

# *Business Culture and Strategy--Take IBM as an example*

WEI MENGXI

*Yulin University, Shaanxi Province, China*

**Keywords:** Business, Culture, Strategy, IBM

**Abstract:** Throughout the history of China, the cultural change in Chinese society can be described as magnificent. In this major change that has not been seen in three thousand years, the rapid development of China's economy has proved the value of cultural change. There is reason to believe that Chinese CEOs are fully capable of grasping the pulse of cultural change and enabling their companies to enter the new harbor smoothly. Finally, what needs to be reminded is that cultural change should not be regarded as an event, nor should it be regarded as a difficulty. The correct attitude is that cultural change is a process of continuous pursuit of success. This article starts with the concept of culture and change, starting from the actual situation faced by Chinese enterprises, taking the international giant IBM as an example, and expounds in detail the value reengineering, strategy reengineering and organizational process reengineering under cultural change. On the basis of the above discussion, the author clarified the importance of business choice, getting rid of path dependence, and a strong CEO in the work of cultural change.

## 1. Introduction

IBM was founded in 1911. It is the world's largest information technology and business solutions company, has more than 300,000 employees and operates in more than 160 countries and regions. IBM is a leader in the computer industry at the long-term, and it is leading the mainframe, supercomputer, UNIX and so on. This report will introduce IBM's corporate culture and strategy, as well as some of the problems were encountered by IBM Corporation in the development process. At the same time, it will analyze the external environment of IBM and the momentum and resistance when IBM's change management.

## 2. Main Body

### 2.1 External Environment

#### 2.1.1 Spelt Analysis for Ibm

Economic forces, as the state of a trading economy in the short-term and long-term influences the wealth of a population. For example, in 2008 outbreak of the world financial crisis then the economic entered downturn, it also influenced IBM. Sales fell sharply from previous years.

Socio-cultural forces, such as religion and demographics impact upon product design and

spending by consumers.

In the case, due to changes in lifestyle, people prefer the pc instead of large computer. It makes IBM developed PC after, the sales continue to rise.

Political forces, as the political arena has a huge influence upon the regulation of businesses and the spending of consumers and other businesses.

In the case, the Government funded projects, during this period, experienced different types of funding mechanism leaving important impact on the private sector. In 1950s, several major computer companies' R&D received various forms of federal government funding. The Federal Government helped the private sector not only by funding, but also by providing project design, technical support, human resources, and so on. This gives IBM provides good resources.

Technological forces, such as information technology influences production methods and transportation influences market penetration and product costs.

In the case, Due to technological advancement the mainframe computer market life cycles was shortened, forcing IBM to replace the leased or sold products every two or three years. It made more difficult to recover the R&D cost. And makes IBM gave up the lease policy and changed to full sales.

Legal forces, such as product safety influences design, and trading practices influence how businesses conduct themselves in the market.

In the case, In 1952 there was an antitrust litigation against IBM; requiring IBM selling or leasing its equipment in order to help other companies to enter the business, also requiring IBM implementing license system on existing and future patent of all relevant information-processing devices including computer systems, and laying down the license ratio. It opened the door for other companies to enter the computer industry.

### 2.1.2 Swot Analysis for Ibm

Environment factors internal to the organization can be classified as strengths (S) and weaknesses (W). Environmental factors external to the firm can be classified as opportunities (O) or threats (T). The analysis of the organization's internal and external strategic environment is referred to as a SWOT analysis. a SWOT analysis is a subjective assessment of data which is organized by the SWOT format in to a logical order that helps understanding, presentation, discussion and decision making.<sup>[1]</sup>

Strengths Specialist marketing expertise; Good reputation among customers	Weaknesses Lack of PC technology; Bureaucratic
Opportunities Government support; A developing market	Threats A lot of competitors; Competitors have more new product or service

#### (1) Strengths

In the case, IBM made an important decision of setting up a 50 people PC development team. This may explain, IBM Company has many professionals. And, IBM has huge size, it has nearly three decades of a golden era in the early, so, it has good reputation among customers.

#### (2) Weaknesses

IBM was lack of PC technology. IBM's rapidly growing personal computer business relied on outsourced core software and hardware from Microsoft for its DOS operating system and from Intel for its CPU chips. It provided an opportunity for other manufacturers to grow above and beyond

IBM by imitating it. Bureaucratic management system also makes IBM had significant loss.

### (3) Opportunities

In the case, the Government funded projects, during this period, experienced different types of funding mechanism leaving important impact on the private sector. In 1950s, several major computer companies' R&D received various forms of federal government funding. Also, because of the fast pace of development of the computer market, IBM has a good opportunity.

### (4) Threats

Until the 1986 IBM developed the AS/400 minicomputer to join the competition. However, DEC has already taken the market leadership in minicomputer market. It can explain that IBM had a lot of competitors. And In 1977 Apple pre-emptively started sales to market less memory, not database, slow running speed, low calculating ability, but cheap PCs. It can explain that IBM's competitors have more new product or service.<sup>[21]</sup>

Opportunities and threats are very important for IBM.

## 2.1.3 Guidelines for IBM's Swot Analysis

SWOT analysis cannot determine the strategy, only to find important factors. IBM's strategy can be developed based on these important factors.

Companies can take action against the one or more factors of SWOT analysis. The invention of Transistor (1956) and Integrated Circuits (1959) promoted computer technology. And In 1964 IBM introduced the revolutionary System/360, the first large "family" of computer to use interchangeable software and peripheral equipment. IBM launched an action for technology development.

## 2.2 Organizational Culture

### 2.2.1 IBM's "Shared Value" and "Taken for Granted Assumption"

Organizational culture is difficult to define precisely. A simple description is that it is a system of shared meaning between members of an organization or 'the way we do things here'.

There are two very important factors in organizational culture are espoused values and basic assumptions.

Shared values become embodied in the organization's ideology or philosophy and act as a guide to behavior and ways of dealing with anxiety, uncertainty and difficult events. Basic assumptions at a very fundamental, almost subconscious, level tell employees how to perceive, think and feel about things. Shared values are trained for some purposes. But assumption is informal, and after a very long time and slowly subtle form. Assumption is very basic, it can affect values, and it is difficult to change.

In the case, the shared values of IBM are shall respect every individual, shall provide customers the best possible service and shall strive for superior performance. The assumptions of IBM: from top to bottom are equal, there is no special treatment for executives. Such as In IBM headquarter located in Armonk, New York; there is no title plaque in any single office; no restroom was labeled "Exclusive Use for X officer"; no parking spot was marked "Reserved for Y Officer"; and there was no designated cafeteria for management.

### 2.2.2 IBM's Culture Tough Guy

The feedback of tough guy is quick and the risks and rewards are high. This often applies to fast-moving financial activities such as brokerage, but could also apply to a police force, or athletes competing in team sports. There is a focus on the present rather than on the longer-term future.

This can be a very stressful culture in which to operate. Stress comes from high risk and potential loss of reward.

IBM has large amount of investment, so the risk is high. In the case, IBM invested in a Reach and Development team of 4000 people together with 50 billion-dollar development expenditure. And IBM is democracy, the feedback is quick. In this case, “The corporate philosophy” could be seen in IBM meetings, internal publications, the matters set forth in the memorandum, assemblies, or private conversations. If IBM’s manager cannot “walk the walk” and “talk the talk”, all believes would become empty.

### 2.2.3 IBM’s Managerial Approaches in Process Culture

If IBM’s corporate culture becomes process culture, many things will change. If IBM's corporate culture is tough guy, the feedback of tough guy is quick and the risks and rewards are high. But if IBM's corporate culture is process culture, it will have slow feedback and low risk. The process culture occurs in organizations where there is little or no feedback. People become bogged down with how things are done and not with what is to be achieved. This is often associated with bureaucracies. The amount of investment will be smaller, so the risk is small.

### 2.2.4 The Relationship between Organization Culture and Organization Behavior.

Research indicates that organizational culture can improve an organization’s ability to implement business plans as well as achieve high levels of excellence. A company's culture will guide its behavior; there is consistency between the culture and behavior. There will be a different behavior with different culture.

The shared values of IBM are shall respect every individual, shall provide customers and the best possible service. So, IBM’s employees expect that every employee respects the customer as well as competitors and they often go to understand customer needs. IBM’s employees shall strive for superior performance, so, they setting up a 50 people PC development team.

After the above discussion, we know that culture can influence behavior and the actions will further strengthen cultural.

## 2.3 Strategy

### 2.3.1 The Appropriate Business Environment for Four Business Strategies

Strategy	Explanation	Environment
Market penetration	Here we market our existing products to our existing customers.	This market has potential of development, company get market share by discount and promotion.
Market development	Here we market our existing product range in a new market.	Company is very successful in the field they operate, it need to develop new market to get market share.
Product development	This is a new product to be marketed to our existing customers.	Competitors develop the new product to occupy the market, company need to develop new product and improve the old product to face the market competition.
Diversification	This is where we market completely new products to new customers.	Company is used to develop and produced the computer, on the basis of the old product line, company develop new kind of product to develop new market.

### 2.3.2 IBM’s Business Strategy and Strategic Choice

There are link and different between the strategic choices and corporate strategy. Strategic

choices are concerned with decisions about an organization's future, how it can gain competitive advantage, the courses of action it should take and how it can respond to the many pressures and influences from its external and internal environment. But strategy is getting it right and doing it right. Different experts have different strategies and corporate strategies are objects of strategic choice to select. Strategic choice is a process that company based on their own situation and the external environment to make a decision for them.

In the case, "The invention of Transistor (1956) and Integrated Circuits (1959) promoted computer technology. IBM invested in a Reach and Development team of 4000 people together with 50 billion-dollar development expenditure. In 1964 IBM introduced the revolutionary System/360, the first large "family" of computer to use interchangeable software and peripheral equipment." IBM in 1964 used the product development strategy to development of new products to development their company. And In the twentieth century, Gerstner again stressed the importance of technological innovation for the development of high-tech enterprises. He made it clear that technological innovation should not be around the products, but should focus on the needs of customers and markets. IBM used the diversification strategy to development of service and gives customers a better experience.

### 2.3.3 Two Strategies of Ibm

IBM's at different times have different strategies, for example:

In 1964, IBM used the product development strategy; IBM is constantly developing new products to meet customer needs, in the case "In 1964 IBM introduced the revolutionary System/360, the first large "family" of computer to use interchangeable software and peripheral equipment this is a new product to be marketed to IBM's existing customers. So, it is product development strategy.

But In the twentieth century, Gerstner made it clear that technological innovation should not be around the products, but should focus on the needs of customers and markets. IBM developed the service, rather than products. So, they used the diversification strategy.

Although there were different strategies in different periods, they still have some relevance. Such as in two strategies, IBM has been in the development of new products. So do not put boundaries clear separation of the two strategies.

### 2.3.4 Considerations When Ibm Upgrading Corporate Strategy

IBM's external environment has changed. When the external environment has changes, IBM has to change their strategies to adapt to the external environment. In the case; the 1986 IBM developed the AS/400 minicomputer to join the minicomputers competition. But DEC has already taken the market leadership in minicomputer market. Moreover, the biggest challenge came from the rapid rise of the personal computer. As the external environment has changed, IBM had to change its strategy to develop new products and to open up new markets.<sup>[3]</sup>

When company has a change in strategy, business development direction must be clear. Only has a clear business direction, in order to better develop business strategies. In the twentieth century, Gerstner made it clear that technological innovation should not be around the products, but should focus on the needs of customers and markets. He clearly knows which direction the company should develop.

### 2.3.5 The Benefits of a Successful Business Strategy

Successful business strategy can bring many benefits to IBM, for example

The rapid rise in sales. Successful business strategies that can make the company's sales have

risen. In 1964 IBM introduced the revolutionary System/360, and in that year IBM generated Six billion revenue and 90 million net profits by leasing 50000 sets of computers for a monthly fee of 10000.

Increase market share. A successful business strategy can also make the company's market share rise. In 1984 IBM personal computer sales reached 4 billion US dollars and accounted for a market share of 80% in 1985.

Stock prices increase. When a business strategy successful and may cause the company's stock price rises. On November 22, 1996, IBM stock price reached a closing price of \$158.5 and became the hottest stock on market.<sup>[4]</sup>

## **2.4 Change Management**

### **2.4.1 The Role of Managers in the Reform**

Managers can determine the direction of development of enterprises and they also can develop specific implementation plan.

Thurley and Wirdenius put forward five strategies for planning and implementing change, Directive, Negotiating, Normative, Analytical, and Action-centered. According to the situation of IBM, IBM is the last one. Action-centered used where problems are less clearly defined and it is not obvious what changes are needed, this strategy can involve trying out solutions to problems and moving forward on the basis of what happens in each case. IBM did not have prepare and plan in advance reform, its reform because of persecution if changes in external environment. It does not understand how to reform, but according to what is happening to decide how reform. IBM's every reform is according to the time needed of market to conduct.

In the case, recognizing that his first priority was to stabilize the company, Gerstner adopted a triage mindset and took quick, dramatic action. And the restoration of IBM's once great reputation was. To do that, Gerstner needed to come up with a winning business strategy. These are the company had needs and he carried out the corresponding reforms.

### **2.4.2 Relationship of Stakeholder Power and Ibm Change Management**

Stakeholder including shareholders, employees, managers, consumers and other, they have a lot of rights in particular shareholders. Shareholders have a number of rights, shareholders who hold more shares have a great say on the company's business. They even are able to influence the company's operations. Shareholders pursue dividends, when the company's performance declined, and making the company's stock price fell. This affects the interests of the shareholders. Therefore, the shareholders may force the enterprise change management. In the case, through Gerstner's series of reforms, in 1996 IBM had total revenue of 77 billion dollars. Despite nearly 2/3 of revenues came from the sales of low-margin personal computers, workstations, and computer services, IBM still made 6 billion dollars after tax net income. On November 22, 1996, IBM stock price reached a closing price of \$158.5 and became the hottest stock on market.

### **2.4.3 Resistance to Reform**

In the 1950s, Kurt Lewin designed a model of change as force field analysis. He put power for change into a driving force and constraints force. The reason of IBM reforms is there are driving forces. For example,

Changing markets, until the 1986 IBM developed the AS/400 minicomputer to join the competition. However, DEC has already taken the market leadership in minicomputer market.

Increased competition, it provided an opportunity for other manufacturers to grow above and

beyond IBM by imitating it. In this way IBM switched from marketers and innovators to safeguard.

Meanwhile, IBM also has resistance to reform, for example,

Before achievement, the restoration of IBM's once great reputation was. To do that, he needed to come up with a winning business strategy.

Too large enterprises, IBM too large that bloated and difficult to change.

According to this model, IBM's reform momentum is greater than the resistance. So IBM eventually reformed.

#### 2.4.4 How to Deal with Resistance to Reform

The speed and degree of success of the reform is determined by three factors:

First, the level of planning is high or low. If the level is high, the speed will slow. And if the level is low, the speed is fast. Second, involvement of other, if the number of people affected is large, the speed is slow, vice versa. Then, attempt to tackle resistance, when faced with the problem solved in time.

When the reforms have obstacles, Kotter and Schlesinger's have six methods to solve it. They are participation, education and communication, support, negotiation, manipulation and co-option as well as coercion. IBM's suitable for use education and communication. In this method, resistance can be reduced by communicating with employees to help them see the logic of a change. This tactic assumes that the course of resistance lies in misinformation or poor communication. If employees receive the full facts and clear up any misunderstandings, the resistance will subside.

### 3. Conclusion

Earlier this report discussed the four aspects of IBM: The external environment, corporate culture, corporate strategy and resistance. The external environment includes the SPELT analysis and SWOT analysis. And in corporate culture, this report include IBM's "shared value" and "taken for granted assumption" and IBM's culture tough guy. And then, in strategy, introduce IBM's at different times have different strategies, and the two strategies of IBM. Finally, this report briefly discusses the obstacles and solutions in the reform of IBM.

### References

- [1] 'Business Culture and Strategy', China Economic Times Press, September 2006 Second Edition
- [2] IBM rankings. Ranking the Brands. [17 December 2010].
- [3] IBM named "leader" in security analysis by Forrester (2020). [online] Available at <<https://www.ibm.com/news/cn/zh/2020/12/10/20201210.html>> (22/12/2020 02:47)
- [4] New upgrade of IBM storage products(2019). [online] Available at <<https://www.ibm.com/news/cn/zh/2019/04/10/W766581D98701X19.html>> (22/12/2020 02:47)