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IBM Values and Corporate Citizenship

The transformation of IBM to a globally integrated enterprise (GIE) began with a conviction about what should never change. Since its founding in 1911, IBM was known for a strong culture and a commitment to fairness and social responsibility, operating under a set of principles articulated by founder Thomas Watson. As IBM entered its second century, it was appropriate to take a fresh look while remaining unwavering in ethics, integrity, and – to use the twenty-first century word – the highest standards of corporate citizenship. All of this could be done with strategic use of IBM technology and innovation.[i]

Refreshing the Values

In 2003, CEO Sam Palmisano authorized a bold effort to refresh the values via an IBM "values jam," two 72-hour Web chat sessions about what IBM stands for, open to every IBMer in the world. When he presented the plan to the IBM board, one of the directors, a former CEO, questioned him about whether this was "socialism." Palmisano explained that this was the only way to build an enduring institution in which IBMers embraced and owned the values. "It wouldn't do to create values from the top, like Watson did; today people are too sophisticated, global, and cynical. We want people to connect to the entity in a way that's relevant to them." He wanted people to have pride in IBM as an institution, not merely to be following a leader: "To have a culture that connects people's success to the success of the entity, we have to be faceless. Then they have pride in the entity's success and will do what is important to IBM. Management is temporary, returns are cyclical. The values are the connective tissue that has longevity. We are the only ones in technology to have lasted more than 25 or 30 years."

The values jam was a test of IBM technology (massive scale required innovation) and a test of the culture. People could say what they thought. But negativity on some people's part was countered by many others. Noha Saleem, who ran software support for the Middle East out of Dubai, did just that: "Someone had a problem with the openness of management, so I commented and said, you cannot blame it on your manager; it's a two-way thing."

Over 140,000 people participated. A team took the results and eventually boiled them down to three overarching values: ***Dedication to every client's success. Innovation that matters for customers and the world. Trust and personal responsibility in all relationships.***

Professor Rosabeth Moss Kanter prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Veteran IBMers saw continuity between the new statements and long-standing principles and slogans such as "Think" and praised the process. "Instead of top management telling us what to do, the new values externalized and made more explicit what was already engraved in the minds and hearts of the IBM community," observed Ayman Mashoor, head of quality in the Cairo technology lab. "The values have helped people to get emotionally connected," Palmisano said. After they were announced, he received messages amounting to three feet of paper, which he took to a staff meeting.

The values appeared everywhere, on the Web, on posters, and in training for leaders as well as new hires. There was variability in how much managers referred to the values. Some never mentioned them. Other managers coached people on the values. Sergio Xavier de Brito, distribution sector director for Latin America, tried to blend the values into day-to-day situations for the people in his group across the region. When he visited a country, he would meet with people individually or hold roundtable discussions asking not about sales transactions but about the job. He would then match the situations they described involving their managers or customer to the values.

The values were viewed as relevant everywhere. In Russia, communications executive Igor Larin ran research to see how the Russian market thought about the "innovation that matters" value and found that innovation was desirable to everyone from customers to President Putin. He also saw the internal benefits, saying that "values help us to feel ourselves as one company, and to understand the way we should behave and cooperate." Jennifer Trelewicz, director of the Russia Lab, saw how quickly the values were picked up, citing the case of a member of her team who joined IBM only six months previously "on instant message with me, very distressed that one of the people on his team was not displaying passion for the client's business. He was quoting the values back at me."

An executive in Asia felt that rapid growth and a huge influx of new hires meant there was still a long way to go to completely internalize trust and personal responsibility and dedication to clients' success, but, he said, "We have started to see that the values are foundational to our business. All three together give us competitive differentiation."

Trust but Educate: Business Conduct Guidelines

> *"It's not a wink-wink culture where we say one thing and do another. We mean what we say."* – Inderpeet Thukral, VP of Strategy, IBM India

IBM strived for the highest standards. IBM's social responsibility and corporate citizenship reports, first issued in 2002, described the company's activities with regard to supply chain practices, corporate philanthropy, the environment, business ethics, diversity, fiscal transparency, security and privacy, and related issues. IBM was also among the first to produce an annual environmental impact report or a diversity report. Although IBM was held to different reporting requirements – certain European countries made greater demands than some emerging markets – the company chose to adhere to one global standard, opting for the "highest" common denominator.

Like all large companies, IBM faced occasional controversies, but these were minor and rare. IBM tried to prevent harm in its day-to-day business dealings through its ethics code, the Business Conduct Guidelines. Business Conduct Guidelines were presented as part of new hire induction and thereafter signed yearly as a condition of employment, regardless of employee level. The document took 35-40 minutes to read and had about 50 questions about ethics and responsibilities, internally and externally. Managers received additional questions. A module on financial integrity involved a real-life case on an interactive website with multiple scenarios and multiple options, with complete information at each stage about whether the person's choice was acceptable or not, and why. It

would be hard to claim an absence of knowledge. As a further checkpoint, for example in contacting with business partners and customers, members of contracts, finance, and legal teams were involved, which eliminated any chance of "side agreements" or showing favoritism in terms, even if employees found themselves tempted. Managers in India indicated that IBM had walked away from deals because they could not agree to unethical "commissions." Infractions would result in disciplinary action, including dismissal.

Some developing countries had to exercise particular diligence because IBM's standards were higher than those prevailing in the country. India had a common problem with fraudulent résumés – unacceptable to IBM. Years earlier there had been an amnesty, with salary docking, for inflated travel expense reimbursement; those who did not come forward were let go. With a young work force, it was felt important to provide a second chance, but warnings were severe enough to prevent future lapses. In Russia, HR manager Tatiana Khinoi said that she knew that the BCGs were followed by all employees because they call their manager or HR with questions and in her seven years in the role, she had seen not one deviation. "The guidelines were translated straight, with no need for local adaptation, and the annual recertification made them really very deep in you," she observed.

Throughout the world, employees indicated that adhering to high ethical standards was facilitated by the company' reputation for high standards – which also meant that a lapse would affect everyone negatively, making it even more important to behave responsibly. Noha Saleem, a manager in software in Dubai and Egypt, commented: "Customers have good respect for IBM. Even when we go into competitive situations, they know the business ethics of IBM. They know we have barriers, lines that we cannot cross. This helps you a lot that you feel there is a respect for you. They know that you're coming there for their welfare, for their business, and you care about them. We see it when we're young and go with the older client reps, and then you introduce the next generation." Dravinder Seetharam in India concurred: "We have never had a problem dealing with government officials. They don't ask for money, don't ask for any favors, always have a professional approach. They know about our ethics, they know what we stand for, and they appreciate our stand."

Respect for standards went all the way up to Sam Palmisano, who said, "What would put someone over the edge ("screwing up")? It's simple. If they push the system on revenue recognition (channel stuffing). If they give a gift to a government official, to any official. Sexual harassment, it's OVER. And on the business, not delivering results for a couple of years, we'd put them in a place where there is a better fit."

Beyond Responsible: Innovation that Matters for the World

> *"When you are working for the same company for 20 years, you need to be proud of it. The reason I wake up early every day to come to IBM is because this company has values that we really believe in. This is the reason I'm here, because I really believe in this company. I know we are doing good things for society. Of course we are a business, and we have our targets, but we can give other things. And we do it."* – Marcelo Porto, sector director for SMB, IBM global services, Latin America

IBM's approach to corporate citizenship was closely connected to its business purpose: to harness the power of innovation in service to the social and educational goals of the broader society. Sergio Xavier de Brito, distribution sector director for Latin America, saw this as a trend in IBMers using an external standard to judge IBM's contributions: "I see a change in the way we think about social

responsibility. Twenty years ago, I think the focus was, do the right thing internally. Before, it's like I see a problem in the society, in the community, and I don't care, because this is not inside IBM, so I have nothing to do with it. The change right now is to leverage the size of IBM and do the right thing outside our organization, into the whole supply chain with providers and customers."

In 1993, new CEO Louis V. Gerstner, Jr., undertook to transform IBM in a numerous ways, including from an inward-looking to a more open environment. To have impact, he reviewed the many areas of IBM and focused the company's philanthropy on K-12 public education reform, because it was the area its employees and customers cared the most about. He recruited a former deputy chancellor of the New York City Schools and a New York civic leader, Stanley Litow, as Vice President of Corporate Community Relations and President of the IBM International Foundation. Litow worked closely with Gerstner, while his reporting line ran through corporate marketing. In 1996, Gerstner asked Nick Donofrio, a widely-admired IBM scientist and leader, to be IBM's first chief technology officer, to look after the big picture and make sure IBM didn't miss any technology bets across the spectrum of businesses. Donofrio, Executive Vice President of Technology & Innovation, continued to oversee research, development, product safety and quality, environmental issues and related areas, under Sam Palmisano. He summarized Palmisano's goal for him as "Don't let us ever take a technical wrong turn, Nick, and we'll be friends for life."

In mid-2005, a significant shift in reporting relationships signaled the importance IBM placed on public-facing functions as contributors to innovation. Donofrio's purview expanded to include an array of staffs not generally found together, including government relations and corporate community relations. When the head of corporate marketing left IBM, "a small bidding war" ensued for who would get Litow's function, because, after a decade of action, it was seen as highly strategic. Donofrio got it, "and Stan hasn't done anything but make me look like a genius ever since," Donofrio said with a smile.

Donofrio explained: "Those were Sam's ideas, not mine. But there's more logic here than you immediately think. All of these things intersect. What Stan does in the community relations part, and what Chris Caine does with government relations, we often connect with each other. We're often in the same places at the same time, Stan at the local level, Chris at the national level, and we've got to be aligned. Beyond that, these are incredible sources of thinking power, of innovation. Whether it's compliance or environmental or governmental programs, we have the bulk of the heart and soul, the nonphysical assets of the IBM company, and we synergize off of that type of thinking."

The connections were clear to leaders around the world. Dravinda Seetharam, government programs executive for India based in Bangalore, commented on the close linkage between his work and community programs. "There's also an expectation that an organization like IBM contributes to the community. More and more, the social programs give us leverage. The best part of it is, most of the bureaucrats now, they listen to us. Government wants ideas from us, they want to know how to improve things." In every geography, IBMers commented that community and national social contributions helped them secure a seat at the government policy table on issues such as education and IT strategy but also to discuss IBM's agenda of trade liberalization, open source standards, and mobility of people. IBM education initiatives could also get a hearing for human resource executives to discuss workplace issues, for example in Europe, where IBM hoped for more flexibility on labor policies. And community service programs were an important demonstration of IBM's commitment to a country, important in the emerging markets as well as mature ones where there were concerns about globalization and global companies.

Stan Litow commented: "To be effective as a business, it is vital that a company fully understand the global communities where its employees and customers reside and where it does its business. It

is impossible to do this well without engaging and interacting comprehensively with your neighbor institutions – public, private, and voluntary – through sustained civic activity, through direct participation and engagement by the company, its employees and its leadership."

In early 2007, a small Corporate Affairs staff was added to Litow's group, and the name changed from CCR to Corporate Citizenship and Corporate Affairs (CCCA). Patricia Menezes, CCCA executive for Latin America commented: "During the last ten years, our area changed, not only the name but also the way it works. Stan educated our team and other executives to understand the importance and the added benefit we can bring to the business."

The Global Citizenship Portfolio: Strategic Imperatives

IBM's Reinventing Education initiative was launched in 1994, operating by principles that would run through subsequent projects joining company and society. Unlike traditional philanthropy, very little involved a cash donation. Projects were selected that would seek innovative solutions to significant problems, using the expertise of IBM people in developing or applying technology. People could be recruited on a flexible, as-needed basis from anywhere in IBM for these "blue projects" (meaning company-sponsored, in contrast to "green" or commercial, projects). Recipient school systems or states, the equivalent of customers, had to be ready to commit their own staff to a change process. The contract stressed a process of joint solution-finding rather than detailed specifications. Intermediary organizations, often nonprofits, became the "business partners" helping link IBM to the community. IBM involvement in a critical public issue created access to or solidified relationships with major government officials, including IBM's convening of three U.S. national education summits with federal officials and nearly every state governor.

Reinventing Education began in the United States, with two rounds of projects in 21 large urban school districts or states. By the late 1990s, RE solutions such as Wired-for-Learning (a platform later licensed to an external company for commercialization as Learning Village) and voice recognition systems to teach reading had spread to a dozen other countries and resulted in technological innovations, thus contributing to IBM's globalization and innovation agendas. Educational solutions such as KidSmart workstations for young children became vehicles for assisting with market entry in countries where public support for IBM's presence was a critical ingredient. By 2006, IBM's estimates were that such activities served over 80,000 teachers and over 8 million children globally.

Litow's business-strategic, high leverage strategy mirrored IBM's go-to-market trends: emphasizing services rather than products, pushing open source and open access, offering business transformation not just processing power, integrating resources throughout IBM, relying on external business partners to extend reach, and reinforcing goodwill with high-ranking government officials. "Litow saw his group as a stalking horse for the business. He always looked for a customer – someone in the business with a stake, who wanted to invest in a project because it was a strategic business opportunity," an executive said. Litow explained the rationale: "Progressive companies see their social investments and policies as being intrinsically linked to their core values and sustaining them requires them to be linked closely to the business strategy and purpose of the company."

That strategic imperative helped IBM sort opportunities. From anywhere in the world, IBM received numerous invitations to participate in significant national initiatives. The question was always how to use IBM-specific skills. In 2003, IBM headquarters in Europe received an invitation to participate in the Arab International Women Forum in the U.K., attended by Egypt's First Lady, Mrs. Mubarak. Mrs. Mubarak asked the IBM country manager to join other multinationals in sponsoring

the event. EMEA chairman Hans-Ulrich Maerki agreed to sponsorship, delegated responsibility for a presentation about IBM's diversity programs to Hala El Gohary, an IBM Egypt software engineer then working in Paris, and indicated his support for an initiative afterwards in Egypt. IBM Egypt's country general manager turned to Dina Galal, communications manager, who started working on a voluntary basis on an initiative called Building Bridges to the Arab World in partnership with the National Council of Women in Egypt. Maerki flew in from Paris to join Mrs. Muburak on stage to announce it. IBM initially donated hardware to training centers for women, then courses, in collaboration with the Egyptian ministry of Communication and IT. Then IBM hit upon its distinctive contribution: a Web portal for Arab women created by the IBM Technology Development Center in Cairo, to provide a range of services and advice.

Building Bridges to the Arab World combined technology, community service, diversity goals and women's empowerment goals, government relations opportunities both in Egypt and for a U.S. company in an Arab region. Many IBM functions worked together to make this possible, which was increasingly the way corporate citizenship initiatives took place. Stan Litow often "walked ideas through offices like getting a bill passed by the U.S. Congress," observed Jon Iwata, senior CP of corporate communication and marketing, whose door was among those getting Litow's knock, along with corporate finance or business units with budgets.

By 2008, as community activities continued to grow in extent, kind, geographic scope, and numbers of IBMers involved, numerous internal partnerships across functions and geographies were formed, and many other groups became flag bearers for community and societal programs. To capture all of the main initiatives on one page required small print (See **Exhibit 1**). Community activities had high priority and prestige. Patricia Menezes, from a Latin American vantage point, commented that CCCA went from a position hardly anyone wanted to a long queue for every position that opened, and a job that required working with "everybody from finance to the general manager of the region, you have to learn about the external community, a very good networking possibility for your life."

There were numerous partnerships especially with Human Resources (HR). Among the global joint HR-CCR initiatives were the EXITE technology camps for middle school girls. IBM sponsored more than 50 one-week camps in more than 50 countries, run by local IBMers, primarily but not entirely women, who also served campers as e-mentors for a year, thereby addressing several things at once: a diversity goal, a talent pipeline goal, and a local employee volunteering goal. In India, enthusiastic IBMers took some of the EXITE materials into the schools as half-day workshops. Another important partnership with HR was Transition to Teaching, announced in the U.S. in 2005 to help IBMers get teaching credentials enabling them to change careers and address the nation's shortage of math and science teachers. This initiative became the model both for other teaching transitions (e.g., a major state program in California championed by Governor Arnold Schwarzenegger and former Paramount Pictures CEO Sherry Lansing involving other companies and a U.K. launch in March 2008 at a breakfast with the Prime Minister at 10 Downing Street) and for transition to public and voluntary service, with other transitions envisioned. HR executives were happy to partner. "What a huge statement we have in Transition to Teaching. When Stan came here to my office and talked to me about it, I thought it was a fantastic idea. The only thing that I didn't understand is that it was coming out of my budget!" Randy MacDonald, Senior Vice President of Human Resources, said with a laugh.

"Accessibility" – making technology accessible to people with disabilities – was another domain that crossed lines within IBM, involving the IBM workforce, community relations activities, and technology research. While important everywhere, this had particular resonance in emerging growth

markets where a legacy of poverty left its mark on people. Six accessibility centers – in the U.S., Europe, Australia, Japan, Brazil, and China – researched relevant technology solutions and deployed expertise. The China center, established in February 2005, worked with the Chinese government on accessibility standards; since this was a new concept for the country, the government was open to influence from a multinational company. IBM helped several ministries and standards organizations launch the China Accessibility Forum and conducted several standards workshops.

IBMers themselves could work on a Braille computer or find other sources of help. In India, a focus on visual impairment included donating hardware, software, and curriculum assistance to training centers for impaired youth and supporting them in job placement, including within IBM, with a special concern for those also socially and economically disadvantaged. In Brazil, Patricia Menezes was proud to be a "guinea pig" for one of the first joint initiatives with a business partner, Ingram, a global distributor, on visual impairment – and she proudly presented her business card with Braille translation.

Many people had stories about their pride in IBM for its compassion – and the lengths that an IBMer went to support talented colleagues with physical challenges. Angelica Galve, HR director for Latin America, cited an IBMer in Guadalajara who lost his sight due to diabetes. He and his management team had to learn to manage his blindness. For over 10 years he worked effectively, added value, and was promoted. Amitabh Ray, VP of global delivery in India, reported: "Our best mainframe developer in India is actually a visually challenged person. We had to create an office for him in Bangalore. People are so supportive, it's unbelievable. I think everybody takes a lot of pride that he is part of their team. Two weeks back we had our senior managers' offsite meeting in Mumbai, and every time he came to the hotel or to the discussion room, you'd always find three or four people from his project site all around him, helping him in and out. If there are some visuals coming on screen, they'll sit down next to him and explain what is being shown. The good news is that last week he became a certified IBM architect, the first in the world."

Stories like these spread to the marketplace. Marcelo Porto, sector director for SMB, IBM global services, Latin America, recalled: "Last year, a good friend of mine that works for another large international company, called me because a family member had an accident and became disabled. He said, Marcelo, I know that IBM has very good programs. Is there anything that you can help me to help my family, because I know that IBM is the best company for this. When you receive this kind of phone call, it's the prize – this is the momentum that outsiders see, a company that is here helping society." And Inderpeet Thukral in India saw the potential in making technology accessible to people with physical challenges: "Inevitably these efforts start as something that we might do as a socially responsible company, but we know that they ultimately turn into business opportunities because those things are important to our clients, and they see us as being able to do this for them." One example of a business opportunity that followed from innovation that mattered to society was the ability to make ATMs readable, helping banks' increase their customer reach.

"Everyone Can Be Great Because Everyone Can Serve"[ii]: Mobilizing Individuals

IBM estimated that its total philanthropic contributions, including corporate gifts, employee gifts, and the value of volunteer time, amounted to about a quarter of a billion dollars worldwide. Even volunteerism was increasingly strategic and technology-oriented. In 2003, when IBM's business emphasis had shifted to On Demand Computing, Litow's group created and launched the On Demand Community to fuel a next generation approach to community relations, allowing all

employees and retirees to engage in community service. This gave hundreds of thousands of IBMers the chance to achieve the greatness of service.

IBMers could access an intranet site to find a host of technology tools designed to improve schools and community organizations using web lectures, on-line tutorials and best practices. This empowered individuals to take responsibility as they desired, without a formal program, although many also volunteered to participate in IBM programs such as EXITE camps or disaster relief efforts. In the On Demand Community's first year, 37,000 employees signed up and performed nearly a 1.4 million hours of service on their own, using the tools. By 2006, well over 75,000 employees and retirees had performed over 3.5 million hours of service making the IBM On Demand Community, the largest corporate community volunteer program in the world. In 2007, it grew even larger, exceeding 100,000 employees with 6.7 million hours. One internet based tool, constructed with the Community Resource Exchange (CRE) in the US, allowed IBMers to work on developing quality assessments and measurement of non-profit agency performance. IBMers could clock their volunteer time and at 50 hours get a certificate of recognition from their country head and be eligible to apply for a grant for that organization based on IBM worldwide standards. Many people loved the service for its own sake and forgot to clock their hours. In India, IBMers were elated when a volunteer from India was recognized as IBM's global volunteer of the month.

People were ready to volunteer everywhere, but in countries without the Anglo-Saxon tradition of volunteerism, they sometimes needed encouragement. Tatiana Kipchatova, CCCA manager in Russia, reported that, broadly speaking, the concept of social responsibility was not new in Russia because under communism all companies were expected to provide social benefits and services, though that changed after the Soviet collapse. She had to encourage volunteerism and create opportunities without repeating the mandatory approach of the old days. Still, she said, people seemed eager to get involved; for example, the male IBMer who felt lucky that the EXITE camp for girls coincided with his vacation so that he could devote more time to the camp.

World Community Grid

The year after On Demand Community gave tools to individual IBMers to do things locally, a global project involving highly advanced technology gave them the chance to join together virtually to contribute to solving some of the world's biggest problems.

In November of 2004, IBM launched WorldCommunityGrid.org (WCG) making powerful grid technology available to address the most critical health and environmental issues facing society. This was a launch on a fast track, starting almost when Stan Litow learned of the breakthrough in grid computing – which linked distributed computers in a network as powerful as a massive supercomputer – and proposed to Sam Palmisano that IBM would demonstrate the technology immediately through a societal contribution to problem-solving, which would be more powerful for customers than a commercial application and would have the added benefit of engaging hundreds of thousands of IBMers and business partners – another win-win.

The vision was for IBMers, along with people in other organizations who joined IBM in the nonprofit venture, to donate unused time when their PCs were on but idle and aggregate them to create the equivalent of a supercomputer that could be donated, in turn, to researchers trying to find a cure for AIDS or Alzheimer's – or any major scientific project requiring massive amounts of data processing. "You can change the world," the homepage proclaimed, giving simple instructions for downloading secure software to link to the grid. "Making a difference has never been easier!"

The real world relationships were impressive. A distinguished scientific advisory board included heads of major laboratories around the world, including in Asia and Latin America, and, from IBM, Linda Sanford, senior vice president of enterprise on demand transformation and IT. The first projects to use WCG were the Institute for Systems Biology's Human Proteome Folding project and Scripps Institute's Fighting AIDS at Home initiative. WCG added a cancer research project sponsored by the New Jersey Cancer Institute and Rutgers University and projects on drought predictions in Africa sponsored by the University of Cape Town in South Africa and global hunger via a rice DNA project sponsored by the University of Washington.

Partners included 378 organizations ranging from an Italian oil company to U.S. public high schools; in March 2008, the latest partners were the Urban League of Greater North Dallas, Texas, and Amoeba Music. In Russia, where Tatiana Kipchatova promoted WCG, the first two organizations to join were a charity AIDS foundation and an Internet hosting company contributing the resources of its servers. IBM itself appeared discreetly, as the earliest partner and the sponsor donating hardware, software and hosting services; and in the Powered by IBM logo on each page. But IBMers had considerable pride and liked to show visitors the work their ThinkPad was doing while they chatted, identifying the project and how much running time they had contributed, for example, in a Latin American executive's office in São Paolo.

"IBMSmart": Leveraging Partners

IBM's business reach and its social impact were both multiplied by partnerships. This enabled rapid deployment of an IBM tool or solution by a small IBM team while partners provided much of the legwork and relationships. KidSmart was a good example of how these partnerships worked.

KidSmart early learning centers – specially designed workstations for preschoolers with proven impact on early literacy and numeracy – were donated by IBM and delivered in collaboration with key NGOs in the U.S., Europe, Latin America, Asia and Africa, an effort that began in the 1990s and proved to be an effective starting point for IBM's contributions to education. Partners' capabilities leveraged IBM's contribution, but only if the partner could meet IBM standards. In places with significant social needs, traditional nonprofit organizations were not always up to the challenges in terms of their own skills. And with respect to K-12 education, government was a major player, even though IBM staff occasionally concluded that either administrator or teacher skills were not yet at a level that could make a KidSmart installation effective. The utmost diplomacy was required to leave doors open but walk away from an unsuitable project or partner.

When the right partner was available, however, the impact of IBM's role could be multiplied to produce noticeable social value. An example was one of IBM's KidSmart partners in India, a foundation committed to rural development. Established in Hyderabad in 2001, the foundation sought sustainable transformation in health and education for 150 poor villages, using knowledge and technology as enablers. One of its educational goals was "100% enrollment" – to address not only high dropout rates of 50-60% but also the 10-15% of village children who never went to school at all.

In 2004, IBM was deploying KidSmart in city schools in Bangalore, Chennai, and Mumbai, and expecting them to take over responsibility for running the program after a year, so that IBM could add more schools. Then, out of the blue, Julie Coyne, an IBM Asia-Pacific CCCA manager based in Australia and responsible for education initiatives, received an email request from a foundation head seeking an appointment. She agreed to meet him when she was next in Bangalore. The foundation leader, who first heard of the program through a friend at the University of Georgia, flew to meet

Coyne and propose the idea of working in rural villages, where power sources were unavailable or unreliable, and people were unfamiliar with computers. IBM had never run a program in a rural area and Coyne and others wanted to ensure that the foundation was committed and had a strategy for making the initiative succeed.

The foundation committed to running the program for a minimum of five years in every school. And unlike the city model, which was primarily a donation of computers to schools and teacher training, the organization opted to use a strong community partnership model with high involvement of both village leaders and government schools, ensuring that conditions were right in the school to support the program. The foundation committed the support and took on program management, seeking to set up quickly at least 70-75 KidSmart centers, where children could sit at the same colorful plastic workstations and use the same multi-media interactive educational software as found in U.S. public schools.

KidSmart went beyond technology, observed Jalaji Pillai, the then CCCA manager for India, to enable multi-grade teaching and classroom management. It could also become a widely-used community learning center. The KidSmart facility was opened to children from neighboring schools and, in evenings, to any other child, including older ones, plus it was kept open year-round and used for summer camps. After rolling out in rural areas – 75 centers in less than 18 months, change was apparent. Village residents showed off their center with pride to visitors, as their prime tourist attraction. Children and community members even greeted guests with gifts of flower necklaces and shy words in English. School enrollment increased dramatically and teacher attrition dropped. Researchers from Stanford started to study this intervention; experts from the University of Pennsylvania developed technology-based reading programs. Overnight, the rural villages leapfrogged ahead of even many city schools. Pillai saw potential for huge impacts in India, such as reducing school dropouts and child labor.

The formal partnership agreement specified roles and responsibilities, with the foundation assuming responsibility for managing the government. Its representatives had to keep pace with community expectations while having no direct control over the government officials who ran the schools. They had to play a coordinating and monitoring role, and sometimes an ombudsman role if something didn't work. Both IBM and its partner had trust and good working relationships with government, but officials kept changing, and varied in their motivation, and some schools had to be brought up to a minimum acceptable standard. Project management was challenging because of government inefficiencies in building facilities. Teacher training couldn't wait until the government bureaucracy was ready, so the foundation sent their own representatives into the schools to do on-site training. They had to be proactive and efficient, making sure that every partner was up to speed; otherwise the entire project would come to a halt. Partners needed to keep each other informed about roadblocks. In 2005, the foundation set up over 25 centers in just three months, but three centers were delaying the whole process due to construction or computer delivery glitches; they kept IBM informed in real time. In the early years, IBM considered the foundation its "star" in India, as an exciting and successful public-private partnership between a global corporation, an NGO, the government, and village communities. These partnerships were widely praised as models for the use of technology to alleviate poverty and transform rural areas.

In China, the deployment model differed because of the dominant role of the central government. KidSmart was one of 12 education-related programs that CCCA manager Victor Kuo had in his portfolio. Work on KidSmart began in 2000 and was formally announced in 2001 in Beijing. By 2007, there were 2000 KidSmart workstations in 400 kindergarten and early education schools in remote regions of all 31 provinces of China, including Tibet and Inner Mongolia. There were training

programs for role model teachers called T3, to train other teachers; in 2007 IBM held one in Hainan with 180 teachers from 22 provinces. "This never happened before. We were told by teachers this is kind of a dream. This opens the door to the whole world," Kuo said.

The KidSmart startup in Russia was more difficult to start quickly. "I was surprised at the level of problems we met with this, with something nice for children," a senior business unit leader said. He attributed delays to the socialist legacy in Russia and the ensuing bureaucracy; "35 people in the health organization have to review the material in the desks, or there will be no permit," he said. Tatiana Kipchatova pointed to challenges because preschools in Russia were really nurseries, with staff that had not been trained to teach, let alone work with computers. But when it was launched, it received wide public reception and extensive media coverage.

Just as IBM had discovered with all of its education programs, the technology was often the easy part. Implementation was the hard part; the people and the system were greater barriers to change. Mobilizing a network of partners could produce bigger change.

Creating the Future by Preserving the Past: Cultural Heritage Projects

New patents, products and a host of new services had emerged from IBM's education initiatives – a reason for moving corporate citizenship to the technology and innovation function – including new voice recognition technology stimulated by a project in the Philadelphia, Pennsylvania, public schools that could recognize dozens of accents in children's high-pitched voices to teach reading. An IBM project to digitally restore Michelangelo's Pieta using new three-dimensional scanning techniques proved useful for new telemedicine applications. Good relationships in Rome had also given IBM the opportunity to contribute to a Vatican library scholarly project, in the mid-1990s, involving two-dimensional manuscript scanning so that a pontifical college in Rio, for example, could access the holdings in Rome remotely. This was at the dawn of the graphical web, and it was closed to the public. But a subsequent significant project, this time open to the world, put IBM on the cultural heritage map – with significant futuristic innovation to follow.

In 1998, several museums in the US approached IBM for major grants. The company declined the offers since they were interested in a more unique project, one that developed a technology partnership with significant and important cultural heritage sites that were not easily accessible and whose leaders were willing to commit to real technological innovation. While touring the Hermitage Museum in St. Petersburg, Russia, an IBM EMEA sales representative noted the lack of multi-lingual signage. He relayed the possibility for a partnership to Paula Baker who worked for Stanley Litow in Armonk. IBM had just finished the Vatican project, and Dr. Petrovsky, the museum director, was receptive to scanning the Hermitage collection for the whole world to see, since so many people could never visit this great museum. IBM scanning experts at Watson Labs in New York went to work, with a website in mind, based on open source software. Baker wanted someone to work on the user experience. She found John Tolva, a relatively new IBMer in Atlanta with a background in humanities and graduate work in multimedia design who was working for a group doing live webcasting of sporting events as part of the IBM business services organization. A unique aspect of the site was its ability to teach art history, not just view the collection. For example, users could use the technology to compare artist brushstrokes. Tolva joined slightly after the midpoint of the two-year project as a project manager, working with a team in Italy handling databases and a team in Israel working on kiosks and a zooming application. Tolva's team in Chicago and Atlanta did the human touchpoints and website interfaces. A year after www.hermitagemuseum.org went live, an online shop was added (Tolva was now living in Chicago but continuing on the Atlanta team). Kirill

Korniliev, country general manager for IBM Russia, expressed pride that so much technology had been developed to go from digital images of books in the Vatican project to 3D images of sculptures via the Hermitage project. IBM remained such welcome guests of the museum that it was allowed to hold the opening dinner for a major CEO forum in the former palace courtyard in June 2007.

IBM's community relations group maintained friendly relationships years later with the museum's IT head, Alexi Gregorio, leading to planned Hermitage upgrades. ("There aren't many websites that haven't been touched in a decade; the experience was Internet 1999," Tolva said.) Following the Hermitage project, Tolva worked on the Ryder Cup and went to the 2000 Olympics for IBM, but his thought remained on cultural projects. Fortunately for him, and for IBM, another one got underway in 2001.

The idea for Eternal Egypt originated in Egypt, as word spread quickly throughout IBM about the Hermitage achievement. IBM Egypt, established in 1954, had high-level connections with government ministries, especially around IT. Egypt wanted to increase foreign investment and tourism as strategic priorities, and the Ministry of Culture and National Heritage (CultNat) was particularly technology-savvy. Egyptian native Ahmed Tantawy had just returned to Cairo in 2000 after many years at Watson Labs to lead the Cairo Technology Development Center (considered part of the U.S. research organization), responsible for technical projects throughout the Middle East and beyond. The lab had begun working on Arabic language-related issues, such as speech, optical character and handwriting recognition, and Arabic customization of IBM products, but by Tantawy's arrival was performing much of its work for customers beyond the region, eventually including banks in Japan, two French companies for embedded software for automobiles, and SONY in Hollywood for an authoring tool for Blu-ray, a new generation of film DVDs (Tantawy had headed digital media technology at Watson). So with global aspirations and confidence in its software capabilities, IBM Egypt sent a proposal to Stan Litow's organization, via its Egyptian leadership, for support for a unique project to not just digitize the cultural treasures of Egypt, but to use unique technology solutions to connect museums together with historic and cultural sites.

In every regard, Eternal Egypt was orders of magnitude more complex than the Hermitage, in scope, number of objects, and technology challenges. A joint IBM-CultNat team worked in Egypt, linking to John Tolva's team in Chicago, with involvement from Atlanta, Toronto, and beyond North America. Ahmed Tantawy estimated that Eternal Egypt drew ideas from 25 or 30 nationalities, contributing virtually from various IBM development centers about such matters as color shades or graphics for the website. Innovation was required for 3D scanning of complex objects and beyond that, for virtual environments that recreated large-scale structures or places that no longer existed. Eternal Egypt kiosks used the same model as its website (www.eternalegypt.org), with the additional benefit for visitors of walking around learning about places such as Luxor with a virtual reconstruction available – drawing applications from computer gaming. Robotic cameras were placed around Egypt so that visitors could connect current day sites with the reconstructions. There was cell phone access to the website throughout Egypt, which turned out to be one of the most valuable points of access, as Egypt's treasures were found in many locations; people could continue their tour while on the move between historic sites and get references to things they had seen previously. Tour guides at the Egyptian Museum, who had initially resisted the initiative, got on board when they saw that their livelihood – large tours – was not at risk because the IBM solution was for individuals, not groups; and some guides themselves started using the website.

Eternal Egypt included an educational curriculum for schools, which reinforced IBM's education commitments. Its launch at the foot of the Sphinx with the Egyptian Prime Minister was much-acclaimed in Egypt. Eternal Egypt became part of the "chat item" for sales reps – "much better than

talking about the weather," an executive said, "and it demonstrates that the company cares about more than maximizing sales, especially important for an off-shore company." Eternal Egypt also showed that the company could deliver – something more important to decision-makers than bits and bytes. It was viewed as a critical ingredient in IBM winning a very large commercial contract from the government to digitize the Library of Alexandria. Word traveled to the global marketplace. A customer in Chile, the finance chief of a four-country retailer, mentioned Eternal Egypt to an IBM executive in Brazil; his daughter had heard about it while studying in Paris, so the customer went to the EE website. This opened new discussions with IBM about future business.

From Chicago, John Tolva considered Eternal Egypt a dream job. He traveled to Egypt before, during, and after 911. "I got to see reactions to a changing world stage from the other side. I made and still have lots of friends. I could have discussions most Americans couldn't have. Even a year after 911, support was great for America's actions, then that began to deteriorate. But it never influenced IBM. Even though IBM's headquarters is in the U.S., we are perceived as a global company. That has served us well," Tolva reported.

Toward the end of 2005, the idea of a Forbidden City initiative was at the top of the agenda in Beijing and Armonk. It did not become a fully formed concept until 2006, when virtual worlds such as Second Life (developed by Linden Research in 2003) started garnering international media attention. Tolva had moved in 2005 from the IBM services organization to Stan Litow's group, reporting to Paula Baker, and he was also part of an IBM community of interest focused on virtual worlds, although this was new to IBM. The Forbidden City project, called "Beyond Space and Time," could go Eternal Egypt one better by adding an interactive virtual world, which could convey the experience of such a vast space better than a classic website. The effort in China began with a team of about nine, most in Beijing, one in Shanghai, chosen from the consulting organization (GBS), China Development Lab, China Research Lab. They worked with the Chicago team, some of whom had worked on Eternal Egypt, via IBM's Team Room, using common project development tools (scope, time, and schedule), holding conference calls several times a week, and exchanging in-person visits. "In some ways we were starting from zero," Tolva recalled. "In the final stages, we were in some ways building a massive user on-line video game." The integration of the virtual and real worlds went well beyond carrying a PDA or cell phone. "What differentiates the China project is learning the Chinese game of Go, or to fire an archery bow through your avatar," he said. The project was officially announced in November 2007 (for launch in June 2008) along with the results of IBM's innovation jam; the demonstration of Sam Palmisano's avatar entering Forbidden City underscored virtual worlds as one of IBM's top ten priorities. Soon IBM's employee directory added a field for avatar names. Virtual worlds became a business group as an EBO (emerging business opportunity). Customer applications began with retailing. This was a striking example of how the efforts of CCCA to apply the latest technology to societal needs became relevant to much else in the business.

Bringing this full circle, the day after the IBM Business Leaders Forum dinner at the Hermitage Museum, Tolva and Baker were running Forbidden City demos for those select customer CEOs at the Opera House in St. Petersburg.

Other cultural initiatives also involved innovations to show how technology could make a positive difference, at the same time strengthening IBM's relationship with a key constituency; for example, Smithsonian Institution's new Museum of African American History and Culture in the U.S., which was an oral history website as much as a place; or Meedan, an English-Arabic social networking site, scheduled to launch in April 2008, involving machine translation, beta tests by the Arab-American Museum in the U.S. as well as organizations elsewhere, and a consortium of sponsors, under a grant from the MacArthur Foundation. In Brazil, IBM was a participant in a new

Museum for the Portuguese Language, a Brazilian government initiative above the central train station, with futuristic exhibits based on IBM's Websphere.

What Next?

Far from feeling that this was a distraction from the business, IBMers in a variety of business roles and geographies wanted the company to do even more. Inderpreet Thukral, India's strategy director, called community initiatives essential, saying: "If we are participating in the community, people see that we are willing to make commitments for the long haul, that we're a company oriented toward building long-lasting relationships." An executive in Brazil overseeing an industry sector for all of Latin America found societal initiatives so important that he wanted IBM to expand their scope, court more companies to work with IBM, make projects even more significant and multiply their impact.

IBM's community and societal initiatives triggered innovation and then showcased it to the public. They were consistent with IBM's values and priorities and demonstrated IBM's capabilities and commitments. They attracted media attention, public goodwill, seats at the government table, top talent and prime partners. But that wasn't all. An external observer, looking over all of the initiatives, could see a subliminal message responding to some concerns about globalization and the GIE: that the future did not have to destroy the past – indeed, tools of the future could preserve it. And a global company could bring benefits that supported the deepest emotions of national and local pride.

In the Spring of 2007, IBM created an interdisciplinary team to identify a portfolio of Global Citizen initiatives, especially for emerging markets. CEO Sam Palmisano announced three of these preliminary ideas in an important July 2007 speech on globalization in Washington. The public statement brought home the concept of globally integrated enterprise, initiatives that would demonstrate IBM's commitment to ensuring that a GIE would have positive societal impact.

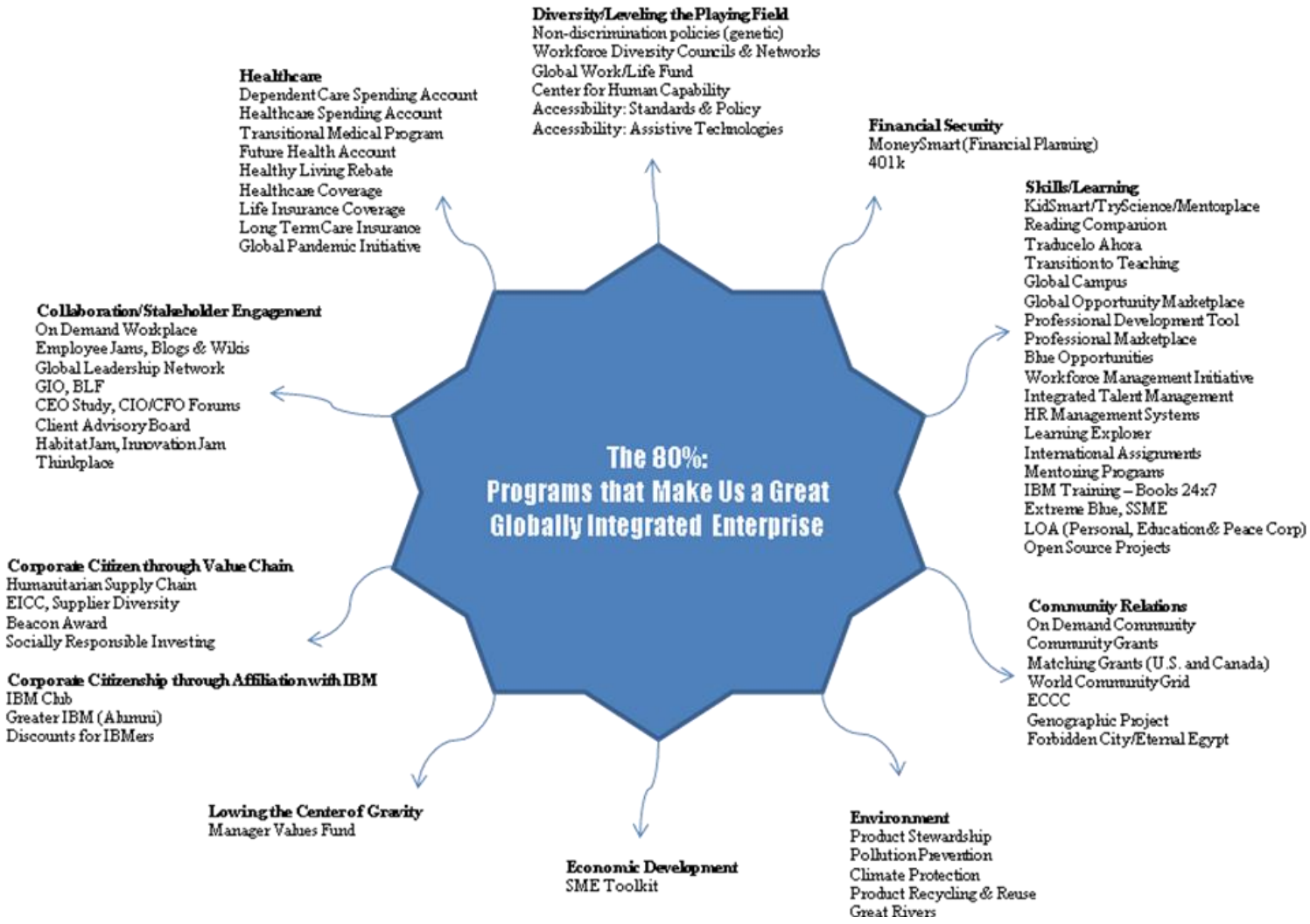
Matching learning accounts (an IBM match into a portable individual savings fund) garnered the most media and about 2000 emails to Palmisano, much more, he joked, than he'd get for a new dental or eyeglass benefit. This was a company match, not an entitlement program, to make clear that individuals had to take on responsibility to be competitive – personal responsibility was part of the IBM values. A second initiative took the idea of Transition to Teaching into another realm, via Transition to Public Service, to help IBMers move to government and management positions, to be piloted in collaboration with the Partnership for Public Service, a U.S. advocacy organization, starting with placements in the U.S. Treasury Department. Like Transition to Teaching, this helped IBMers envision meaningful work in later stages of life after their IBM career and also met a societal need.

The most instantly global initiative was the third: an IBM corporate service corps, which would deploy IBMers in teams on full-time service projects on the ground for four weeks, wherever the world had needs, and stay connected afterwards. Though getting scant external press, it grabbed IBMers' imaginations. When launched, over 5,000 applications were received in three weeks.[iii]

IVT5, the team of top leaders working in the first half of 2008 on the people and culture side of the move to a globally-integrated IBM, also paid special attention to the idea of direct community service. Did that have the potential to develop more IBMers faster into global citizens and global leaders? Only a few IBMers could join the service corps, but what else could IBM do to involve more people? How could it be done most effectively in terms of costs and strategic impact?

Members of IVT5 pondered this, and other global citizenship possibilities as they reviewed how people were developed and worked in IBM today, as the transition to the GIE was underway.

Exhibit 1 The 80%: Programs that Make Us a Great GIE



Source: Company document.

End Notes

[i] More information and frameworks related to this case can be found in Rosabeth Moss Kanter, *SuperCorp: How Vanguard Companies Create Innovation, Profits, Growth, and Social Good* (New York: Crown Publishing, 2009)

[ii] Quote is from Dr. Martin Luther King, Jr.

[iii] See Christopher Marquis and Rosabeth Moss Kanter, "IBM: The Corporate Service Corps," Harvard Business School Case 409-106