

IBM

STRUCTURE AND CULTURE

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LECTURER NAME: KENNY TANG

NAME OF THE STUDENT: VILIANA STOYANOVA

STUDENT No: 1814718

UNIVERSITY NAME: UNIVERSITY OF WALES TRINITY SAINT DAVID

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1.INTRODUCTION

The main purpose of this report is to analyse International Business Machines Corporations's strategy, organisational structure, and culture which assist them in performing and functioning properly. It will help to identify IBM's current structure which assists them in performing business operations and its functions. IBM is an American information technology company whose headquarters are situated in Armonk, New York. They operate and regulate their business operations in around 170 countries. The organisation is a worldwide technology company, which manufactures and sells computer software, hardware and also provides a range of services.

2. STRATEGY

IBM is one of the most famous and renowned companies worldwide. The company has been operating successfully for many years and the success of the company is attributed to their effective strategies. In the global information technology industry, IBM follow two types of strategies; generic strategy for competitive advantages and intensive growth strategies to avail many available opportunities in the market (IBM, 2019).

2.1 Generic strategies

IBM has been following cost leadership strategies within its generic strategies. The company runs its operations on a huge level which requires running the cost leadership strategies effectively. The company understands very well that to increase the profitability and sustainability in the profits, it must reduce the costs of the manufacturing as well. This will help the company to manage its profits. The company also hires expertise in the production processes and effective uses of resources. Cloud platforms help to increase the sustainability of cost reduction. They help to achieve competitive advantages which is a must requirement for the company(panmore.com,2019).

2.2 Intensive growth strategies

IBM will follow the following the intensive growth strategies which will be helpful to manage the development and growth of the company as well(panmore.com,2019).

Product development – The company's primary strategy is for development and growth. In this strategy, the company must understand the importance of bringing innovation to product development. It is helpful to the company to develop other products or small side products which increase the sales of the company. This will help to increase the chances of growth of the company. (Eniola and Entebang, 2015).

Penetration of market – This is one of the most important secondary intensive strategies for the company. The company must understand the impacts of various small, growing businesses, market penetration will not only increase the competitive advantages, but it will also be helpful to increase the company's reputation in the industry. In the global world, market penetration is a vital strategy for running the business.

Diversification – This is one of the supporting strategies which the company has been following. Acquiring something from other industries is an intensive strategy which can reduce costs. Diversification will be helpful in terms of providing benefits from various markets.

Market development – This is a supporting strategy of IBM. For achieving market development, the company needs to develop some new strategies to attract new markets. New advancements in current running products will also be effective strategies for market development. It will be helpful to the company to enter into new emerging markets as well (Chang, 2016).

3.ORGANISATIONAL STRUCTURE

According to the view of Barry (2017) organisation structure consists of different departments, jobs and responsibilities in the company that is coupled with controlling, managing and authority. The organisation structure is the framework which manages and operates all important tasks that are performed. The structure can be defined as a system which describes different activities and functions that help towards reaching desired goals and targets. Such activities include major roles, responsibilities and rules. The organisation structure determines the information which flows between different levels in the firm.

According to Fatehi (1996:104) “Functions, products and geographic areas remain the three basic models of organisational structure”.

Fatehi theory will be applied in this report in order to understand and describe IBM’s structure, According to the theory, an organisation can operate with the following five main types of structure (Fatehi, 1996):

- Structure by function
- Structure by product
- Geographical structure
- Mixed and Matrix structure

The selection of any type of structure is usually dependent on the profile of the organisation or business and the strategy that is used to access the market or to set up the business operations.

3.1 Product structure

The Product structure is a framework where a business is organised and managed in different departments and each of these focus on various products and services as an individual unit within the nation (Eniola and Entebang, 2015).

The IBM product organisational structure is considered to be a core business structure of the company. This structure helps to analyse that the company’s core focus is to understand and identify the changes required according to the industry transformation and to increase the cloud platform division and the technological advancement as per the increased market demand of the company so far. The number of IBM's key services and products is: 36 products and 22 services (MarketLine, 2019). The corporate structure of IBM's has the following product type sections:

- Global financing
- Systems
- Technology services & cloud platforms
- Global business services
- Cognitive solution

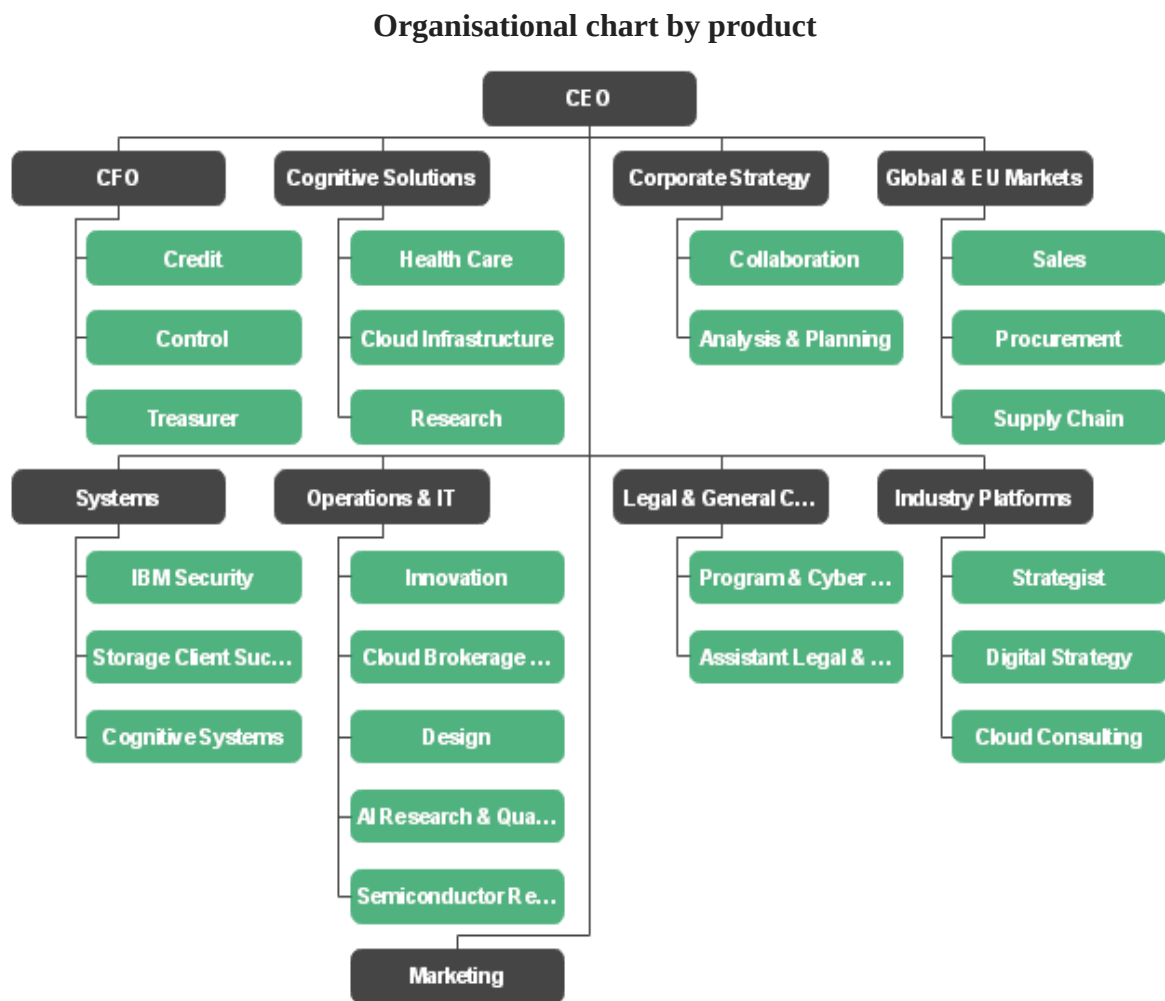


Figure 1: IBM Organisational structure, 2019. 2019

(Source: IBM Organisational structure, 2019)

. 3.2 Functional structure

Functional structure is the general type of framework in which company divisions are represented by different groups, based on specialised functional areas such as finance, marketing and IT. IBM has been successfully running its business worldwide with the different manageable functional divisions of the company such as the research division, intellectual property division and product development division. This structure also helps to manage all the functions of the company to run smoothly. The company operates on a large scale and it helps to manage the work by dividing it into different functional divisions (Fatehi , 1996).

Organisational chart by function

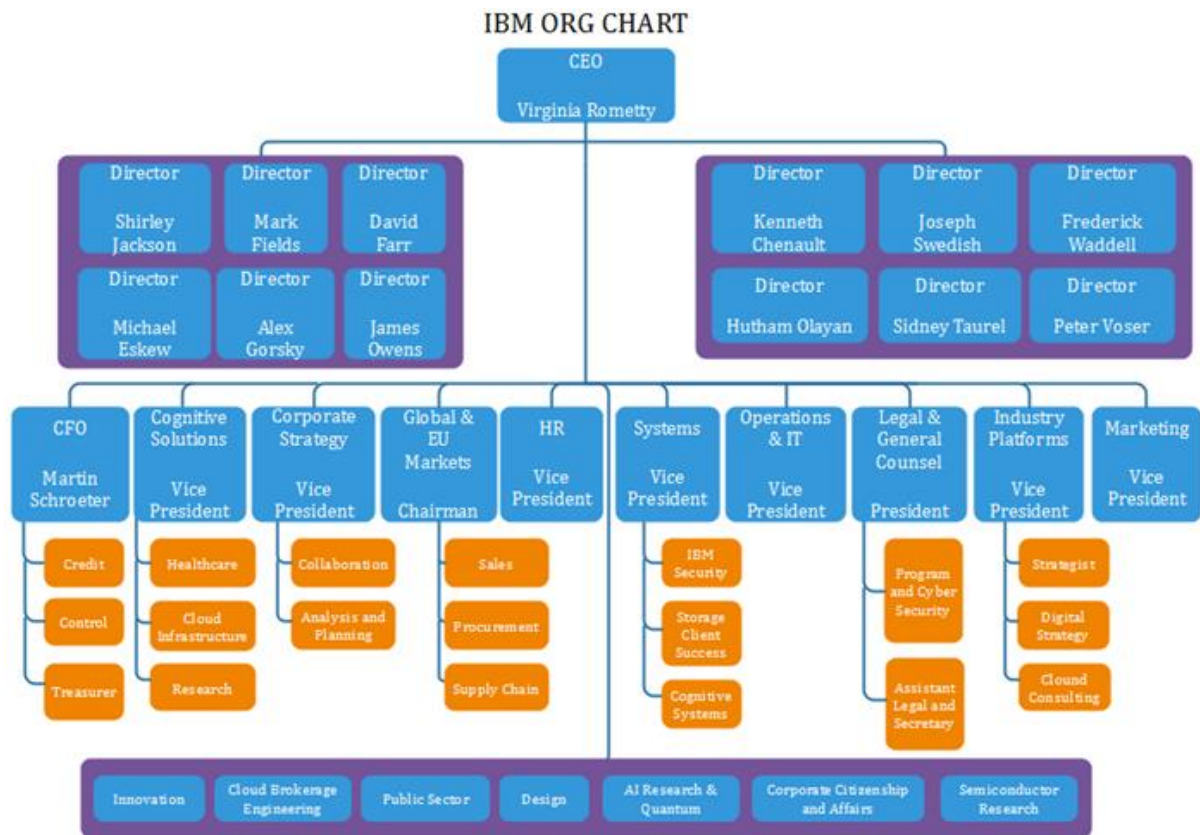


Figure 2: IBM Organisational structure, 2019

(Source: IBM Organisational structure, 2019)

3.3 Geographical structure

The geographical organisational structure is an organisation structure in which company hierarchy is categorized on the basis of geographic area and location in which the firm will be operated (Chang, 2016). Such type of organisational structure serves different groups in and outside of the nation. The particular structure efficiently arranges global business, despite differences among regional markets. With the help of this structure, support is provided to strategies as well as tactics after applying a marketing mix. The geographical divisions of IBM's organisational structure are: Europe, Americas; Middle East ,Asia Pacific and Africa (MarketLine ,2019).

3.4 Chain of command

When the reporting system has been followed, from the top of the hierarchical structure to the bottom is known as the Chain of command. This particular structure helps to control activities and clear opportunities to provide promotions and try to reduce stress levels. It takes more time to efficiently manage everything. In IBM, ***chain of command*** refers to the business' hierarchy which develops relationships from the top to the bottom level of the company.

The IBMs chain of command is handled by the Chief executive officer (CEO) who is Virginia Rometty. She monitors every activity of the business. A CEO delegates responsibility to directors which are related to different departments and direct to their team regarding work, tasks and different projects. After that they are categorised into CFO, Vice president of cognitive solutions, Global & EU markets, Corporate strategy, Systems, Operations and IT, Marketing and Industry platforms (Saeed, 2006). The number of key players in IBM are the CEO which represent the Executive Board, 12 Directors which are part of the Non-executive board and 25 Senior managers ([MarketLine, 2019](#)).

3.5 Span of control

Span of control is needed to understand and evaluate the structure of an organisation. It refers to a number of subordinates who directly control and manage all business operations and their functions effectively (Hammer, 2015). It imposes restrictions in forming the organisational structure of IBM. This is the effect on the number of hierarchical levels which operate the company's structure and operations. It helps the company which is required to manage the operational activities smoothly. This would be considered as one of the most important tasks in order to reach the targets and goals of the company. It helps the company to effectively manage the productivity of the employees as per the requirement of the company. For example – A manager of IBM developing five direct reports has a span of control of five. In IBM it is expanded as per the requirement of reports.

4. CULTURE

Hofstede's cultural theory is a framework which is related to cross-cultural communication and it is developed by Geert Hofstede. The Hofstede model of national culture mainly consists of six dimensions. The cultural dimensions present independent choice and preferences for some state to another that distinguish the nations from each other (Mullins ,2014).

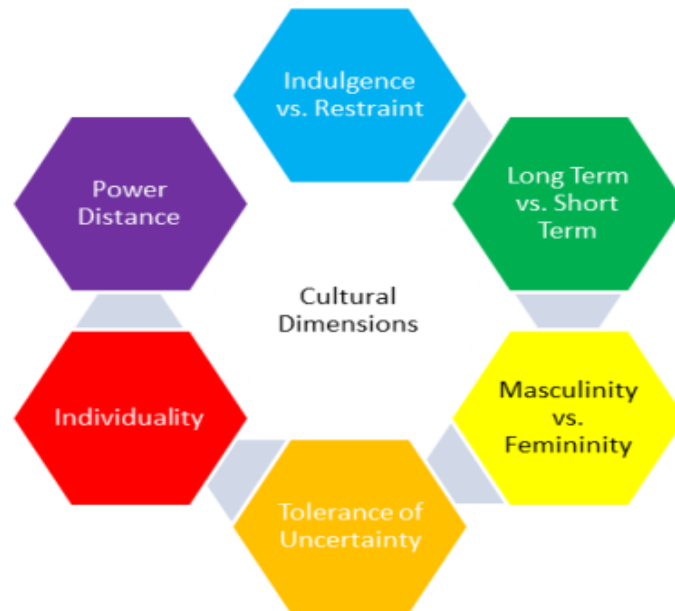


Figure 3 : Hofstede's culture theory, 2019

(Source: Hofstede's culture theory, 2019)

4.1 Low or High power distance – The high power distance cultures have a higher level of inequality and they are willing to accept that without asking any query and question with the superior (Sadgrove, 2016). On the other hand, low power distance has a lower level of inequity and does not distribute work among junior staff members in an equal manner which creates a negative impact on the business operations of IBM. The company has been following a high power distance culture as it is considered to be an important step for the company culture. The employees have to work under their supervisors or managers, which helps to manage the work accordingly.

4.2 Collectivist or individualist – In this, the high side of this dimension is called individualism. In all cases is about "I" instead of "WE" . The other dimension- collectivism, represents a priority for the whole group where they work together to reach desired goal

(Mullins,2016). For instance, IBM can adopt both individualism and collectivism which are helpful for performing work in each manner. The company has been following a collectivist cultural approach to complete the operational activities of the company. This is helpful for the company because in collectivist approaches, an individual or its interests are not a priority, all the employees or members associated with the company are considered to be part of the company. Their interests, reviews and opinions will be equally important in the company. This approach encourages 'We' instead of 'I' in the company. It brings unity and builds strong relationships in the company.

4.3 Masculine or femininity – Masculinity represents a priority in society for assertiveness, material and achievement, which lead towards higher success. On the other hand, femininity is defined as various preferences which involve cooperation, modesty, caring for maintaining the business performance of employees and developing quality based work. IBM selects Femininity culture which helps them in making a connection with each staff member in order to meet with organisational goals.

4.4 Uncertainty avoidance index- The meaning of this index is that the people working for any organisation can manage different unforeseen challenges and cases, and respectively they know how to handle them in a proper manner. (Barry, 2017).It is categorised into low levels and high levels of uncertainty that indicate acceptance and support for rules and data in reference to entrepreneurial culture (Gieseeking, Ratner, and Schatz, 2017). IBM has prepared an effective strategy due to Low UAI because of openness to change or invention and less sense of urgency.

4.5 Short vs Long-Term Orientation –In this category the company focusses on the views several national cultures have on time and focusses on longer term regarding performance. It influences the investment decision and risk taking of IBM. IBM is long term orientated company and invest for long term return. They focus on the What and Why? (Marketline,2019)

4.6 Indulgence v/s Restraint -The term Indulgence relates to societies which allows satisfaction of basic, natural human drives in order to enjoy their life. The other term Restraint refers to strict social norms. IBM focus on high Indulgence due to optimism. IBM has followed this theory to present an effective culture and provides a comforting workplace.

The following table outlines the different Hofstede dimensions and includes the comparison between the scores of IBM and US as whole. It provides short explanation of the similarity and the differences between both -US and IBM (Hofstede-Insights, 2019).

Table 1

DIMENSIONS	IBM	USA	EXPLANATION
POWER DISTANCE	55 /100	40 /100	<i>The numbers for both are within the same range which shows that an inequality exists in both cultures.</i>
INDIVIDUALISM VS COLLECTIVISM	81 /100	91/100	<i>This information represents that IBMs culture is focused on -WE and the USA culture has the same focus.</i>
MASCULINITY VS FEMININITY	48 /100	62 /100	<i>IBM tends more to femininity culture and its score compared to US is lower. So both parties select different culture approach-US masculinity and IBM consider the femininity.</i>
UNCERTAINTY AVOIDANCE	30 /100	46 /100	<i>Lower score for IBM compared to USA.</i>
LONG TERM ORIENTATION VS SHORT TERM ORIENTATION	65 /100	68 /100	<i>IBM and USA cultures have numbers which are almost the same in the scale with a LONG TERM ORIENTATION.</i>

4.7 GLOBAL CULTURE

It is a relatively new dimension in which the organisation can adapt to an international culture which is helpful for them in order to manage all business operations in an effective manner. For example, the IBM company can motivate their employees to perform the best work and make them comfortable in the culture.

5. PERFORMANCE

The performance of the employees will also be influenced by the impacts of the organisational culture. IBM is a big organisation and many of the employees are working with the different divisions of the company. The performance of the employees has a direct impact on the organisation cultural of the company and on the other hand, strong organisational cultural helps to increase the performance of the company and it helps to develop a strong cultural as well

6 . CONCLUSION

In this report, it has been discussed the impacts of the organisation culture and structure on the performance of the company in markets as well the performance of the employees. Fatehi and Hofstede theory has been used to effectively analyse the impacts of structure and culture of the organisation in the context of IBM. It is one of the most renowned companies which operate worldwide. With the help of corporate strategy, the company has built up a strong market image which helps to easily reach potential goals and targets when the staff members give their best efforts.

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