

## Book Review

### ***Who Says Elephants Can't Dance?***

By Louis V. Gerstner, Jr.

*(Harper Business 2002. 372 pages including appendices and index.)*

*Who Says Elephants Can't Dance?* is an account of IBM's historic turnaround as told by Louis V. Gerstner, Jr., the chairman and CEO of IBM from April 1993 until March 2002. Lou Gerstner lead IBM from the brink of bankruptcy and mainframe obscurity back into the forefront of the technology business. After a brief forward and introduction where Gerstner gives some of his pre-IBM background, he jumps right to the story of his IBM experience. The book is divided into five parts: *Grabbing Hold*, *Strategy*, *Culture*, *Lessons Learned*, and *Observations*.

Part I, *Grabbing Hold*, is the story of how Gerstner wrestled with the idea of taking the IBM job (he turned it down at first) followed by the highlights of his first year on the job. Part I is interesting as an insider's view of the CEO recruiting process for a Fortune 50 company, at least in this case. This part of the book also reveals how Gerstner addressed IBM's severe financial crisis in the early 90s and managed to keep the company solvent. Prior to reading this revealing insider account I was completely unaware of just how precarious IBM's financial position was during that time. Still, while Part I is quite interesting, the real meat of the book is found in Parts II (*Strategy*), III (*Culture*), and IV (*Lessons Learned*), and followed by Part V (*Observations*).

Part II (*Strategy*) steps back into a brief history of IBM, then dives deeply into how Gerstner repositioned the IBM corporate strategy to successfully keep the company together during the turnaround. When Gerstner came on board, the conventional wisdom, both from industry pundits as well as many IBM insiders, was that the only solution for keeping IBM from eventual disaster was to break it apart. Gerstner saw through this to the real strength he believed IBM brought to customers. According to Gerstner, keeping IBM together and teaching the elephant to dance "was the first strategic decision, and, I believe, the most important decision I ever made—not just at IBM, but in my entire business career."

*Gerstner realized that IBM had a unique and unequalled capability to "apply complex technologies to solve business challenges."* It was this unique value proposition that would enable IBM to come back from near extinction. But to accomplish this IBM needed not only a corporate makeover, but a complete facelift and some liposuction as well! Gerstner likened his arrival at IBM to stepping through a time warp back into the 50s, and much effort was required to get the insular IBM to focus on bringing value to the customer in the marketplace. This massive, difficult, and painful reengineering feat is what led to the "new" IBM. It also gave rise to what I thought was the book's most hilarious quote, credited to a senior IBM executive: ***"Reengineering is like starting a fire on your head and putting it out with a hammer."***

Gerstner says, "fixing IBM was all about execution" and required "an enormous sense of urgency." His whole approach was to drive the company from the customer view and "turn IBM into a market-driven rather than internally focused, process-driven enterprise." And it worked. It was all about execution, and honest measurement was essential. One of the initial problems that

had to be remedied was IBM's tendency to fool itself with bogus indices and data (e.g., customer satisfaction numbers generated from hand-picked samples; subjective product milestones, etc.). As Gerstner states: "***People do what you inspect, not what you expect.***"

I couldn't help but get the feeling that perhaps Gerstner might have been peeking at the Rational mission statement and Five Field Measures when crafting his IBM strategy, but more likely these things work because they are sound business principles. I was very encouraged by Gerstner's maniacal attention to customer driven success and his single minded focus on responding to marketplace needs. If this market driven approach to doing business has pervaded the culture in the "new" IBM as much as Gerstner desired, then it will not be a surprise if IBM dominates the technology landscape in this century as it did in the last.

Part III (*Culture*) was particularly interesting to me because one of the main reasons I wanted to work for Rational was the company culture. One of the concerns I've heard mentioned about the IBM acquisition regards how our Rational culture will mesh with the IBM culture. Fortunately, this is not the IBM of our parent's generation. In fact, Gerstner puts it this way:

*"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."*

***Culture is everything.*** Gerstner's most important and proudest accomplishment was cultural change that brought IBM closer to its customers by inspiring employees to drive toward customer defined success. I have heard many Rational tech reps (myself included) say that the reason they enjoy working at Rational is the company culture empowers individuals to make a difference. Fortunately, the "new" IBM is being built on the foundation of a strong customer focus that will allow Rational to continue the same mission we've been working toward for the last 20+ years.

There are nuggets of wisdom throughout the book. For example, Gerstner points out that an integrator, fundamentally 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 to the direction of IBM Software in enabling and building on open standards in a network-centric world. Gerstner also gives a compelling argument for abandoning proprietary development and embracing software standards (J2EE and Web Services being obvious examples). In fact, Gerstner argues that the most valuable technology companies are OEM suppliers who leverage their technology wherever possible; therefore, IBM has to actively license its technology in order to be successful.

The book's three appendices include some interesting e-mail correspondence, a chapter on Gerstner's vision of e-business, and a financial overview of IBM for the years 1992–2002.

Appendix B (*The Future of e-business*) is a good overview of the IBM initiatives of Autonomic and Grid computing, and IT On-Demand.

Many people criticized IBM for their selection of Gerstner as CEO because he wasn't a technologist, but, based on both IBM's performance during the Gerstner era as well as the insight Gerstner reveals in this book, he was definitely the right person for the job. Appendix C (*Financial Overview*) clearly shows that Gerstner got results. His reinvention of IBM is probably one of the most dramatic corporate turnarounds of the 20<sup>th</sup> century, and the numbers Gerstner and company put up during his tenure of CEO certainly shut the mouths of any would-be critics.

Before buying the 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 as well as his executive tenure at American Express and RJR Nabisco. I also assumed, as is typical with many books by high profile executives, that the book was probably ghostwritten to some extent. Gerstner dismisses both these assumptions in the foreword of the book. Not only did he write the book himself, it is subtitled "Inside IBM's Historic Turnaround" and almost exclusively deals with Gerstner's IBM years.

Under normal circumstances I would consider this book to be just another well written and interesting memoir from a captain of capitalism; however, all of us going forward with the IBM-Rational acquisition have a huge stake in the success of IBM. For that reason I highly recommend picking up a copy of this book and reading it. You'll have a much better appreciation for our new employer if you do.

For further reading on the prior era of IBM, I also recommend: *Father Son & Co.: My Life at IBM and Beyond*, Thomas J. Watson Jr. and Peter Petre, Bantam Books, 1990.

*Review by Dennis Elenburg*

### **Acknowledgements**

Special thanks to Sam Guckenheimer for his contribution to this review.