IBM: a Coherent Restructuring of its New Strategy
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When Tom Peters and Robert Waterman’s book, “In Search of Excellence”, became a bestseller in 1983, IBM was considered one of the best enterprises at that time. Just ten years later, Big Blue was on the edge of bankruptcy. The company was forced to reinvent itself and adapt itself to the new personal computer market, but not before laying off thousands of workers globally and changing the structure and style of management with Leo Gerstner, its new CEO at the helm.

In Amparo Moraleda’s and Samuel Palmisano’s words, today’s IBM has nothing to do with the company 10 years ago, nor is it comparable to the company of just five years ago. Palmisano assures us that “we have decided to recreate IBM again” and that “today’s IBM is not the same company as the IBM of just a few years ago”.

In an interview, Nick Donofrio, Vice-President of IBM, maintains that “IBM is going through great changes”, that “today we are the biggest technological consultant in the world” and that “we are a company of solutions”. Currently, IBM is a services, consultancy company, whose mission is to work out their customers’ problems.

The success of a new strategy depends on how well it’s put into place. The structure, the management systems and even the organisational culture must be adapted to the new strategy. There must be a fit, a coherence between the strategy and the organisation. And this is exactly what the new structure is trying to achieve. This also explains Amparo Moraleja’s promotion.

In a services company, personnel weigh most heavily in production costs, but are also the most important asset in the company. Restructuring, with thousands of lay-offs, is a step that has to be taken: the company does not need so many employees, especially after the takeover of the consultancy division of PwC. On the other hand, the intellectual capital is the successful base of the company. As Amparo Moraleda explained during an IESE MBA session, she devotes a lot of her time to being in touch with all the people in the organisation.
The structure based on the loss of competences in Paris and the creation of the Integrated Market Teams (IMT) and the Integrated Operating Teams (IOT) seeks, above all, to be nearer the markets and the customers’ needs and create an organisation focussed on results instead of on functions.

Amparo Moraleda’s work priorities –to which we got an insight last February at IESE—were already very clearly directed at this new mission, at IBM’s new target: create a much more customer focussed organisation and, above all, putting more emphasis on people. To do so it is imperative to know, communicate, motivate and act as coach, tutor to all the people in the company through personal dedication, trips, formal and informal meetings, conferences, etc. The aim is to transmit the new strategy and the new values to the company based on “everyone’s dedication to the success of each of our customers” and “innovation is what counts”.

The restructuring and the organisational change seek coherence with the new strategy and this new style pursues values and corporative culture. Once again, in a short time span, IBM reinvents itself and, as a result, adapts its organisation to the new strategy. According to Nick Donofrio, “IBM is better placed to be successful in the twenty-first century than it was in the twentieth, and it was very successful then”. Time will tell, as it did on other occasions, whether the profound change will be beneficial to the company and its stakeholders.