

time, we wanted values that, like Watson's Basic Beliefs, would be enduring, that would guide the company through economic cycles and geopolitical shifts, that would transcend changes in products, technologies, employees, and leaders.

### *How did IBM distill new values from its past traditions and current employee feedback?*

The last time IBM examined its values was nearly a century ago. Watson was an entrepreneur, leading what was, in today's lingo, a start-up. So in 1914, he simply said, "Here are our beliefs. Learn them. Live them." That was appropriate for his day, and there's no question it worked. But 90 years later, we couldn't have someone in headquarters sitting up in bed in the middle of the night and saying, "Here are our new values!" We couldn't be casual about tinkering with the DNA of a company like IBM. We had to come up with a way to get the employees to create the value system, to determine the company's principles. Watson's Basic Beliefs, however distorted they might have become over the years, had to be the starting point.

After getting input from IBM's top 300 executives and conducting focus groups with more than a thousand employees—a statistically representative cross-section—we came up with three perfectly sound values. [For a detailed description of how IBM got from Basic Beliefs to its new set of values, see the sidebar "Continuity and Change."] But I knew we'd eventually throw out the statements to everyone in the company to debate. That's where ValuesJam came in—this live, companywide conversation on our intranet.

### *What was your own experience during the jam? Did you have the feeling you'd opened Pandora's box?*

I logged in from China. I was pretty jet-lagged and couldn't sleep, so I jumped in with postings on a lot of stuff, particularly around client issues. [For a selection of Palmisano's postings during the ValuesJam, see the sidebar "Sam Joins the Fray."] And yes, the electronic argument was hot and contentious and messy. But you had to get comfortable with that. Understand, we had done three or four big

online jams before this, so we had some idea of how lively they can be. Even so, none of those could have prepared us for the emotions unleashed by this topic.

You had to put your ego aside—not easy for a CEO to do—and realize that this was the best thing that could have happened. You could say, "Oh my God, I've unleashed this incredible negative energy." Or you could say, "Oh my God, I now have this incredible mandate to drive even more change in the company."

When Lou Gerstner came here in 1993, there was clearly a burning platform. In fact, the whole place was in flames. There was even talk of breaking up the company. And he responded brilliantly. Here's this outsider who managed to marshal the collective urgency of tens of thousands of people like me to save this company and turn it around: without a doubt one of the greatest saves in business history. But the trick then wasn't creating a sense of urgency—we had that. Maybe you needed to shake people out of being shell-shocked. But most IBMers were willing to do whatever it took to save the company, not to mention their own jobs. And there was a lot of pride at stake. Lou's task was mostly to convince people that he was making the right changes.

Once things got better, though, there was another kind of danger: that we would slip back into complacency. As our financial results improved dramatically and we began outperforming our competitors, people—already weary from nearly a decade of change—would say, "Well, why do I have to do things differently now? The leadership may be different, but the strategy is fundamentally sound. Why do I have to change?" This is, by the way, a problem that everyone running a successful company wrestles with.

So the challenge shifted. Instead of galvanizing people through fear of failure, you have to galvanize them through hope and aspiration. You lay out the opportunity to become a great company again—the greatest in the world, which is what IBM used to be. And you hope people feel the same need, the urgency you do, to get there. Well, I think IBMers today do feel that urgency. Maybe the jam's greatest contribution was to make that fact unambiguously clear to all of us, very visibly, in public.