

Fixing IBM: "All about execution"

What Gerstner realized is that IBM had a unique and unequaled capability to "apply complex technologies to solve business challenges." It was this unique value proposition that would enable him to bring IBM back from near extinction. But to accomplish this, IBM needed not only a corporate makeover, but also a complete facelift and some liposuction as well! Gerstner likens his arrival at IBM to stepping through a time warp and arriving back in the '50s. A massive, difficult, and painful reengineering feat was required to get the insular IBM to focus on bringing value to the customer in the marketplace. Ultimately, though, this led to the "new" IBM. It also gave rise to a hilarious statement that the book credits to a senior IBM executive: "Reengineering is like starting a fire on your head and putting it out with a hammer."

In Gerstner's own words, "fixing IBM was all about execution" and required "an enormous sense of urgency." His whole approach was to drive the company from the customer's view and "turn IBM into a market-driven rather than an internally focused, process-driven enterprise." And it worked. It was all about execution -- and honest ways to measure its effectiveness. Before Gerstner arrived, IBM had a tendency to fool itself with bogus indices and data (e.g., customer satisfaction numbers generated from hand-picked samples; subjective product milestones, etc.), but he changed all that. "People do what you inspect, not what you expect," he explains.

I couldn't help thinking that perhaps Gerstner took a peek at Rational's mission statement and Five Field Measures¹ to craft his IBM strategy, but then I know these things work because they are based on sound general business principles. As a new IBM employee, I was very encouraged by Gerstner's maniacal attention to customers' notions of success and his single-minded focus on responding to marketplace needs. If his market-driven approach to doing business really does pervade the "new" IBM culture, then it will be no surprise if IBM ends up dominating the technology landscape in this century, just as it did in most of the last one.

Culture is everything

Part III (Culture) was particularly interesting to me because one of the main reasons I wanted to work for Rational was the company culture, and I was concerned about its compatibility with IBM's culture. Many Rational tech reps (myself included) say they have enjoyed working at Rational because the company culture empowers individuals to make a difference. Fortunately, company culture was another of Gerstner's main targets for change:

Until I came to IBM, I probably would have told you that culture was just one among several important elements in any organization's makeup and success -- along with vision, strategy, marketing, financials, and the like. I came to see, in my time at IBM, that culture isn't just one aspect of the game; it is the game. In the end, an organization is nothing more than

the collective capacity of its people to create value.

Gerstner's most important and proudest accomplishment was to institute a culture that brought IBM closer to its customers by inspiring employees to drive toward customer-defined success. Now, the company's strong customer focus will allow Rational to continue pursuing the same mission that has guided us for more than twenty years.

Wisdom and Insights

There are nuggets of wisdom throughout the last two sections of the book. In "Lessons Learned" and "Observations," Gerstner points out that some integrator, fundamentally acting in a service role, controls every major industry. This was the basis for building IBM Global Services. Another shrewd Gerstner insight is that every major industry is built around open standards. It was this realization that led IBM Software to enable and build on open standards in a network-centric world, and Gerstner provides a compelling argument for abandoning proprietary development and embracing software standards (e.g., J2EE and Web Services). In fact, Gerstner argues that the most valuable technology companies are OEM suppliers who leverage their technology wherever possible; therefore, IBM must actively license its technology in order to be successful. The book's three appendices contain, respectively, some interesting e-mail correspondence, Gerstner's vision of e-business (including the IBM IT On Demand, autonomic, and grid computing initiatives), and a financial overview of IBM from 1992 to 2002.

The latter clearly demonstrates that Gerstner got results. Although many people criticized IBM for selecting a non-technical CEO, based on IBM's performance during his reign (and the insight he reveals in this book), Gerstner was definitely the right person for the job. His reinvention of IBM was one of the most dramatic corporate turnarounds of the twentieth century, and the numbers in Appendix C of this book will certainly shut the mouths of any would-be critics.

Before opening this book, I had assumed it was Gerstner's autobiography and would highlight not only his IBM career, but also his years at the consulting firm McKinsey and Company and his executive tenure at American Express and RJR Nabisco. I also assumed that, as is typical of many books by high-profile executives, the book was ghostwritten in part. Gerstner dismisses both of these assumptions in the foreword. Not only did he write the book himself, he claims, but also the book deals (as the subtitle "Inside IBM's Historic Turnaround" suggests) almost exclusively with Gerstner's IBM years.

Under other circumstances I might regard this book as just another well written and interesting memoir from a captain of capitalism; both Rational employees and Rational customers now have a stake in the success of IBM and will gain a better understanding and appreciation of the company by reading this book.

For further reading about IBM's past, I also recommend:

- *The Maverick and His Machine: Thomas Watson, Sr. and the Making of IBM* by Kevin Maney (John Wiley & Sons, 2003).
- *Father Son & Co.: My Life at IBM and Beyond*, by Thomas J. Watson Jr. and Peter Petre (Bantam Books, 1990).

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Notes

¹ For more than twenty years, Rational's mission has been "To ensure the success of our customers who depend on developing or deploying software." The Five Field Measures are a multi-dimensional assessment tool used by the Rational field sales organization to measure individual and sales team performance. The measures provide a more well-rounded assessment of a sales team's health than a typical one-dimensional focus on quota numbers. The Five Field Measures are: Consistent Bookings, Customer Success, Territory Development, Team Contribution, and Business Basics.



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