IBM's "ValuesJam" – The Case

(from Values-Based Innovation Management by Breuer & Lüdeke-Freund 2017)

Case Summary

Success stories of values and value commitments that positively impact organisations are often centred on heroic leaders and their far-reaching visions. However, values (i.e. notions of the desirable) are omnipresent and in most organisations wait to be discovered as an untapped source of innovation. At the International Business Machines Corporation (IBM) this intuition led to an initiative of bottom-up integration and values-based innovation. The case shows how values that have been initially defined and promoted top-down to fulfil a directive function for the company may be redefined in a bottom-up manner. In 2003, a global intranet discussion called "ValuesJam" was initiated among employees in order to examine and redefine what the company and its employees stood for. Starting with such multilateral integration, these values then fulfilled a directive and generative function for innovation management.

IBM in search for its core values

In 1914, the founder of IBM, Thomas Watson, declared three basic beliefs, namely "respect for the individual", the "best customer service", and the "pursuit of excellence". These principles, handed out to new employees on laminated cards for their wallet, are reported to have helped guide the company through years of substantial change and reinvention, including a severe crisis in the 1990ies and a reintegration of the company and opening of standards led by former CEO Louis Gerstner. In addition, business conduct guidelines, signed by each employee, provided directives in ethical standards, while social responsibility and corporate citizenship reports, issued since 2002, demonstrated the company's dedication to issues like socially responsible supply chain practices, fiscal transparency, and philanthropic engagement.

In 2002, Samuel Palmisano, who had at that time already been with IBM for almost 30 years, became the new CEO. In 2003, he initiated a company-wide project to review the company values and to derive measures for strategy and innovation. Values, Palmisano (2004, 62) noticed, "let you change everything, from your products to your strategies to your business model, but remain true to your essence, your basic mission and identity." Acknowledging that management by command and control or a top-down decree of values would not work in a company of more than 300,000 employees in 170 countries, Palmisano decided for a bottom-up approach, relying on those whose daily decisions cannot be controlled but drive the success of the company. "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" (Palmisano, 2004, 70).

In line with the values-based view, confidence and trust in the workforce may be considered as the initial and most important value being communicated by means of the initiative and the open platform of the jam. In fact, constructive discussions began only after some painfully negative comments (see below).

The IBM "ValuesJam"

In 2003, IBM employees were asked to contribute to a "ValuesJam" on the corporate intranet. About 50,000 employees checked into the discussion and contributed more than 10,000 comments (Palmisano, 2004, 61). Taking IBMs founder Watson's basic beliefs as a starting point, Palmisano proposed the four concepts of "respect, customer, excellence and innovation" and had them discussed at a meeting with 300 senior executives. Through surveys and focus groups with another 1,000 employees from different levels, functions and locations three new values statements were formulated as input for the ValuesJam: "commitment to the customer", "excellence through innovation" and "integrity that earns trust". Online discussions ran for 72 hours. Resulting data was enriched with surveys before and after the jam. Postings were analyzed through a specially tailored tool – "The Jamalyzer" – and reading of all contribution transcripts by a small project team.

Emerging themes included critique on the silo mentality among business units. The statement regarding integrity and trust was considered as being too inwardly focused on the relation between managers and employees. New corporate values resulted:

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

These headlines were further differentiated, for instance, referring to innovation (Palmisano, 2003; http://www.ibm.com/ibm/values/us/) and what it means to be an "IBMer":

"IBMers ...

- ... are forward thinkers. We believe that the application of intelligence, reason and science can improve business, society and the human condition.
- ... love grand challenges, as well as everyday improvements. Whatever the problem or the context, every IBMer seeks ways to tackle it creatively — to be an innovator.
- ... strive to be first — in technology, in business, in responsible policy.
- ... take informed risks and champion new (sometimes unpopular) ideas."

Afterwards, gaps between current practices and the set of new values were identified. Another jam with employees was started to identify innovation and revenue growth barriers. "If you've invited people to feel hope about something they really care about, you'd better be prepared to do something in response. So, in the months since we finalized the values, we've announced some initiatives that begin to close the gaps" (Palmisano, 2004, 65f). Several initiatives including innovations in organisation and marketing instruments such as pricing were derived.

One of the initiatives named "$100 million bet on trust" allocated $5,000 budgets to local managers to respond to extraordinary challenges, for instance to hire staff from remote offices to fix a client's problems without going through lengthy financial approval processes. Encouraged by several cases of great success the initiative was later expanded to all 22,000 first line managers. Another initiative changed pricing tactics for solutions that involved various IBM products and services. Instead of adding individual bids from the distributed internal providers, pricing based on IBM-wide income statements was introduced in order to support client success through

competitive pricing and to realise the advantages an integrated management strategy of the large corporation was able to achieve.

Lessons learned from the "ValuesJam"

One of the surprising results of the ValuesJam was the employees' awareness of the company's contributions to society at large. In a 2006 interview, David Yaun, at that time Vice President of IBMs communications programs related to innovation and technology leadership, remarked:

> "We'd never considered how strongly people feel about IBM's role in shaping the modern world and their pride in the fact that our technology helped man get to the moon and helped to create the first social security system and is now being applied to fighting cancer and AIDS and mapping the human genome. That was a distinct part of IBM that we hadn't considered before. Although we had an inkling that there would be something around innovation and being the technical leaders, the societal aspect was eye-opening for us" (Yaun, 2006).

The years to follow turned out to be some of the most successful in the history of the company. While it continued to change its business model towards services and consulting, it also continued to be the world leader in number of US patents, and became acknowledged as one of the worldwide leading brands. While several factors contributed to this success, including a global engagement in growth markets, Palmisano attributes part of this success to the ValuesJam:

> "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 ... 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" (Palmisano, 2004).

However, values not only create a brand image for the public, but become a pervasive means of decision making throughout the company.

> "Values, for us, aren't soft. They're the basis of what we do, our mission as a company. They're a touchstone for decentralized decision making. It used to be a rule of thumb that 'people don't do what you expect; they do what you inspect.' My point is that it's just not possible to inspect everyone anymore. But you also can't just let go of the reins and let people do what they want without guidance or context. You've got to create a management system that empowers people and provides a basis for decision making that is consistent with who we are at IBM" (Palmisano, 2004).

The ValuesJam is a remarkable intervention from a values-based innovation perspective since the review and reformulation of corporate values directly informed – and keeps informing – innovation on the normative, strategic, and operational management dimension. In the following years several initiatives for innovation were triggered through the results of the ValuesJam. New processes, products, and services were created. One example is that the online Jam format itself was turned into an offering for clients. Several online brainstorming sessions called "InnovationJam" were conducted in 2006 and 2008 (IBM, 2016b).

In the normative management dimension the ValuesJam most evidently led to the three new values that are still stated as the companies' core values (IBM, 2016a): dedication to every client's success; innovation that matters – for our company and for the world; trust and personal responsibility in all relationships. In an interview conducted by Henning Breuer in 2016, Yaun explained how the Jam format was itself born out of brainstorming sessions named "Summer Jam", a program from the late 1990s in which IBM researchers and interns, linked through video connections, generated ideas on the future of technology. In order to scale up the format to involve several hundreds of thousands of IBMers, it was transferred to the intranet. When Sam Palmisano became the new CEO in 2002 he considered it important to turn the company into a values-driven environment again. Yaun remembers that and says:

> "Sam's brilliant insight was to say: 'Look, I can sit in a corner office for a couple hours and brainstorm and come up with probably a pretty good list, but I don't know if they'll take hold because they're not of the people.' So he challenged us to use the jam approach to engage the people in the process. This really was a brilliant idea because not only would it allow the employees to help shape them, but it would also give the employees ownership. And part of a values-based management system is you need all stakeholders to have a sense of ownership in the values" (Yaun, 2016).

The "most interesting" value that resulted from the Jam was to pursue "innovation that matters for our company and the world". IBM has a track record of having created seminal technologies like hard drives, relational databases and programming languages. It is one of the world leaders in patents and reinvented its business model several times. Still, the essential role, the specific meaning and untapped potential of innovation came out through the Jam. Yaun explains:

> "It's where the jam process was actually very helpful in helping us understand ourselves, understand our company and understand what the employees were saying."

> "When Sam announced the new values statements, he received over 3,000 e-mail responses. It was very emotional … people reaffirming 'this is why I joined this company, why I stayed with this company.' People who had been with the company three days wrote: 'I can't believe I've joined such an incredibly cool company that takes its employees' feedback so seriously and incorporated it into the management system'."

However, more than a third of the responses also included very polite hints, "almost like a whispered P.S. … saying, you know, Sam, I love these values, but you know we really aren't that innovative". This arrived as an eye-opener and an alarm call for action at the top management:

> "You can say you're innovative, you can write stories about what you think are examples of innovation in your organization, but unless you actually give employees the tools and resources they need to innovate, you are not going to have a culture of innovation", Yaun says.

Case from Breuer, H. & Lüdeke-Freund, F. (2017). Values-Based Innovation Management. Palgrave

Together with the Executive Vice President of Innovation and Technology Nick Donofrio a plan was set: "We had to create a culture in which innovation is demonstrated in all we do." A variety of exercises, programs and processes was created to support innovation efforts. A "global innovation outlook" (IBM, 2004-2008) identified innovation areas such as the environment, healthcare, and water (IBM, 2004) and initiated free-form conversations on these topics among hundreds of influencers from clients, academics, government, NGOs, and consultants. Online idea submission was made open source, and selected ideas got seed money or were implemented. An advanced form of this type of innovation market was recently executed to accelerate market adoption of cognitive computing (augmenting human intelligence and decision-making with machines that learn at scale, reason with purpose and interact with humans naturally). Yaun adds:

> "13 years later we're still applying those concepts to how we generate innovative ideas within the company."

Reflecting on the "ValuesJam"

With "innovation that matters" as a core value, not just innovation in processes – and the technologies, tools and methods supporting these – were advanced. They also were rapidly adapted and integrated into products and consulting services for clients and society, e.g. by multilingual Jam services to governments, business clients and other organisations. In fact, the whole landscape for innovation was redesigned, opening up new frames and spaces for innovation based on a reconsideration of values – demonstrating the generative potential of values.

Yaun speaks of the "natural progression of what happened":

> "We had ValuesJam, we identified one of these values as 'innovation that matters', we started to invest in innovation programs. After the innovation programs, because they were open, they were collaborative, they were global in nature, we began to understand that industries were getting smarter. That led to the launch of the 'smarter planet strategy' in 2008, which lasted through to 2013 and early 2014. It was part of the 'smarter planet strategy' that led to the investment in Watson, so there's sort of a through line that you can see all the way from ValuesJam to the current strategy and execution of the company."

Another key insight from the ValuesJam is that, according to Yaun, a "mind shift" emerged from the debate that led to the value of "dedication to client success". While the initiators of the ValuesJam had expected that some kind of "customer" orientation would be articulated, they were surprised by the emphasis on the notion of "clients" and long-term client relationships as opposed to the transactional ways of dealing with "customers":

> "It allowed us to invest differently in the type of relationship we were going to have with the people who bought goods and services from us … This shift in mind set was really, really important."

It led to initiatives like the "bet on trust", informed the go-to-market practices, projects and tools, and the sales training programs.

Case from Breuer, H. & Lüdeke-Freund, F. (2017). Values-Based Innovation Management. Palgrave

Yaun points out how the ValuesJam "informed our belief that IBM has a unique role in the world". One assumption of the values-based view is that the pursuit of values is not limited to social entrepreneurship or philanthropic engagement of large corporations. Interestingly enough and without being asked to, Yaun comes to this point and distinguishes philanthropy from societal impact:

> "The things we've done over time have made a huge societal impact, and I don't necessarily mean philanthropy, just a societal impact … When we did the global innovation outlook, we were very clear, we were not doing corporate philanthropy. It was business. It was commercial."

In his concluding remarks Yaun holds up the pervasiveness of the reformulated values from the jam:

> "The success of the values we've identified means they are implicit in everything we do, they inform everything we do. It doesn't need to be as explicit these days as it used to be. It sometimes doesn't have a stamp with the values on it, but because it's become such a part of our fabric, it's become such a part of our culture … it just becomes how we work nowadays. It's sort of intrinsic to how we work … Values are something that last over time. They are part of your DNA, they are a part of what is intrinsically you."

IBM is widely known in public for innovation in technology and management systems, but according to its former CEO, value commitments were the most important innovation for the company, "to define and run a company by a set of strongly held beliefs" (Palmisano 2003).

Case from Breuer, H. & Lüdeke-Freund, F. (2017). Values-Based Innovation Management. Palgrave