

Sam Palmisano

Private Delegate Session, Sponsored by Hitachi

Brian Householder, COO of Hitachi Data Systems, joined Sam Palmisano, former CEO of IBM, at a private lunch sponsored by Hitachi. Leading in this rapidly changing world and business environment was the theme of the lunch, and Householder asked some probing questions to the former standout CEO to facilitate the conversation.

Q.) Leading IT giants Hitachi and IBM have both been in business for over 100 years. Both companies attribute their longevity and success to anticipating the changing needs of their customers and society. What are the transformations you had to go through during your time at IBM to get to where you are today as opposed to a decade ago?

A.) How we thought about change might not be your traditional strategic model. After the dot com bubble burst, we had a point-of-view where we thought technology would go, that it'd no longer be PC based but evolve into smart things. We thought the architecture that would support that was going to be horizontal, open, scalable and resilient. It's now called cloud.

We started with a technical vision of where we thought the world would be. The company wasn't there. Our go to market strategy was by brand. It wasn't integrated or solution oriented. We saw a need to drive this change in the company – not just in the portfolio, but in the entire operating model of IBM to globalize it. We wanted to get ahead. We learned in the PC era you just can't be behind.

Q.) Getting employees to embrace change and "buy in" for achieving transformation is one of the most difficult challenges corporate leaders face. Yet it is critical for success. How do they do it?

A.) That's the hardest part of this. You're dealing with human beings with their own personal desires. You try to align them with the company as best you can. A lot of companies try to change the players, to bring in a superstar. But what you really need is a complete team. We didn't change anyone. We put them in positions where they could excel. We had to

convenience the people analytically and take them through the facts. You had to have proof points along the way to convince them this works.

It is important to get people to understand what the core of a great enterprise is. To do so you must be able to answer:

- Why would somebody do business with you?
- Why would someone work for you?
- Why would someone invest with you?
- Why would society allow you to operate globally?

Q) What is the importance of innovation and how does it shape the future in the ever-changing IT industry?

A.) Unlike other industries, if you miss a trend the implications are devastating. You must have an act two. Act one won't get you to the future. It takes a long time and investment to get there. Technology cycles tend to be 15-20 years, so we are always changing. There is no such thing as a transformational acquisition. You have to give yourself financial flexibility and convince the shareholders that it's real. You have to bring people with you toward your goals. Without earnings, people are much less willing to invest in you. A company like IBM is expected to produce dividends and have a long-term roadmap.

Q) How can a CEO make or break a company?

A.) You can't be your own brand and be an effective leader. The CEO is a temporary steward of a wonderful enterprise at a point in time. You can't lead an organization if you place yourself differently than the organization. You cannot expect people to sacrifice if you are not willing to do so yourself. Distorted behavior that is not in the long-term best interests of the company is most harmful. That's when CEOs become short-term oriented: cut R&D to make small quarterly earnings, restructure the workforce, do a big acquisition on the way out of their term, etc. Your obligation is to leave the organization better than you found it. That's in all elements: innovation, repositioning the brand, shareholder returns, competency of your teams, the cultural aspect. ■