

To create your values-based management system:

## Gather Employees' Input on Values

Assess the strategic challenges facing your company. Propose values you believe will help your firm meet those challenges. Collect employees' feedback on your ideas.

### Example: IBM CEO Sam Palmisano knew that the IT industry was reintegrating:

Customers wanted packages of computer products and services from single firms. Despite its far-flung, diverse 320,000-strong workforce, the company had to offer customized solutions at a single price. To achieve the required cooperation, IBM needed a shared set of values to guide people's decision making.

Using feedback from top managers and employees, Palmisano's team

developed three working value statements—"Commitment to the customer," "Excellence through innovation," and "Integrity that earns trust." IBM posted these on its intranet and invited employees to debate them. Over three days, 50,000 debated the merits of the value statements.

## Analyze Employees' Input

Examine employees' input for themes.

### Example: Many IBMers

criticized the "Integrity that earns trust" statement as vague, outdated, and inwardly focused. They wanted more specific guidance on how to behave with each other and with external stakeholders.

## Revise Your Values

Based on the themes in employees' input, create a revised set of values. Gather employees' input again.

**Example:** Palmisano's team revised the earlier value statements to read: "Dedication to every client's success," "Innovation that matters—for our company and for the world," and "Trust and personal responsibility in all relationships." The team published the revised statements on the intranet and once more invited feedback.

## Identify Obstacles to Living the Values

Examine employees' responses to identify what's preventing your company from living its agreed-upon values.

**Example:** IBMers praised the revised value statements—often in highly emotional language—but wondered whether IBM was willing and able to live those values. They understood the need to

reintegrate the company but lamented obstacles—such as frustrating financial controls—that prevented them from serving customers quickly.

## Launch Change Initiatives to Remove Obstacles

Initiate change programs that enable people to live the values.

**Example:** IBM allocated \$5,000 a year to individual managers to use, no questions asked, in order to generate business, develop client relationships, or respond to fellow IBMers' emergency needs. A pilot program run with 700 client-facing teams showed that they spent the money intelligently. The program was expanded to all 22,000 IBM first-line managers. The initiative demonstrated to employees that IBM lives by its values.

ber 2004 (this one informally dubbed a "logjam") in which employees were asked to identify organizational barriers to innovation and revenue growth.

Although Palmisano, by his own account, is building on a strategy laid down by Gerstner, the leadership styles of the two men are very different. Under Gerstner, there was little expansive talk about IBM's heritage. He was an outsider, a former CEO of RJR Nabisco and an ex-McKinsey consultant, who was faced with the daunting task of

righting a sinking ship. In fact, he famously observed, shortly after taking over, that "the last thing IBM needs right now is a vision." Palmisano, by contrast, is a true-blue IBMer, who started at the company in 1973 as a salesman in Baltimore. Like many of his generation who felt such acute shame when IBM was brought to its knees in the early 1990s, he clearly has a visceral attachment to the firm—and to the hope that it may someday regain its former greatness. At the same time, the erstwhile salesman is, in the words of a colleague, "a