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March 6, 2011
Assignment #2, Case #1

Daft, R. L. (2001). A Look Inside: International Business Machines Corporation. *Organization theory and design* (7th ed., pp. 3-6). Cincinnati, OH: South-Western College Publishing.

Concepts Applied: formalization   hierarchy   complexity   centralization
          strategic management

Summary:
    Thomas Watson founded the International Business Machines Corporation (IBM) in 1914 to sell tabulators, and by 1940 the company was the largest producer of office machines in the US (Cella, 2011a). In the 1960s and '70s, IBM produced the System/360 mainframe and held a market share near 80% in the computer industry (Cella, 2011a). The number of IBM personnel grew quickly and the organization assumed a culture of strict bureaucracy. IBM required "consensus through meetings" and "demanded that everything be done 'the IBM way.'" In the 1980s, the personal computer (PC) gained popularity and the traditional model of delivering a "complete package" to consumers shifted towards modularization and greater market competition (Gerstner, 2002). IBM did not alter its business model, and entered the PC market long after other companies had established themselves using IBM technology. After posting profits of $6 billion in the mid-1980s, the company sold many of its divisions and had lain off more than 140,000 workers by the early '90s (Cella, 2011a).
    Louis V. Gerstner, Jr. was hired as CEO in 1993, and undertook a "top-to-bottom overhaul" of the IBM culture and business strategy (Gerstner, 2002). He disbanded the iconic Management Committee, initiated Project Bear Hug to communicate with customers, and reoriented IBM's focus towards software (Gerstner, 2002). In 1994, the company posted its first profit in four years (Cella, 2011a). In the first decade of the 21st century, IBM shifted its focus again towards service business and made over 100 acquisitions (Cella, 2011b). Today it is "the world's top provider of computer products and services" (Cella, 2011b).

Analysis:
    IBM responded to the high **complexity** brought on by its scope and structure through excessive **formalization**. The inflexible **hierarchy** of employees and the **centralization** of decision making slowed the company's reaction to changes in the external environment. Gerstner focused on **strategic management** to realign the company's goals and operations with the modern market.

References

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Cella, J. (2011a). International Business Machines Corporation: History. Retrieved March 4, 2011, from the Hoovers database.

Cella, J. (2011b). International Business Machines Corporation: Company description. Retrieved March 4, 2011, from the Hoovers database.

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Assignment #2, Case #2

Eggen, D. & Witte, G. (2006, August 18). The FBI's upgrade that wasn't: $170 million bought
     an unusable computer system. *Washington Post*. Retrieved March 5, 2011 from
     http://www.washingtonpost.com/wp-dyn/content/article/2006/08/17/AR2006081701485.html.

Concepts Applied: goals   institutional memory   unintended consequences
     document management system   outsourcing

Summary:
     Until the mid-1990s, the Federal Bureau of Investigation (FBI) had no centralized
database for the exchange of information between employees. In 1995, the agency purchased the
Automated Case Support system, an application which effectively served as "a backup to the
FBI's paper [files]" and which few staff members could operate (Goldstein, 2005; Knorr, 2005).
Five years later, the FBI initiated the Trilogy project, which sought to update the antiquated
system to "a modern network infrastructure…and an integrated suite of software for entering,
finding, sharing, and analyzing case information" (Knorr, 2005). Over the years, many skilled
staff had left the FBI for the private sector, leaving the agency lacking the internal resources to
pursue the project in house. The FBI entered a contract with the Science Applications
International Corporation (SAIC) to develop the software. After the events of September 11,
2001, the FBI came under scrutiny by the public and other government agencies. They made
significant changes to the original Trilogy specifications and requested that SAIC create an
entirely new software environment: the Virtual Case File (VCF) system (Knorr, 2005).
     The new specifications presented to SAIC were incomplete, and over the next few years
were altered roughly 400 times (Goldstein, 2005). SAIC regularly presented completed features
to the FBI for review, and the agency submitted change requests in return. The cost of the project
grew from $379.8 million in 2001 to $581 million in December 2002. In 2003, FBI testing
revealed over 450 deficiencies in VCF (Goldstein, 2005). In 2004, the National Research
Council reviewed the status of the Trilogy Project and concluded that it was "currently not on a
path to success." In January 2005, CIO Zalmai Azmi officially disbanded the Trilogy project.

Analysis:
     The loss of experienced personnel with a store of **institutional memory** left the FBI with
an insufficient number of experienced personnel to implement the Trilogy project. This lead the
agency to **outsource** production to SAIC. The decision after 9/11 to rework the original Trilogy
specifications to include a new **document management system** (VCF) built from scratch had
unintended consequences for the cost and scope of the project. Because the FBI's **goals** were
ill-defined and not communicated to SAIC, the VCF system produced by SAIC lacked
functionalities the FBI needed.

References

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Knorr, E. (2005, March 21). Anatomy of an IT disaster: How the FBI blew it. *InfoWorld*.
Retrieved March 6, 2011 from
http://www.infoworld.com/d/developer-world/anatomy-it-disaster-how-fbi-blew-it-243.