

Prof. Morten Hansen

Some comments on assignment 1 (the IBM case writeup)

The assignment asked you to address three questions. Here are some issues and arguments that should have been covered. I asked for *your* arguments and assessments, so there is room here for arguing things somewhat differently.

1. Key innovation problems

- IBM had been focusing on running existing operations and improving profits in those, to the exclusion of innovation. This is a problem of exploitation (existing business) crowding out exploration (the development of new things).
- This problem in turn is rooted in the way IBM was organized (matrix, divisional focus) and in the emphasis on financial metrics in running existing businesses.

2. Do you think the managers did a good job addressing the problems?

- This is subjective of course. It is reasonable to suggest that they did a fairly good job, especially as compared with the managers in RR Donnelley.
- However, they had not planned for the transition of these new businesses into the divisions, nor had they given much thought on how to scale this setup.

3. What part(s) of the Innovation Value Chain was a challenge?

- This was chiefly a *conversion* (development) problem. IBM managers had to take an idea and develop it into a business.
- One could argue that it was a bit of a diffusion problem—they had to transfer the new business into the divisions. However, that is more of a challenge of finding a home for a new business (still a conversion issue), and not so much of getting other various parts of IBM to adopt and sell the new products being offered (a diffusion issue).