

How IBM's Lou Gerstner Taught the Elephant to Dance

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Management: modern concepts and technologies (2022/2023 modules: 1)

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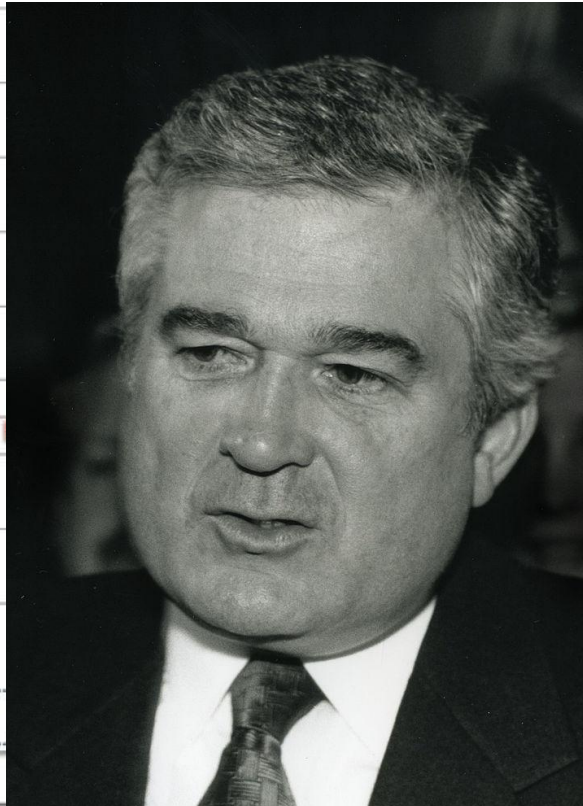
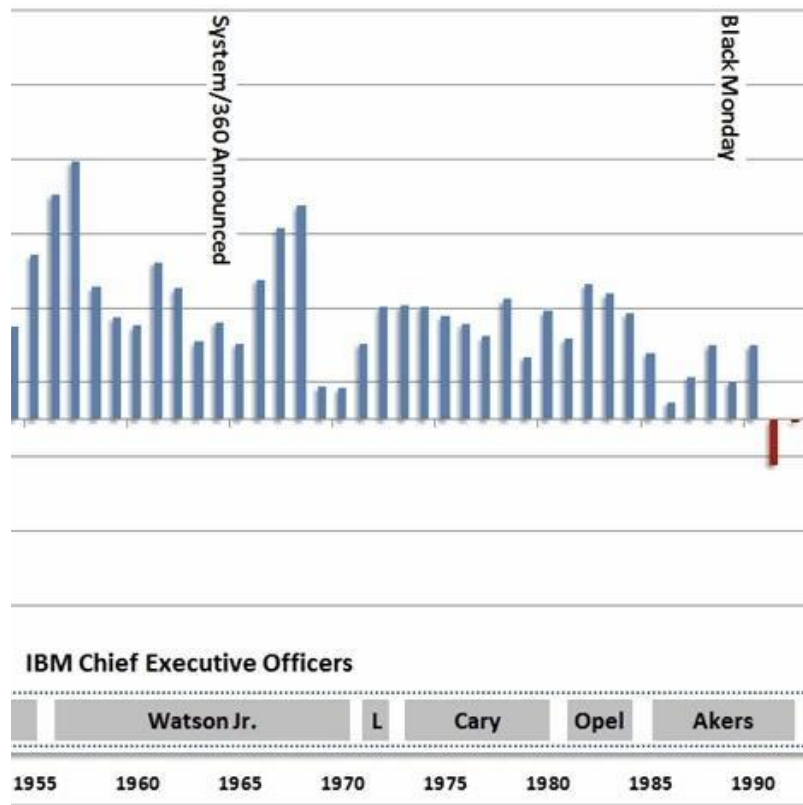
Abstract

“In the early 1990s, IBM had hit a wall. It was hemorrhaging money as well as losing market share, a victim of the trend toward personal computers and away from IBM’s mainframes.” But new IBM’s CEO, Louis V. Gerstner, who did not have an insight into computer industry, but clearly understood the new globalized fast-changing world. He could identify IBM’s customer orientation problem. In this article, our team tries to explain how Lou Gerstner taught the elephant to dance.

IBM: Technologies through Centuries



Welcome to the Company!



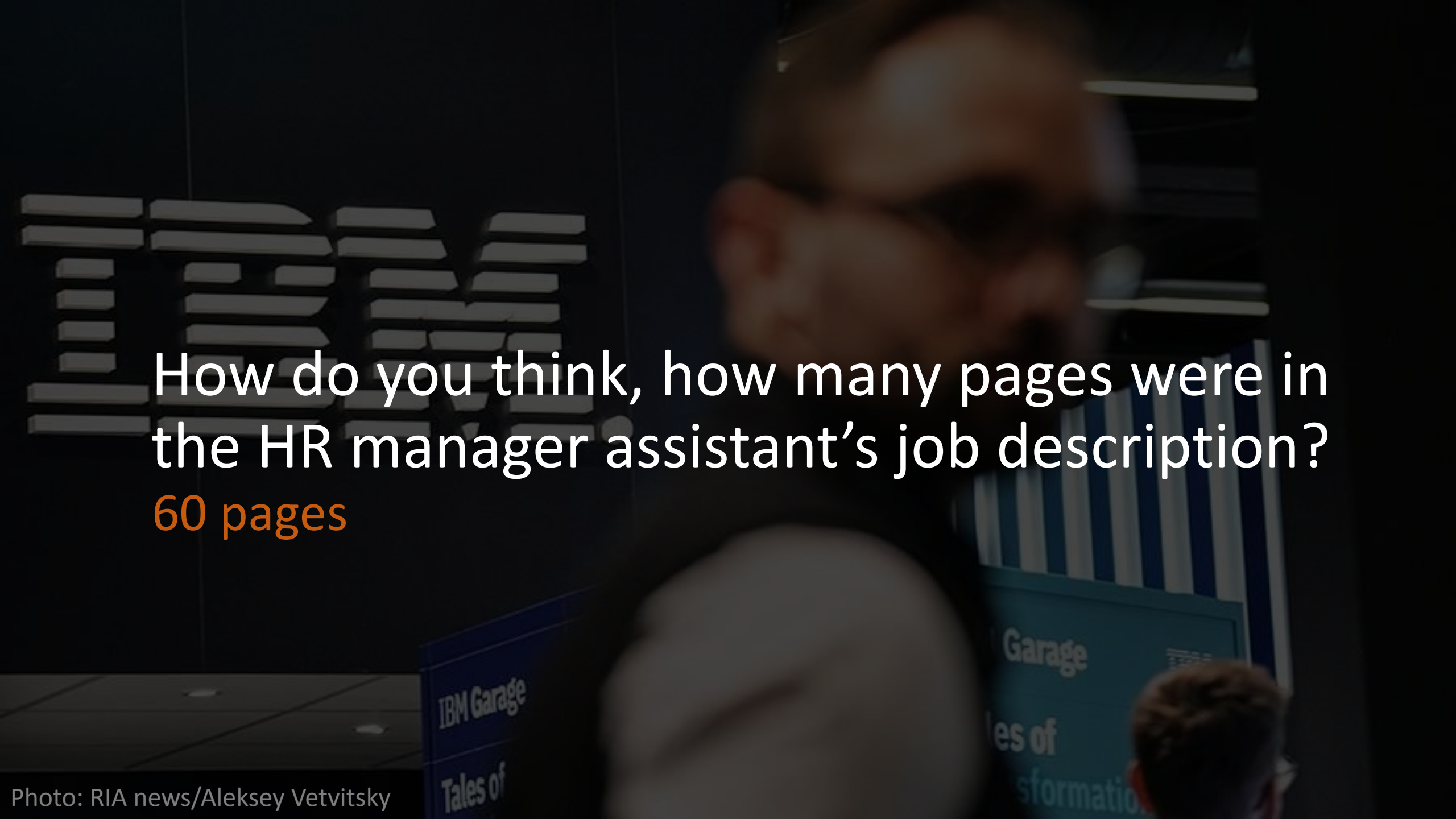
“Gerstner was appalled by the lack of customer orientation he found at the ultrapolitical and heavily bureaucratic IBM...”

The Main Problem 1: Hyper-centralization and Bureaucracy



<https://diplomaticreview.com>

The job description of assistant personal director consist of 60 pages, including dress code and the pocket content.



How do you think, how many pages were in the HR manager assistant's job description?

60 pages

The Main Problem 2: Losing Touch with the Customers and Useless Assets

1993

Introduction	Timeline
• 1880s	• 1950s
• 1890s	• 1960s
• 1900s	• 1970s
• 1910s	• 1980s
• 1920s	• 1990s
• 1930s	• 2000s
• 1940s	
	• 1990
	• 1991
	• 1992
	• 1993
	• 1994
	• 1995
	• 1996
	• 1997

People

Employees 256,207

Stockholders 741,047

Finance

Revenue \$62.71 B
- 2.8 %

Net earnings \$ - 8.10 B
- 63 %

<https://www.ibm.com>

Steps of Lou's Decision-making



Endnotes

1. Verne, H. & Jim, C. *“FORTUNE The Greatest Business Decisions of All Time: How Apple, Ford, IBM, Zappos, and others made radical choices that changed the course of business.”* (October 2, 2012, p. 96)
2. <https://www.if24.ru/k-ibm-prishlo-vtoroe-dyhanie/>