

some services. He was told he couldn't price it as an integrated solution. And he's the CFO! So we figured out a way to set a single price for each integrated offering.

This sounds like a great business move. But what does it have to do with values? Wouldn't you ultimately have decided you had to do that in any case?

To be honest, we'd been debating the pricing issue at the executive level for a long time. But we hadn't done anything about it. The values initiative forced us to confront the issue, and it gave us the impetus to make the change. You know, there are always ingrained operations and habits of mind in any organization. I don't care whether it's a business or a university or a government. I don't care who and the jam were great inertia-busting vehicles. Well, the value in this place is \$15 billion, and a big one is \$40 billion. So you have senior vice presidents running Fortune 500-sized companies who aren't necessarily looking for bright ideas from the CEO or some task force every day. But when you hear from so many of our people on the front lines, you can't just ignore it. They're crying out: "We value 'client success,' and we want to grow our business. This one thing is getting in the way of both!" You've got to pay attention—if not to me, then to them.

So we took the pricers—the people who set the prices for client bids—and we said to them, "You work for IBM. When there's a cross-statement, not on the income statements of each product." Needless to say, this involved a series of very difficult meetings with senior executives. There was a huge debate among the finance people about all the reasons why we couldn't do it: "It will be too much work to reallocate all the costs and revenue of a project back to individual profit centers." And they're right: It isn't easy, especially when we now have to certify everything. But the CFO was with me on this: After all, he'd seen the problem firsthand! And we made the change, so that now when we make a truly cross-IBM bid, we can optimize it for the client and for us.

This brings us back to the tension between soft values and hard financial metrics. In the long run, they shouldn't conflict. But along the way, they're going to be jabbing at each other. After all, people still have to make their numbers.

Certainly, there's no getting around that in a commercial enterprise. But I think values inject balance in the company's culture and management system: balance between the short-term transaction and the long-term relationship, balance between the interests of shareholders, employees, and clients. In every case, you have to make a call. Values help you make those decisions, not on an ad hoc basis, but in a way that is consistent with your culture and brand, with who you are as a company.

Look at how we compensate our managing directors, who are responsible for our largest client relationships. We decided to take half their comp and calculate it not on an annual basis but on a rolling three-year basis. We ask clients to score the managing director's performance at the end of a project or engagement, which might last longer than a single year, and that plays a big part in his bonus. So a big piece of his compensation is based on a combination of the project's profitability—whether the manager made his annual numbers—and on the client's satisfaction over a longer-term horizon. The managing director can't trade off one for the other.

So we've tried to keep balance in the system, to make sure that things aren't completely oriented toward short-term financials. But you're absolutely right: There are times when people will argue, "Well, jeez, you guys are pushing us in both directions." It's a valid debate. I think, though, that the best place to have that debate is at the lowest level of your organization, because that's where these decisions are being made and having an impact. Thousands of these interactions go on every day that none of us at the top will ever, or should ever, know about. But you hope that the values are providing a counterweight to the drive for short-term profitability in all those interactions. In the long term, I think, whether or not you have a values-driven culture is what makes you a winner or a loser.