# Can BlackBerry Ltd. Become the Next IBM?

## Description

On Monday, **BlackBerry Ltd.** (TSX: BB)(Nasdaq: BBRY) CEO John Chen outlined “The Keys to Executing a Turnaround the Right Way.”



Nowadays, no one seems more adept at turning around companies than Mr. Chen. After taking over struggling Sybase, he steered the company back into profitability, eventually selling the company to SAP for $5.8 billion (USD). And less than a year into his role at BlackBerry, his turnaround plan is off to a great start. This is reflected by the company’s stock price, which has more than doubled since December of last year.

So Mr. Chen deserves plenty of credit. But his turnaround plan is far from complete. If he is successful, the stock price will likely see dramatic gains. So is this a bet worth making? Or is this the best we’ll see from Mr. Chen?

**The case for BlackBerry**

This kind of story is not unprecedented. Back in 1992, **IBM** was failing in a similar manner, before Louis Gerstner took over. The company was bleeding cash, operating units weren’t working together, and analysts were insisting that he break up the company. Instead, Mr. Gerstner slashed billions in costs – mainly through layoffs – and sold assets. He also dramatically improved the culture, all while focusing the company more on enterprise services.

This is exactly what has happened at BlackBerry as well. Much of the layoffs occurred before Mr. Chen arrived, and he has sold off assets — such as most of the company’s real estate — to generate extra cash. Costs have further been reduced by outsourcing manufacturing to Taiwanese handset maker Foxconn.

Meanwhile, Mr. Chen has also diverted the company’s attention toward enterprise services, again taking a page out of IBM’s book. This is an area, unlike consumer handsets, where BlackBerry still has a competitive offering.

At this point, it’s practically impossible to know how far the company can go. But history has shown there's plenty of potential.

**The case against BlackBerry**

Mr. Chen's job is much harder than Mr. Gerstner's was, for a couple of reasons. For one, BlackBerry is like a minnow in a shark tank. Rivals such as **Google**, **Apple**, and IBM itself all have far deeper pockets than BlackBerry, and are not accustomed to losing. Mr. Chen talked about innovation being a key in this industry, and the giants all have the upper hand in this department.

Secondly, IBM still had a viable mainframe business as it turned itself around. In other words, it is able to offer clients both hardware and software. And the ability to offer a complete solution is certainly an advantage. BlackBerry's handsets are not nearly as popular. Worse yet, there is a growing trend of employees brining their own devices to work (known as BYOD), meaning that if BlackBerry can't appeal to the consumer market, its handset business is further threatened.

So at this point, BlackBerry's future is still very much up in the air, and it shouldn't account for more than a small slice of your portfolio.

There are much better options than BlackBerry. One of them is featured in the free report below.



**CATEGORY**

1. Investing
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**TICKERS GLOBAL**

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

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bensinclair