

## IBM SWOT ANALYSIS

### STRENGTHS

IBM not only has wide brand recognition but also the reputation of a technological pioneers. IBM holds the title of being one of the first companies to develop cloud technologies. With the seed of cloud technology originating from IBM's early development of visual machines, IBM was able to later launch the groundbreaking technology of cloud service in partnership with Google in 2007. **(Encyclopedia.pub)** Being a forerunner for technology from the beginning of the 21st century established credibility for IBM and allowed the company to grow from its initial innovation to an IT mogul. IBM has a global presence in over 170 countries that have an IBM operation. **(Patrizio)** Such a vast, diverse business model and global reach allow for the entire company to succeed still even if one particular sector is failing to meet company standards. Because of IBM's capacity to acquire new firms operating in strategic areas such as cloud technology, analytics, commerce, and consulting, they have been able to keep a strong cash flow. In the year 2022, "IBM generated USD 60.5 billion in revenue and USD 9.3 billion of free cash flow." **(2022 IBM Annual Report, pg. 1)** IBM software products increased 12% from the previous year, and IBM's consulting service also increased 15 % from the previous year. **(2022 IBM Annual Report, pg. 2)** The strength of a heavy cash flow at IBM allows the company to not only expand and grow itself but also allow for billion-dollar returns to stockholders and investors.

### WEAKNESSES

Although IBM is one of the world's top technological companies, the products they develop are generic. Other companies have low entry barriers into the technology industry and

can make similar products. This can affect IBM's competitive advantage if the competitor's price or products start to become the preferred choice over IBM's. The large scale of goods and services IBM provides also provides a large scale of competitors. In some cases, when a company broadens its product horizons too far, the quality may be hindered in comparison to another company whose main focus is that specified service. Further analyzing the company's weakness, their weakness of generic products correlates directly with the weakness of having large competition. Not only is there a large number of competitors, but competitors who can challenge IBM in production value and brand recognition. Companies such as Apple, Google, and Amazon can be noted to be the best competitors against IBM. **(IBM Competitors)** When scored against competing companies, it stated that "IBM ranks 5th in product quality score"**(IBM Competitors)** as well as "IBM ranks 5th in pricing score" **(IBM Competitors)**. Overall, IBM has been ranked number one in culture score, but considering IBM falls to rank higher in other comparisons, that overall score could be subject to change. This decline in popularity can lead IBM to lose brand value and be on a similar playing field with its competitors.

## OPPORTUNITIES

Increased revenue in software production can provide an opportunity for this tech company. "IBM made its biggest purchase ever, spending \$34 billion to acquire leading Linux provider Red Hat Software. It merged Red Hat's hybrid cloud OpenStack software with IBM Cloud and on-premises services for a hybrid cloud approach to digital transformation."**(Patrizio)** The opportunity of digital transformation allows IBM to focus revenue on the incorporation of computer technologies into an organization's business model **(Patrizio)**. Opportunities like so

can help the company become the leading software provider by utilizing its resources to invest in this area of technology. Not only is there an expansion of software divisions within IBM there is also the opportunity of the growing demand for cloud services. IBM already has a major stake in the cloud services industry, and it can achieve more business with its standing reputation and drive for more business. “Our portfolio is built around hybrid cloud and artificial intelligence (AI), the two most transformational technologies of our time”(2022 IBM Annual Report, pg. 1). not only can IBM capitalize on demand for cloud services, but for the continued advancement of AI.

## THREATS

Though technologies such as cloud service and AI can be profitable opportunities, they can also be a threat to the company. If not executed correctly, the very thing that can help the business succeed can also lead to its failure. “Our perspective on technology is clear and consistent: hybrid cloud and AI are helping to usher in a new era of greater productivity, faster insights, better decision-making, and enhanced employee and customer experiences.” (2022 IBM Annual Report, pg. 2) This is a direct goal from IBM’s annual report. This goes to show the threat of falling behind in technological advances for IBM. Things such as a market recession can also threaten the success of IBM. A recession means a loss of funds at all levels, and a reduction in funds can hinder the company. This type of threat can make IBM lose its competitive advantage against the industry's competition. Areas invested in by IBM, such as research and development, will be one of the major areas of the company to be affected by things such as market recessions. The loss of investment in technology to route funds where they are needed for the company's livelihood can be a devastating loss to the company. Another threat

also out of the company's control would be the threat of unfavorable laws and regulations. The strength of having such global diversification can also come with its weaknesses and threats to the company. This can make the company vulnerable to numerous changes in the economic and political environment. “We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent concerning the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.” **(2022 IBM Annual Report, pg. 44)** In the annual report, it is explicit that the company is under the regulation of United States laws and regulations. Laws and regulations that negatively affect the company's production and operations can seriously affect the company as its whole.

In conclusion, I believe that IBM is in a state to continue to succeed as the leading business mogul in the technological industry. Though some of the company's weaknesses come from its greatest strengths the promise of opportunity IBM has can vary well to bring future success. The things that threaten the company's success such as failure to innovate are also the things that motivate their success. After an analysis of the company's past and present, I can predict future success.

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