The W. Edwards Deming Center for Quality, Productivity and Competitiveness, awarded Samuel Palmisano, Chairman, President and CEO of IBM Corporation the first Deming Cup. The award was given to Sam for his ability to drive IBM to new levels of operational excellence and for his role in creating and leading IBM’s Global Services business unit.

The inaugural Deming Cup Award Dinner took place on October 18, 2010 at Columbia University’s Low Rotunda from 6 to 9 pm.

Sixteen members of the Judging Committee were able to attend: Rob Amen, Tom Cole, Awi Federgruen, Beth Ford, Nelson Fraiman, Tom Groos, Richard Jaffe, Jeff Keefer, Shelly Lazarus, David Niles, Bennett Nussbaum, Paul O’Neill, Ginni Rometty, Burt Steinberg, David Thurm and Garrett van Ryzin. We are grateful for their attendance and support and encourage the rest of the committee to do so next year. In addition Ken Peak, CEO of Contango Oil & Gas, Terry Lundgren, CEO of Macy’s, Linda Sanford, SVP of IBM, Ernie Higa, Chairman and CEO of Higa Industries, John Dillon, former CEO of International Paper, Jim Wiseman, VP of Toyota Motor North America and Jacques Besnainou, CEO of Areva North America were among the attendees.

Columbia Business School alumni, faculty and current students from the MBA, EMBA and PhD programs also joined the dinner. Total attendance was in excess of 200 people.

Sam Palmisano, who attended the ceremony accompanied by close family and friends, was honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup. “On behalf of IBMers around the world, I am deeply honored to receive the inaugural Deming Cup.

Shelly Lazarus introduced Sam before the award was given. The full texts of Sam’s and Shelly’s remarks at the dinner are given below.
Photo highlights from the Award Dinner:

Sam Palmisano receives the award. In this picture: Nelson Fraiman, Tom Cole, Sam Palmisano, Paul O’Neill and Rob Amen (from left to right)

Sam Palmisano with his son Christopher, his wife Missy, and his son Sam (from left to right)

Tiffany’s cup for the Deming Cup winner 2010
Nelson Fraiman welcomes Sam Palmisano

Shelly Lazarus and Rob Amen

From left to right: Peter Longo (President Macy’s Logistics & Operations), Tom Cole (CAO Macy’s and Chair Deming Center Advisory Board, Columbia Business School) and Terry Lundgren (CEO Macy’s)

Paul O’Neill and Jill Schurtz (CEO, Robeco-Sage investment)

Deming Center team: Paula Pontiliano, Nelson Fraiman, and María José Quinteros (from left to right)
From left to right: Jacques Besnainou (CEO AREVA North America), Guillaume Moyen (EMBA’11), and Karim Vissandjee (SEVP AREVA)

From left to right: Rob Amen, Tom Groos, and Clark Garrett van Ryzin and Nancy Degnan (CERC) Winter (CEO, Winter Enterprises)
Ken Peak (Founder, Chairman, and CEO Contango Oil & Gas), Nelson Fraiman, and Dana Ungermannova

From EMBA program: Nicole Howard, Michelle De Feo, Marlaina Norris, Gretchen Meyer and Franziska Hummel

Dinner in Low Rotunda

Eitan Zemel (New York University) and Paul Glasserman (Columbia Business School)

Jeff Keefer and Hashimoto-san (General Manager, IBM Japan)
Shelly Lazarus remarks to introduce Sam Palmisano for the Deming Cup Award

I am so happy to be the person introducing Sam Palmisano as he accepts the first Deming Cup.

In my business, there’s an old saw that says, “Clients always get the work they deserve.” What I have come to know is that Sam is a great client. From the first moment I met him at lunch at Michael’s, I had hardly sat down when he said, “You’ve got to help me to sell more servers.” (Talk about a clear brief!) And then I think more recently to the conversations we started having a couple of years ago…conversations that turned on the question of where IBM was going and what its mission was in the long term.

IBM was already viewed as a great technology company. But Sam knew it was more than that. He wanted IBM to be seen as one of the great companies in the world…one that was changing lives, creating futures, making the world a better place; because, in fact, that’s what the 400,000 people of IBM were doing.

The ambition was there. The potential was there. IBM was capable of anything. The key was to take all the potential and make it operational. Take the culture of quality, of operational excellence, of “we can figure this out” and put it all to work to solve the problems of the world.

Deming would have loved IBM during these Palmisano years. Transforming a company to meet the future needs of society. Operational excellence in the service of a better world.

Sam’s brief to us, the communicators, then was simple. If we could articulate the aspiration, paint the vision, inspire with words and pictures, portray the ambition that could get everyone to believe and contribute... then it could be done.

We had the easy part. I love the phrase, “Says easy. Does hard.” The articulation wasn’t hard. “Smarter Planet” was merely a summary, a moment of insight, describing what IBM was actually doing. We didn’t have to make it up. We just had to take the reality and set it to words.

But then came the hard part... the IBM part...... the delivering every day part... putting the promise into action.

Fortunately, Sam Palmisano is undauntable. (And if that isn’t a word it should be because it fits him to a tee). He adopted Smarter Planet as IBM’s vision and its promise in Fall 2008 – at the height of despair. There were days when IBM was just about the only advertiser in the Wall Street Journal.

But Sam was determined to start down the path as soon as there was agreement that this was indeed the path......... undauntable.
His conviction was absolute that Smarter Planet was not just a metaphor, but a real description of what was happening. By virtually every measure, our planet was getting more integrated, more interconnected and more intelligent... with better systems, with better ways of working everywhere – from clean energy to healthcare to government – our planet could indeed be smarter at tackling the challenges of this century...And this was a movement that IBM could lead. Should lead. Had to lead. You might almost call it destiny...

Here’s another thing that’s remarkable about Sam......... He demands operational excellence, but he never forgets that it is people who get the job done. High ideals, big aspirations mean nothing unless people are open to new ways of working and thinking. Sam re-oriented a massive organization to deliver real solutions for real people with real needs in the real world. From theories and models to operations and practice. From selling stuff to making the world better! Sam changed the context, and under his leadership this massive enterprise, the remarkable company we know as IBM, is delivering.

When we were reviewing the finalists for this award, I said to Nelson that all the candidates are excellent; but none, in my view, has had the impact on the business community and the world at large that Sam has had. Sam and IBM have inspired the world.

IBM is my best new business tool. Not a day goes by when I don’t get a call from some CEO who says, “I want a Smarter Planet. I need a Smarter Planet.” At first, I thought they were on the “good for humanity” plane. Yes, indeed, we all could use a smarter planet.

But I have come to know that what they really mean is that each wants his own big fat motivating organizing idea; his or her own big organizational ideal. Something an organization can strive for, be proud of. We now find ourselves in a place where practical business people all over the world are in search of higher purpose, inspired by “Smarter Planet,” inspired by IBM, inspired by Sam.

Do you think Sam Palmisano has had impact beyond IBM? I’d say so.

And yet Sam remains Sam. He is completely authentic. No pretense. There is nothing fake. He says what he thinks and feels. When he’s mad, he’s mad. When he’s happy, he’s happy. When something is stupid, he says so. It’s so refreshing.

Sam is a leader without parallel.

He took a great company, his company, IBM, the company he joined 37 years ago, and made it, now as it’s approaching its 100th anniversary, an even greater company. It is now second in brand value in the world, according to the most recent Interbrand Study. The stock price is at its highest point in
history. (Thank you, Sam, on behalf of all IBM shareholders.) He has reshaped, redirected, repurposed. He has motivated and inspired, inside and out. He is respected by leaders of companies and countries. They seek out his advice and his counsel. And, yet, he never stops being Sam...the ultimate IBMer.

It is my pleasure to honor and to introduce ... Sam Palmisano.

“Long-Term Thinking and Operational Excellence”, Remarks on Accepting the First Annual Deming Cup by Samuel J. Palmisano

Thank you, Shelly (Lazarus), for that kind introduction. I am deeply honored to receive this award – which I accept not on my own behalf... but on behalf of the more than 400,000 women and men who actually operate the IBM Company.

As we all know today, W. Edwards Deming was a transformational thinker about quality and operational excellence, with enormous influence on modern business... and, indeed, on the way the world works today. He is celebrated in MBA programs and boardrooms across America. But, as we also know, it was not always thus. His then radical concepts didn’t get much uptake in his home country. He had to go elsewhere to find an outlet for his ideas – to post-war Japan, where they were enthusiastically embraced... and did much to spark Japan’s extraordinary economic boom.

Why was Japan more open to these ideas? Perhaps it was because the Japanese faced the challenge of re-creating an entire economy. They had neither the advantage nor the burden of a prevailing mindset, an established system... a status quo.

I believe something similar is happening today, with regard to another radical idea – one that, once again, is often overlooked here. I’m talking about “managing for the long term.”

The hazards of short-term thinking in business are all too well understood. Of the recent crises that have shaken companies, markets and even entire economies... many can be traced to decisions made for immediate gain – often for the shameless benefit of individuals... and at the expense of future prosperity.

Again and again, people made tradeoffs that short-changed the future. They slashed R&D to boost quarterly profits... only to discover that they’d eaten their seed corn. They incented and richly rewarded short-term financial results... encouraging top management to get their 'pop,' or ‘flip’ their companies, and then leave for the next opportunity.
In the US and Europe, we generally laud the virtues of long-term thinking... but seldom see it in practice. Interestingly, as I travel around the world, I see a different mindset – in China, India, Vietnam and the other emerging markets.

Perhaps it is because they, like post-war Japan, are writing on a comparatively blank sheet of paper. Perhaps it is because they have more hope for the future. Perhaps it has something to do with cultures that go back not a few hundred years, but a few thousand.

Whatever the reason, I believe this capacity to adopt a longer perspective is a major national asset and an enormous competitive advantage.

I say this as the CEO of a corporation that next year will celebrate a tiny fraction of that kind of longevity – 100 years. But as brief as it is, it has taught us something about the value and wisdom of seeing yourself... not as “a captain of industry”... but as the temporary steward of a great enterprise. When you do so, then how you manage... where you invest... how you actually behave... all proceed from that.

Strategic planning and goal-setting are part of this, even as Deming taught us the importance of process improvement. But he also taught us that quality has to pervade the corporate culture. So it is with managing for the long term. It is about creating and nurturing a culture of long-term thinking. It’s not just about what you produce, or even how you produce it. Rather, it goes to why you exist as an institution.

IBM’s former chairman Tom Watson, Jr. – the son of our founder – spoke about this in 1962, in a lecture right here at Columbia. Let me quote him: “I firmly believe that any organization, in order to survive and achieve success, must have a sound set of beliefs on which it premises all its policies and actions. Next, I believe that the most important single factor in corporate success is faithful adherence to those beliefs. And finally, I believe that if an organization is to meet the challenges of a changing world, it must be prepared to change everything about itself... except those beliefs... as it moves through corporate life.”

I want to repeat that last statement: “be prepared to change everything about itself except those beliefs.”

That statement, and the values it expresses, have been essential to IBM’s ability to sustain a culture of excellence and innovation through decades of change... including a period of severe decline as a business twenty years ago.

Managing for the long term is a management approach. And it produces certain clearly identifiable behaviors and choices.

For example:
It determines how and where you invest and allocate resources. It is easy to mistake patience for inertia. For example,
it takes a kind of corporate patience to invest in R&D. The payoff, if it ever comes, can take years. On the other hand, when opportunities fundamentally shift, do resources and investment also shift? A long-term mindset helps you know which investments to make, and when.

It changes your view of talent development. Grooming and selecting people for leadership roles can be well-planned and strategic... or it can be political and disruptive. The cult of personality – the search for the charismatic, superstar leader – is the opposite of building for the long term. To develop talent that can lead the enterprise generation after generation takes money, time and patience. And this is not just about people at the top – it’s about developing future leaders broadly and deeply throughout the organization.

Managing for the long-term guides the ethics and behavior of both management and employees. It’s an insurance policy against decisions and behavior that can damage the company’s reputation and mortgage its future. Operational excellence over time requires ethical rigor, through good times and bad.

It shapes the way you see your company’s role in its industry, and in society. When you think for the long term, you don’t view your company as an isolated entity, but as part of larger, complex systems – business, societal and natural. This was central to Deming’s perspective. He wrote about how a company is a system... within a global network of systems.

This is also, by the way, what we mean at IBM when we describe the opportunity to build a smarter planet. And it is what we’ve had in mind as we have transformed IBM over the past decade... from the old “multinational” model to something new – and far more systemic... a globally integrated enterprise. This has changed not only the new market opportunities we have pursued... but also the way we work and our operational systems, from sales and marketing to HR and R&D. It has changed where we locate decision-making... as we have significantly lowered our center of gravity. And it has changed our understanding of the kinds of skills, relationships – and responsibilities – that IBMers must have to succeed as global professionals and global citizens.

Finally, managing for the long term also tells you how and when to take decisive action. It’s not a mindset of "slow and steady." It is not being risk averse. On the contrary, building for the long term is not for the faint-hearted. It often compels the enterprise to act when it is not obvious to do so... to place bets that seem risky to those who are focused on short-term gain... and to combat corporate inertia when times are good.

None of this implies – or excuses – a failure to produce consistent results or execute with ongoing excellence. IBM has generated earnings growth for 31 consecutive quarters – the only member of the Dow 30 to do so.
But managing for the long term is what you do if you understand that times will change. It’s what you do if you take to heart a simple truth – the enterprise will outlive you.

If you do so – and we try to do this every day at IBM – then you realize that your first responsibility is to pass on... to the next generation of clients, investors, employees and communities.... an enterprise that is stronger, more vibrant and more confident in facing the future. For me and for my fellow IBMers, this is the core of sustained operational excellence. And it is also, I like to think, a perspective that would be warmly embraced by W. Edwards Deming.

Which is why I am, again, so honored and humbled to accept the first-ever Deming Cup, on behalf of my company and my colleagues. It is something we will treasure... for a long time.

Thank you again.