

Case I-1 – IBM’s Decade of Transformation: Turnaround to Growth

1. Describe the radical innovations in product line instituted by IBM in the 1950s and 1960s under the leadership of Thomas Watson Jr.
2. What did people mean by the dictum, “Nobody ever got fired for buying IBM?”
3. From a strategic point of view, what accounted for the dramatic fall in IBM profits in 1991 & 1992?
4. Describe IBM’s 1991 situation in IT management structure.
5. How did the bureaucratization of management affect IBM’s decision-making processes?
6. Analyze the complexity of the IBM organization chart for February 1993 (Exhibit 3 p 15) vs that of February 1995 (Exhibit 3 p 16) by (a) counting organizational units; (b) counting direct reports to the Management Committee in 1993 vs direct reports to the CEO in 1995.
7. What was Lou Gerstner’s first cultural change at IBM (in April 1993) with respect to the big sales meeting at that time?
8. How did Gerstner’s visits to IBM customers influence corporate strategy?
9. What did Jerry York’s studies of IBM’s costs reveal? How did the company move to solve the problems?
10. How did IBM save money through rationalizing of its IT services?
11. What was the did globalization of the sales organization? How well did it work?
12. Analyze the change of IBM’s corporate values from the “Basic Beliefs” to Gerstner’s “Eight Operating Principles.” How do you describe the overall change of philosophy?
13. What was the example of resistance to change illustrated in the case study by the country managers who were fired?
14. How did Gerstner make management accountability a tool for improvement?
15. Why did the process reengineering efforts succeed in lowering costs and speeding production?
16. What was the supply-chain management reengineering and how well did it work?
17. Discuss the lessons from “How a Gang of Unlikely Rebels Woke Up IBM” (Exhibit 5, p 24). Relate these principles to other business cases you have studied during your coursework or readings.
18. What was Gerstner’s radical change of perception of the Web as a business tool in November 1995?
19. How did focusing on services differ from focusing on sales of hardware and software? Why was it important in the company’s turnaround?
20. What were the organizational and cultural barriers to developing new business lines in IBM in the late 1990s?
21. What were the three “Horizons” described in *The Alchemy of Growth* by Baghai *et al.* that influenced Bruce Harreld in reorganizing IBM for innovation?
22. Summarize and discuss the debate over governance of H3 Emerging Business Opportunities (EBOs) that took place among members of the Corporate Executive Committee (CEC). What were the options and their pros and cons? What did they eventually decide to do to foster innovation?
23. What was the biggest difference between traditional IBM reviews and the monthly EBO reviews?
24. What was the effect on IBM’s business of buying PwC Consulting?
25. What are the key lessons that have you learned from the IBM case study? Why are they important to you?

