

# Avancier Methods (AM)

## The EA sponsor role (Lou Gerstner)

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# The CEO is the real EA?

- ▶ “Enterprise Architecture and Enterprise Architect are widely used but poorly defined terms in industry today.” TOGAF
  
- ▶ Some say the “real EAs” are the likes of
  - Lou Gerstner - IBM
  - Bill Gates - Microsoft
  - Steve Jobs – Apple
  
- ▶ Does this help us to define EA?

- ▶ You may say a CEO is
  - an \*architect\* in the loosest sense of that term
  - an \*EA sponsor\*.
  
- ▶ But a CEO is not an \*enterprise architect\* in the sense we mean
- ▶ Business planning not = *business systems* planning.
  
- ▶ This slide show analyses Lou Gerstner's role at IBM.
- ▶ And its relationship to what he needed an EA team manager to do.

## Consider Lou Gerstner's role at IBM

- ▶ IBM had lost the PC battle, was bloated, fragmented, and widely seen as heading for bankruptcy.
- ▶ “[Gerstner] announced plans that stunned even Wall Street's hardened analysts.
- ▶ Over the next 18 months, a fifth of IBM's worldwide workforce - and an unspecified number of plants, will disappear, at a charge of dollars 8.9bn. The regular quarterly dividend was halved.
- ▶ Industry specialists had long insisted nothing less was necessary, given a 1992 loss of over dollars 4bn and a payroll still patently bloated, despite six years of cost-cutting.”

<http://www.independent.co.uk/news/business/profile-the-iconoclast-at-ibm-lou-gerstner-enacted-unprecedented-cuts-at-the-giant-computer-firm-1458529.html>

▶ New CEO Gerstner declared "the last thing IBM needs right now is a vision"

▶ "Mr. Gerstner provided little detail about the business-by-business strategies... Key elements were

- tailoring products and services more closely to customer needs,
- aggressive pricing in personal computers and mainframes, and a
- commitment to "open" technologies that let customers use products from a variety of vendors, instead of the proprietary I.B.M.-only platforms that have been the company's tradition. "

<http://www.nytimes.com/1993/07/28/business/ibm-chief-making-drastic-new-cuts-35000-jobs-to-go.html>

- ▶ Gerstner decided to
  - consolidate (reverse the fragmentation)
  - not compete in some markets, cut the product range
  - cut the payroll
  - cut product prices
  - look for profit from selling consulting services (systems integration)
  
- ▶ This is said to have saved IBM from bankruptcy

# The business case?

- ▶ Costs included:
  - lower profit per product item sold
  - 100,000 redundancy payments.
  
- ▶ Benefits included :
  - cost savings (cutting the PC division, saving 100,000 salaries)
  - future increase in sales volume? Speculation!
  - future increase in system integration consulting? Speculation!
  
- ▶ Gerstner's directions were based on customer research and his own experience, but there was no convincingly quantifiable business case. There rarely is for the really big decisions.

- ▶ Two different system integration stories are related to Gerstener.
- ▶ First, downplaying the selling of products in favour of “systems integration” consulting services.
- ▶ The kind of strategic business planning decision a CEO (not an EA) is supposed to make.
- ▶ “Gerstner’s most remarkable decision: to pursue IBM’s commitment to customer needs by unleashing an Integrated Services unit that would supply all of a customer’s IT needs in a rapidly changing technological world, even if it meant recommending non-IBM products if these represented the best solution to a customer’s needs, and to maintain and service those products also as part of the service contract. This deeply unpopular strategic move resulted in the creation of a division that came to deliver 50% of IBM revenues.”
- ▶ <http://www.economist.com/category/print-sections/briefing-1?page=15>



- ▶ “Gerstner embarked on ... a gruelling and deeply unglamorous programme of ‘reengineering’ the company – getting all of the really dull but vitally important systems right.
  - Some reengineering was definitely needed.
  - The company had 266 different general ledger systems.
  - [And] 128 different people with ‘Chief Information Officer’ in their title.
  - ‘Our HR systems were so rigid that you actually had to be fired by one division to be employed by another.’
  - Each of the overseas divisions of IBM operated as what Gerstner dubbed ‘Fiefdoms’ operating with significant and fiercely protected independence, each with their own non-compatible finance systems.
- ▶ The duplication of services worldwide was horrific.
- ▶ Europe alone had 23,000 support people.”
- ▶ <http://www.economist.com/category/print-sections/briefing-1?page=15>

## Gerstner was not an EA

- ▶ Gerstner directed the business as a director can do
- ▶ He was not an EA or an EA team manager
  
- ▶ Did he adhere to an EA framework?
  - produce anything you could call an EA artefact?
  - maintain an architecture repository?
  - perform architecture compliance assessments?
  - review business *system* change requests?
- ▶ Or monitor anybody else doing those things?
  
- ▶ He was a *sponsor* of EA.

- ▶ “Reengineering [business systems] is difficult, boring and painful.”
  - Lou Gerstner
- ▶ “reengineering is like starting a fire on your head and putting it out with a hammer.”
  - One of Gerstner’s executives
- ▶ It may be tempting to recast EA as something easier, more interesting or painless.
- ▶ But if we do that – who does the work Gerstner wanted done?

# The EA manager role



▶ Got to the next slide show