

Continuity and Change

IBM'S NEW VALUES GREW OUT OF A LONG TRADITION. In 1914, Thomas Watson, Sr., the founder of the modern International Business Machines Corporation, laid out three principles known as the *Basic Beliefs*:

- Respect for the individual
- The best customer service
- The pursuit of excellence

Although these beliefs played a significant role in driving IBM's success over most of the twentieth century, they eventually were subsumed—and, in effect, redefined—by a sense of entitlement and arrogance within the organization. That, according to CEO Sam Palmisano, contributed to the company's failure to respond to market changes in the early 1990s and to its near demise.

In February 2003, just under a year after taking over as CEO, at a meeting of IBM's top 300 managers, Palmisano raised the idea of reinventing the company's values as a way to manage and reintegrate the sprawling and diverse enterprise. He put forth *four concepts*, three of them drawn from Watson's Basic Beliefs, as possible bases for the new values:

- Respect
- Customer
- Excellence
- Innovation

These were “test marketed” through surveys and focus groups with more than 1,000 IBM employees. The notion of “respect” was thrown out because of its connotations of the past. It was also decided that statements rather than just words would be more compelling.

Out of this process grew the three *proposed values* discussed during the July 2003 online forum, ValuesJam:

- Commitment to the customer

- Excellence through innovation
- Integrity that earns trust

Using a specially tailored “jamalyzer” tool—based on IBM's e-classifier software, but turbocharged with additional capabilities designed to process constantly changing content—IBM analysts crunched the million-plus words posted during the ValuesJam. Some themes emerged. For example, many people said that a silo mentality pitted the business units against one another, to the detriment of IBM as a whole. Several people characterized this as a trust issue. But the proposed value “integrity that earns trust” was criticized as being too vague. Some thought it was just another way of saying “respect for the individual,” one of the original Basic Beliefs that many now viewed as outdated. And the notion of trust was seen as being too inwardly focused—management trusting its employees—and not prescriptive enough in terms of how employees should behave with each other or with parties outside the company.

Drawing on this analysis, the results of pre- and post-jam surveys, and a full reading of the raw transcripts, a small team, with input from Palmisano, arrived at a revised set of *new corporate values*:

- Dedication to every client's success
- Innovation that matters—for our company and for the world
- Trust and personal responsibility in all relationships

These were published on the company intranet in November 2003.

about things that are getting in the way. People would describe situations. They'd say something like: “I'm