

THE EVOLUTION OF IBM'S CORE VALUES GUIDED BY STRATEGY: FROM HARDWARE GIANT TO SOLUTION INNOVATOR

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Abstract: This paper aims to explore the evolution of International Business Machines (IBM) core values and their key role in strategic transformation. Through historical review and case analysis, this study examines how IBM adjusted its core values at different stages of its development to adapt to the ever-changing business environment. Using literature analysis, this paper systematically reviews the cultural and strategic changes during the Watson era, the Gerstner period, and under the leadership of Palmisano, in conjunction with IBM's historical development and strategic decisions made by its leaders. The study finds that IBM's core values were continuously adjusted with the intensifying market competition, technological innovations, and leadership changes. These adjustments not only supported the company's strategic transformations at various stages but also contributed to IBM's leadership in the global IT industry. The conclusion highlights that cultural adaptability and leadership influence are crucial factors in driving strategic transformation, and to maintain competitiveness in a dynamic environment, companies must align the development of their corporate culture and strategy.

Keywords: IBM; Core values; Strategic transformation; Cultural adaptability; Leadership

1 INTRODUCTION

In today's rapidly changing business environment, the relationship between corporate strategy and culture has become increasingly important. The cultural school of strategic studies suggests that strategy formation is a collective cognitive process that depends on the shared beliefs and understandings among organizational members [1]. This theory emphasizes that culture not only helps maintain the stability of strategy but can also resist strategic changes. Analyzing the collective decision-making mechanism provides better insights into the construction of collective cognition in IBM's cultural evolution [2]. Therefore, to successfully implement strategic transformation, companies must undergo cultural change to ensure their core values are in alignment with their business strategies.

International Business Machines (IBM), as one of the pioneers in the information technology industry, was founded in 1911 and is the only century-old company in the IT sector. IBM's history is not only one of technological innovation but also a history closely tied to the development of corporate culture and core values. The company's core values have played a crucial role in its development, driving strategic transformations and market expansion in different periods. Under different leaders, IBM's core values have undergone significant changes. Leadership is not only a key factor in decision-making but also profoundly influences adjustments to corporate culture and employee behavior patterns. This provides strong support for understanding how IBM adjusts its culture when leadership changes [3]. Particularly under Thomas J. Watson Sr.'s leadership, IBM established a unique corporate culture foundation, and these values supported the company's growth, helping it successfully navigate challenges such as the Great Depression and World War II.

Watson's core principles, such as integrity, thinking, and customer service, not only shaped IBM's corporate image but also laid the foundation for the company's position in the global market. However, with the intensification of market competition and rapid technological changes, IBM's core values have continuously adjusted to adapt to the new business environment and customer needs. The evolution of these values reflects the company's leaders' keen insight and forward-thinking in responding to external pressures.

This paper aims to review IBM's history, analyze the evolution of its core values at different stages of development, explore their key role in strategic transformation, and demonstrate how IBM has maintained its leadership position in the industry through the adjustment of corporate culture and strategy. The study will focus on value changes during the Watson era, the Gerstner era, and the Palmisano leadership period, analyzing how the company has achieved synergistic development of culture and strategy in a dynamic environment.

2 THEORETICAL FRAMEWORK

In exploring the relationship between corporate culture and strategy, relevant theories provide an important perspective for understanding the evolution of IBM's core values. The cultural school emphasizes that corporate strategy is not merely a rational selection process but rather a collective cognitive result influenced by organizational culture [4]. Culture not only determines the formation and implementation of strategy but also affects a company's ability to adapt to changes in the market. Organizational culture is defined as "the shared basic assumptions and values of organizational members," and it significantly shapes decision-making processes, management models, and operational practices [5]. For many companies, cultural adaptability plays a key role in responding to external challenges. The adaptability of organizational culture can significantly influence a company's ability to cope with changes in the external environment, particularly in decision-making and regulating employee emotions [6].

For IBM, its corporate culture has been one of the key factors enabling successful transformations at various historical stages. First, culture has greatly influenced employees' behaviors and attitudes, thereby shaping the company's ability to execute its strategy in practice. The core values of integrity, thinking, and customer service established during the Watson era created a highly loyal and mission-driven workforce. This cultural atmosphere allowed employees to maintain their alignment with and commitment to the company's goals during times of crisis and change.

Second, the flexibility of corporate culture is crucial for strategic adjustments. Successful companies are often able to adapt quickly to changing market conditions, and the foundation for this adaptability lies in the resilience of their corporate culture [7]. During the Gerstner and Palmisano eras, IBM demonstrated how its cultural adaptability drove strategic transformation through a reevaluation and adjustment of its core values. These changes not only helped IBM respond to rapid technological shifts but also ensured that the company remained a leader in a competitive market.

Therefore, understanding the interaction between IBM's core values and strategic adjustments requires an in-depth analysis through the framework of organizational culture theory. This paper will explore how, under different leadership, culture has supported strategic transformation and provided sustainable momentum for IBM's success in the global market.

3 EVOLUTION OF IBM'S CORE VALUES

3.1 The Watson Era

IBM's core values can be traced back to the leadership of Thomas J. Watson Sr. He joined the Computing-Tabulating-Recording Company (CTR), which later became IBM, in 1914, and in 1924, he renamed the company International Business Machines, marking the beginning of its century-long legacy. Under Watson's leadership, IBM made significant breakthroughs in technological innovation and, through a unique management style and core values, shaped its corporate culture.

Watson's advocated core values included integrity, thinking, and customer service, which laid a solid foundation for IBM in the early 20th century. Watson believed that integrity was the cornerstone of long-term business success, and he consistently emphasized the importance of high ethical standards and honest business dealings. Additionally, the "Think" philosophy not only became IBM's iconic slogan but also encouraged employees to maintain innovative and critical thinking in their work. This emphasis on thinking created an innovative work environment at IBM, fostering both technological and managerial advancement.

During the Watson era, IBM also developed a unique corporate culture model that emphasized discipline and employee involvement. Frequent internal meetings, awards, celebrations, collective singing, and speeches were important components of the company culture. This not only strengthened employee loyalty but also created a highly cohesive corporate atmosphere [8]. Watson also implemented strict dress codes and behavior guidelines to ensure the unity and professionalism of the company image.

Under Watson's leadership, IBM gradually expanded globally. With the global economic recovery after World War II, the demand for IBM products grew significantly, especially in the mainframe computer market, where the company nearly monopolized the market share [9]. This global expansion not only allowed IBM to maintain its core values but also laid the foundation for its success in new markets. Watson's values became a key pillar in maintaining IBM's competitiveness in uncertain environments.

During this phase, IBM's core values not only shaped the company's internal management systems but also established a strong brand image in external markets, laying the groundwork for subsequent strategic transformations.

3.2 The Gerstner Era

In 1993, Lou Gerstner became IBM's CEO, marking a significant turning point in the company's history. During his tenure, IBM faced unprecedented market challenges, particularly in the context of increasingly fierce competition in the PC and server markets. During this time, the company's core values also underwent profound adjustments.

First came the adjustment of core values. Gerstner's arrival brought the necessary changes. He recognized that IBM needed to shift from being a hardware-centric company to becoming a customer-focused solutions provider. This strategic transformation involved not only product line adjustments but also a fundamental change in corporate culture. Gerstner advocated making "customer-first" the new core value, emphasizing the importance of service and solutions. He encouraged employees to shift their focus from internal processes to customer needs and promoted cross-departmental collaboration to better meet the dynamic changes in the market.

During this period, IBM broke down bureaucratic barriers and departmental silos, and a new work culture gradually took shape. Gerstner implemented a series of measures to strengthen the company's customer orientation and flexibility, encouraged employee participation in decision-making, and promoted innovative thinking [10]. This cultural shift enabled IBM to quickly adapt to market changes, improve relationships with customers, and enhance the company's competitiveness.

Then came the strategic implementation. Under Gerstner's leadership, IBM not only adjusted its core values but also actively implemented a series of strategic initiatives to drive the company's transformation towards a service-oriented business. He introduced the concept of "solutions," encouraging teams to innovate products and services around customers' actual needs. This shift not only enhanced IBM's market responsiveness but also strengthened the company's profitability.

In addition, Gerstner emphasized the importance of external partnerships and adopted an open innovation model. Through mergers and strategic alliances, he strengthened IBM's overall capabilities in high-tech fields. The strategic and cultural changes during this period enabled IBM to successfully transition from a hardware manufacturer to a global leader in IT services and solutions, reversing the company's downturn.

Gerstner's success lies in his recognition of the importance of technological change and the emphasis he placed on the synergy between culture and strategy. His leadership style and value adjustments laid a solid foundation for IBM's revival, demonstrating how companies can achieve rebirth and development in a turbulent market environment.

3.3 The Palmisano Era

In 2002, Samuel Palmisano succeeded Lou Gerstner as IBM's CEO, leading the company into a new phase of development. Palmisano's leadership style and strategic vision further deepened the evolution of IBM's culture and core values, especially in the context of globalization and innovation. He focused on transforming IBM into a more flexible, customer-centric company.

On one hand, it was the globalization of culture and innovation. During his tenure, Palmisano emphasized the integration of globalization with corporate culture. He introduced the "Smarter Planet" vision, urging IBM to not only focus on technological innovation but also on how technology could improve the efficiency of global societal operations [11]. This vision not only reflected IBM's leadership in technology but also marked the evolution of its core values, shifting the company's focus from traditional hardware and software to solution-oriented integrated services.

To achieve this goal, Palmisano drove further changes in the company's internal culture, emphasizing the importance of diversity and inclusiveness. He believed that the success of globalization relied not only on technology but also on the integration of diverse cultures and perspectives within the company. Under Palmisano's leadership, IBM built a more diverse work environment, encouraging employees from different backgrounds and perspectives to participate in the innovation process. This shift enabled IBM to better meet the needs of global customers and maintain its competitive edge.

On the other hand, it was the continued adjustment of strategy. During Palmisano's era, IBM continued to adjust its business strategy, focusing on high-value services and solutions. This strategic shift enabled IBM to rapidly emerge in new fields such as cloud computing, artificial intelligence, and data analytics [12]. Under Palmisano's leadership, IBM actively invested in acquisitions, collaborations, and research and development, ensuring the company remained competitive at the technological forefront.

In addition, Palmisano placed significant emphasis on corporate social responsibility, integrating sustainability into the company's core strategy. He recognized that modern business success must consider not only economic benefits but also social and environmental impacts. This idea was further reflected in IBM's corporate culture, as employees actively engaged in social responsibility initiatives while pursuing business success, enhancing the company's social image.

Palmisano's tenure marked IBM's maturity and confidence in responding to market changes. His leadership style, alongside the company's evolving culture, allowed IBM to maintain continuous innovation and industry leadership in a rapidly changing technological era.

4 STRATEGIC TRANSFORMATION AND MARKET ADAPTATION

4.1 Transformation from a Hardware Manufacturer to a Solutions Provider

IBM's successful transformation from a hardware manufacturer to a comprehensive solutions provider vividly reflects the interaction between its strategy and culture. Since the end of the 20th century, the global information technology industry has rapidly developed, and customer demands have gradually shifted from simple hardware products to more complex systems and service solutions. In this context, IBM realized that relying solely on hardware sales could no longer maintain its market position, and a fundamental strategic adjustment was necessary.

Under Gerstner's leadership, IBM began to focus on the innovation of services and solutions. By concentrating resources and efforts on customer needs, the company launched a series of solution-based products. This strategy not only involved product diversification but also encouraged enhanced collaboration between departments within the company. IBM's "solution" philosophy required close cooperation among technology, marketing, and service teams to provide integrated solutions for customers. This transformation not only improved customer satisfaction but also helped IBM establish a new revenue model, gradually shifting towards a service-oriented business structure.

During the Palmisano era, IBM further increased its investment in emerging fields such as cloud computing and artificial intelligence. This strategic shift not only allowed IBM to adapt to the fast-changing market but also positioned the company as a leader in industry development trends. Through collaborations with various enterprises and institutions, IBM focused on deeply integrating its technology with customer needs to provide tailor-made solutions. This ability to adapt and respond flexibly enabled IBM to maintain its leadership position in an increasingly competitive environment [13].

4.2 Examples of the Interaction Between Culture and Strategy

Throughout IBM's strategic transformation, the interaction between culture and strategy has been ever-present. For example, during the cultural changes led by Gerstner, his "customer-first" value not only guided strategy formulation but also influenced the company's internal work methods. To cultivate a customer-centric corporate culture, Gerstner eliminated many traditional bureaucratic processes and encouraged employees to proactively communicate with customers and respond promptly to market feedback [14]. This cultural change fostered innovation and efficiency within the company, providing a solid foundation for strategic implementation.

Moreover, Palmisano's "Smarter Planet" vision is another example of the interaction between culture and strategy. This vision not only reflected the company's pursuit of technological innovation but also demonstrated IBM's commitment to global social responsibility. By combining sustainability with technological innovation, IBM not only met customer needs but also built a positive corporate image [15]. Employees, under this cultural context, actively participated in sustainable development projects, which increased job satisfaction and further propelled the company's innovative capabilities.

In summary, IBM's strategic transformation and market adaptation are the result of a highly interactive relationship between culture and strategy. During different historical stages, the evolution of corporate culture not only provided a guiding framework for strategy but also laid a solid foundation for the company's continued success.

5 CONCLUSION

This paper explores the evolution of IBM's core values since its founding and how these changes have profoundly influenced the company's strategic transformation and ability to adapt to the market. Through analysis of various historical stages, we find that IBM's core values have consistently been one of the key factors in its successful transformations. Particularly when facing rapidly changing market environments and technological advancements, the flexibility and adaptability of corporate culture have provided IBM with a sustained competitive advantage.

First, the core values of integrity, thinking, and customer service, established during the Watson era, created a solid cultural foundation for IBM. Under the leadership of Gerstner and Palmisano, IBM's core values underwent significant adjustments to better respond to market demands and customer expectations. This process involved not only cultural changes within the company but also the corresponding strategic adjustments, ensuring a high level of alignment between culture and strategy. By strengthening customer orientation and solution-based thinking, IBM successfully transitioned from a hardware manufacturer to a comprehensive solutions provider, showcasing the exemplary interaction between culture and strategy.

Second, this study emphasizes the importance of continuously updating core values and aligning them with business strategy during corporate transformation. As market environments continuously evolve, companies must be flexible and responsive, adjusting their core values to remain in harmony with the external environment. IBM's practice demonstrates that corporate culture is not only the foundation for strategic implementation but also an essential driving force for sustained innovation and market adaptation.

For future research, we suggest further exploration of the cultural evolution in other companies undergoing strategic transformations, especially case studies from different industry backgrounds, to understand how culture influences strategic choices and implementation. Additionally, research should focus on the impact of cultural diversity and inclusiveness on innovation capacity, shedding light on the success factors of modern companies in a globalized context. Given the accelerating pace of digital transformation, exploring how core values align with digital strategies will provide new perspectives and directions for business development.

Through the analysis of IBM's case, we hope to provide insights for both academia and practice, highlighting the importance of core values in achieving strategic success. The deep integration of culture and strategy will provide companies with a solid foundation to thrive in the complex and ever-changing market environment.

COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

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