

## Idea in Brief

executive community to challenge the views of our senior execs," said another. "Many times I have heard expressions like, 'Would you tell Sam that his strategy is wrong?!?' Twenty-four hours into the exercise, at least one senior executive wanted to pull the plug.

But Palmisano wouldn't hear of it. And then the mood began to shift. After a day marked by critics letting off steam, the countercritics began to weigh in. While acknowledging the company's shortcomings, they argued that much of IBM's culture and values was worth preserving. "Shortly after joining IBM 18 years ago," wrote one, "I was asked to serve on a jury. When I approached the bench and answered [the lawyers'] questions, I was surprised when the judge said, 'You guys can pick whoever else you want, but I want this IBMer on that jury: I have never felt so much pride. His statement said it all: integrity, excellence, and quality.' Comments like these became more frequent, criticism became more constructive, and the ValuesJam conversation stabilized.

The question of what was worth preserving and what needed to be changed was at the heart of ValuesJam. In 1914—when the company was making tabulating machines, scales for weighing meat, and cheese slicers—president Thomas Watson, Sr., decreed three corporate principles, called the Basic Beliefs: "respect for the individual," "the best customer service," and "the pursuit of excellence." They would inform IBM's culture, and help drive its success, for more than half a century.

By 2002, when Palmisano took over as CEO, much had happened to Big Blue. In the early 1990s, the company had suffered the worst reversal in its history and then, under Lou Gerstner, had fought its way back, transformed from a mainframe maker into a robust provider of integrated hardware, networking, and software solutions. Palmisano felt that the Basic Beliefs could still serve the company—but now as the foundation for a new set of corporate values that could energize employees even more than its near-death experience had. Looking for a modern-day equivalent, Palmisano first queried 300 of his senior executives, then quickly opened up the discussion, through a survey of over a thousand employees, to get a sense of how people at all levels, functions, and locations would articulate IBM's values and their

It's easy to fire up employees' passion for change when your business is about to go up in flames. Lou Gerstner knew this when he seized IBM's helm in 1993 and saved the faltering giant by transforming it from a mainframe maker into a provider of integrated solutions.

But how do you maintain people's commitment to change when business is good? You know your company must constantly adapt if it wants to maintain its competitive edge. Yet without an obvious threat on the horizon, your employees may grow complacent.

How to build a workforce of relentless change agents? Replace command-and-control with **values-based management**: Instead of galvanizing people through fear of failure, energize them through hope and aspiration. Inspire them to pursue a common purpose based on values they help to define. Ask them what's blocking them from living those values—and launch change initiatives to remove obstacles. As enduring companies like IBM have discovered, values-based management enables your people to respond quickly, flexibly, and creatively to a never-ending stream of strategic challenges.

aspirations for the company. Out of this research grew the propositions that were debated in ValuesJam.

After—and even during—the jam, company analysts pored over the postings, mining the million-word text for key themes. Finally, a small team that included Palmisano came up with a revised set of corporate values. The CEO announced the new values to employees in an intranet broadcast in November 2003: "dedication to every client's success," "innovation that matters—for our company and for the world," "trust and personal responsibility in all relationships." Earthshaking? No, but imbued with legitimacy and packed with meaning and implications for IBM.

To prove that the new values were more than window dressing, Palmisano immediately made some changes. He called on the director of a major business unit—e-business hosting services for the U.S. industrial sector—and charged her with identifying gaps between the values and company practices. He bluntly told his 15 direct reports that they had better follow suit. Another online jam was held in Octo-