubles4 Wake Up Call5 Refocus and Restore6 Company6 Customer6 Stakeholder7 Employee7 Atmosphere8 Results8 Summary9 References10 Abstract This is an analysis of the culture at IBM and the impact that it has had on their success.

Corporate culture is significant in that it “ influences the behavior of everyone within an organization and, if carefully crafted, can have a significant positive effect on organizational success” (Certo and Certo, 2006, p. 23). Louis Gerstner proved this at IBM during his tenure from 1993 to 2002 when he revived IBM by refocusing on their culture. Roots Company The International Business Machines (IBM) Corporation can be traced all the way back to the late 19th century.

The U. S. population was experiencing explosive growth. The U. S. Census Bureau realized that manual-counting methods could no longer fulfill its constitutional obligations, so they sponsored a contest to find a more efficient way of tabulating census data.

The contest was won by Herman Hollerith, the son of a German immigrant and a statistician for the Census Bureau. Hollerith is generally regarded as the father of the modern computer for his invention of a tabulating machine that used electric current to sense and interpret the location of holes in punch cards and keep a running total of the data. With the success of his tabulating machine, Herman Hollerith founded the Tabulating Machine Company in 1896 (Wikipedia - Hollerith, 2006). Fifteen years later, renowned businessman Charles R. Flint brought together Hollerith's company, along

with the International Time Recording Company and the Computing Scale Company to form the Computing-Tabulating-Recording Company (IBM Highlights, 2001, p. 6).

Thomas J. Watson, a former executive of the National Cash Register Company, was hired by the board of the Computing-Tabulating-Recording Company to be its General Manager in 1914. Watson felt that the name of his company should reflect the global vision that he had for it, so in 1924 he changed the company's name to the International Business Machines (IBM) Corporation. Culture Thomas J. Watson was a natural leader and had a passion for winning in the marketplace, but he also placed a high value on fairness, honesty, integrity, and moral character.

Watson firmly believed that in order to be successful, his employees had to be well trained, well dressed, and feel good about themselves and their organization. To help promote an image of success, Watson established a strict dress code and encouraged the writing and singing of songs about IBM's products and employees (Pugh, 1995, p. 35). Drawing from his personal sales experience, he also implemented a series of effective business tactics such as generous sales incentives, a focus on customer service, and an evangelical fervor for instilling company pride and loyalty in every worker. Many of Watson's personal failures and successes were incorporated into the attitudes and policies that he instilled throughout the IBM Company.

Watson was fired from his first sales job because his horse, buggy, and the sewing machines that he was selling were stolen while he was in a bar

celebrating. That incident led to Watson's ban on alcohol at all IBM functions and meetings. His marketing success and conviction on anti-trust charges (later overturned) while with the National Cash Register Company, led to the formation of a marketing force that was passionate about the IBM company and its products, but fair in all of its dealings with customers. IBM employees were never allowed to disparage a competitor or its products. Thomas Watson's philosophy can be summed up in what came to be known as the three basic beliefs of IBM (Rogers, 1986, p.

10): 1. The individual must be respected, 2. The customer must be given the best possible service, and 3. Excellence and superior performance must be pursued. After leading the company for over forty years, Thomas J. Watson retired from IBM in 1956 and turned the company over to his son, Thomas J.

Watson, Jr. Thomas J. Watson, Jr. maintained the legacy and culture established by his father and helped to establish IBM as the world's premier computer company with the introduction of the System 360 in the early 1960s. Watson focused nearly all of IBM's people, resources, and capital toward the development and deployment of the System 360. That gamble paid off enabling IBM to garner over 90% of the exploding market for large computer systems.

IBM's near monopoly in the large computer marketplace provided tremendous growth and profitability for nearly 25 years. However, the personal computer revolution of the 1980's (started by IBM, ironically) brought the glory days of IBM to an abrupt and near tragic end. Culture Impact The impact of IBM's culture during its first 75 years was profound. To

be an employee of IBM meant being a part of IBM. If one were to ask an IBM employee – whether an engineer, an executive, or a janitor, “ What do you do? the answer would almost always be the same, “ I’m an IBMer.

” IBM was deeply committed to its employees. If an individual’s skills were no longer needed in one part of the company, IBM would relocate that individual to another part of the company and provide them with whatever training they needed to again become productive. Even during the great depression of the 1930s, IBM maintained and even grew its employee base, enabling the company to capitalize on the economic recovery of the late 1930s. IBM employees repaid that commitment with tremendous loyalty. Throughout most of its history, IBM has enjoyed a far lower employee turnover rate than nearly any other company in America.

Managed IBM’s managers were given the responsibility of exhibiting and promoting IBM’s corporate culture. Respect for the individual meant that employees were given time off to attend to personal or family matters such as their marriage, the birth of child, or the death of a family member.

Managers were encouraged to become involved in their employees personal problems and provide assistance whenever and wherever possible. While IBM did not discriminate in its hiring practices, managers did seem to prefer new employees that were fresh out of college or technical school, could be easily trained, and would quickly adopt IBM’s culture. Results In the financial markets, IBM was always considered to be one of the best-managed companies.

IBM was often called, " The bluest of the blue chip stocks. " IBM was considered a model American company, and its stock was included in the thirty stocks that make up the Dow Jones Industrial Average. In both good and bad economic times, investors could always count on IBM to deliver large profits and high growth rates. Troubles Following the retirement of Thomas J. Watson, Jr. in 1971, IBM's culture began a slow and subtle change.

The Watson's had been visionaries. They had the ability to see where and how the world and industry were changing and utilized the vast resources of their company to develop the new products that would be needed in the future. The IBM leaders who followed them seemed content to simply hold on and enjoy the ride. They took their focus off of the customer. They became arrogant, believing that their monopolistic position entitled them to develop products without consideration of costs or the customer's needs.

The customer had become dependent upon IBM and was usually willing to pay a premium price for whatever IBM had to sell. Unlike the Watson's, the IBM leaders that followed them failed to see where and how the world was changing which left IBM ill-prepared to capitalize on the coming shift in information processing technology. IBM's introduction of the personal computer in 1981 created a revolutionary change in the computer industry. As computing power shifted away from the large corporate data center, so too did the money that was spent on Information Technology (IT). For 75 years, IBM's culture had been focused on marketing to and servicing the information processing needs of the world's largest corporations.

Now, with personal computers costing only a few thousand dollars, managers, engineers, and financial analysts could suddenly purchase computing equipment and software on their own with little need for IBM and their multi-million dollar mainframes. IBM executives tried to find a way to maintain the company's full-employment policy, but there just wasn't any place to which they could move the tens of thousands of employees who were no longer needed. From 1991 through 1994, IBM cut its staff by one-third. The breadth and magnitude of these cuts had a devastating effect on the culture of IBM. Feeling that IBM had betrayed and broken its commitment to them, the employees who survived the layoffs no longer felt compelled to maintain the cultural traditions (loyalty, pursuit of excellence, etc.

) of IBM. Wake Up Call IBM's board of directors realized that IBM was now adrift without a rudder. If IBM were to survive it would have to change. It needed to find new sources of revenue, develop new and more innovative products, and find new and more efficient ways of producing those products. IBM needed a new culture. Feeling that the existing leadership of IBM was far too steeped in the traditional culture of IBM, the board decided that IBM's only hope for survival was to bring in someone from the outside - someone who could establish a new culture for the company.

In April of 1993, Louis V. Gerstner, Jr. left his position as Chairman and CEO of RJR-Nabisco to become Chairman and CEO of IBM. Not since Thomas Watson, Sr. was hired in 1914 had IBM picked an outsider to lead their company.

Refocus and Restore Company One of Gerstner's first actions as the leader of IBM was to immediately stop the segmentation or break up of IBM into numerous independent companies. In his meetings with senior executives at IBM's largest customers, Gerstner learned that they were not looking for products - they were looking for solutions. Gerstner challenged IBM employees to get to know their customers, understand their business, their issues, and their challenges. He also challenged them to draw upon all of IBM's resources including its collective knowledge, skills, and experiences to provide the customer with total solutions to their business problems.

The creation of these fully integrated solutions required that all divisions of IBM work cooperatively as a single, cohesive unit. Customer Lou Gerstner was a no-nonsense businessman who focused on results, both immediate and long-term. Like T. J. Watson, Sr.

, Gerstner got IBM focused on providing customer service, but he went a step further. Gerstner said that it was not enough for IBM's customers to be satisfied, but that they must be delighted with the solutions that IBM provides. Gerstner pushed his business results and customer focused culture down to every employee of IBM by restructuring the compensation plan. At least 10% of every employee's annual cash compensation would now be tied to IBM's customer satisfaction ratings and their business results.

Stakeholder For IBM stakeholders, the new focus on results and customer service yielded tremendous results. IBM quickly returned to profitability. During the nine years of Lou Gerstner's leadership, the value of IBM stock increased by 1, 200% (Time, n. d.).

This period also saw a dramatic increase in the number of stakeholders within the ranks of IBM with the number of employees holding stock options increasing from 300 to over 70, 000. He's been credited with pulling IBM out of an \$8 billion hole and putting it \$6 billion in the black" (Time, n. d.).

Employee IBM's system of performance planning and evaluation was also overhauled. Each employee has performance objectives that are in line with the objectives of the organization. Employees are no longer assessed on their actions, but on the degree to which their actions contribute to the attainment of the organizational objectives (i. e. the results of their actions). This new system of performance planning and evaluation had an effect on both employees and their managers.

Every employee must now look beyond their own job or responsibility to see how their actions are impacting the objectives of the organization. Managers must now find ways to quantify and measure the impact that each employee has on the success of the organization and then reward (salary, bonuses, stock options) their employees based on the level of their individual contribution. The effort to promote IBM's culture begins with the hiring process. Recruiters and interviewers are trained to evaluate how a candidate will fit into IBM's high performance services culture. This evaluation is performed at all phases of the screening and interviewing process helping to ensure that new IBM employees quickly adopt IBM's unique culture and contribute to its success. Atmosphere Other methods IBM uses to promote its culture include prominently displaying posters that depict one or more of the cultural characteristics throughout IBM work areas and even at customer sites where allowed.

Calendars displaying the cultural characteristics are distributed to all employees each year. IBM even provides its employees with a screen saver that cycles through each of the cultural characteristics when their workstation is inactive. IBM's intent here is to ensure that its employees are constantly exposed to their culture, both consciously and subconsciously. IBM has even created a group of cultural champions whose mission is to actively demonstrate and promote IBM's culture by organizing special activities and events such as ice cream socials, picnics, contests, and giving out door prizes or donuts to encourage participation in organizational meetings.

The cultural champions are geographically scattered throughout the organization. They are volunteers who fully understand IBM's culture, its importance to IBM's past and future success, and are passionate about sharing that understanding with their new teammates. Results While the culture of IBM has changed dramatically during Louis Gerstner's tenure as CEO of IBM, in many ways that change has really been nothing more than a return to IBM's cultural roots. Gerstner " returned IBM to greatness after it had lost its way" (Lessons from, 2004, p. 95). IBM has " become more willing to experiment, more willing to accept failure, learn from it, and move on" (Deutschman, 2005, p.

68). IBM is once again focused on excellence and on providing the best possible service to the customer. In addition to providing their customers with hardware and software, IBM now provides the services of skilled and experienced technology professionals that turn those products into solutions.

This focus on customer service has enabled IBM's services division to grow from \$500 million in 1993 to over \$35 billion in 2001.

This phenomenal growth in services has more than offset the steady declines in IBM's hardware and software sales over the same period, enabling IBM to maintain its dominant position in the information technology industry.

Summary IBM has demonstrated the importance of corporate culture via its own successes and failures. The last century has taught IBM how to overcome predicaments within its own culture. Today, IBM proves to be a strong company still leading the way for new technological advances for the world. The effectiveness of IBM's cultural development strategies has even led to the creation of a new department.

Now, among the many types of services offered by IBM, they offer management training that includes cultural issues in the workplace, cultural problems, and solutions. References Certo, S. C. , & Certo, S.

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