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When most of us think of Lou Gerstner and the turnaround of IBM, we see a great business story. A less-told but integral part of that success is a people story—one that has dramatically altered the composition of an already diverse corporation and created millions of dollars in new business.

By the time Gerstner took the helm in 1993, IBM already had a long history of progressive management when it came to civil rights and equal employment. Indeed, few of the company's executives would have identified workforce diversity as an area of strategic focus. But when Gerstner took a look at his senior executive team, he felt it didn't reflect the diversity of the market for talent or IBM's customers and employees. To rectify the imbalance, in 1995 Gerstner launched a diversity task-force initiative that became a cornerstone of IBM's HR strategy. The effort continued through Gerstner's tenure and remains today under current CEO Sam Palmisano. Rather than attempt to eliminate discrimination by deliberately ignoring differences among employees,

IBM created eight task forces, each focused on a different group such as Asians, gays and lesbians, and women. The goal of the initiative was to uncover and understand differences among the groups and find ways to appeal to a broader set of employees and customers.

The initiative required a lot of work, and it didn't happen overnight—the first task force convened almost two years after Gerstner's arrival. But the IBM of today looks very different from the IBM of 1995. The number of female executives worldwide has increased by 370%. The number of ethnic minority executives born in the United States has increased by 233%. Fifty-two percent of IBM's Worldwide Management Council (WMC), the top 52 executives who determine corporate strategy, is composed of women, ethnic minorities born in the United States, and non-U.S. citizens. The organization has seen the number of self-identified gay, lesbian, bisexual, and transgender executives increase by 733% and the number of executives with disabilities more than triple.

But diversity at IBM is about more than ex-

panding the talent pool. When I asked Gerstner what had driven the success of the task forces, he said, “We made diversity a market-based issue....It’s about understanding our markets, which are diverse and multicultural.” By deliberately seeking ways to more effectively reach a broader range of customers, IBM has seen significant bottom-line results. For example, the work of the women’s task force and other constituencies led IBM to establish its Market Development organization, a group focused on growing the market of multicultural and women-owned businesses in the United States. One tactic: partnering with vendors to provide much-needed sales and service support to small and midsize businesses, a niche well populated with minority and female buyers. In 2001, the organization’s activities accounted for more than \$300 million in revenue compared with \$10 million in 1998. Based on a recommendation from the people with disabilities task force, in October 2001 IBM launched an initiative focused on making all of its products more broadly accessible to take advantage of new legislation—an amendment to the federal Rehabilitation Act requiring that government agencies make accessibility a criterion for awarding federal contracts. IBM executives estimate this effort will produce more than a billion dollars in revenue during the next five to ten years.

Over the past two years, I have interviewed more than 50 IBM employees—ranging from midlevel managers all the way up to Gerstner and Palmisano—about the task force effort and spent a great deal of time with Ted Childs, IBM’s vice president of Global Workforce Diversity and Gerstner’s primary partner in guiding this change process. What they described was a significant philosophical shift—from a long tradition of minimizing differences to amplifying them and to seizing on the business opportunities they present.

### Constructive Disruption

Gerstner knew he needed to signal that diversity was a strategic goal, and he knew that establishing task forces would make a powerful impression on employees. Early in his tenure, Gerstner had convened various task forces to resolve a range of strategic choices and issues. He used the same structure to refine and achieve IBM’s diversity-related objectives.

Gerstner and Childs wanted people to un-

derstand that this was truly something new. IBM had a long practice of being blind to differences and gathering demographic information only to ensure that hiring and promotion decisions didn’t favor any particular group. So this new approach of calling attention to differences, with the hope of learning from them and making improvements to the business, was a radical departure. To effectively deliver the message and signal dramatic change, IBM kicked off the task forces on Bastille Day, July 14, 1995. “We chose Bastille Day...because it’s considered to be a historic day of social disruption,” Childs told me. “We were looking for some constructive disruption.”

Each task force comprised 15 to 20 senior managers, cutting across the company’s business units, from one of the following demographic employee constituencies: Asians; blacks (African-American and of African descent); gays/lesbians/bisexuals/transgender individuals (GLBT); Hispanics; white men; Native Americans; people with disabilities; and women. To be eligible, members had to meet two criteria: executive rank and member of the constituency. (Three of the groups—people with disabilities, Native Americans, and GLBT—didn’t have enough representation in the executive ranks to fill the task forces, so membership also included midlevel managers.) Members were chosen by Ted Childs and Tom Bouchard, then senior vice president of human resources, based on their knowledge of and experiences with the top executive team. In particular, Childs sought executives who had spoken to him or to a colleague in his office about their own experiences and perceptions that diversity was an untapped business resource; he persuaded those individuals to participate by describing the effort as a chance to make a difference and eliminate some of the roadblocks they may have faced in their careers.

Each task force also had two or more executive cochairs who were members of the constituency. For these roles, Childs and Bouchard recruited high-performing, well-respected senior managers and junior executives who were at least at the director level. Each task force was also assigned an executive sponsor from the WMC, who was charged with learning about the relevant constituency’s concerns, opportunities, and strategies and with serving as a liaison to top management. The executive spon-

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sors were senior vice presidents, and most reported directly to Gerstner. They were selected by Bouchard and Childs based on their willingness to support the change process and on the potential for synergies within their given business areas.

The first sponsor of the women's task force, for instance, was the senior vice president of sales and marketing worldwide. Childs knew that the company's senior executives believed that potential buyers in many countries outside of the United States wouldn't work with female executives and that this could interfere with women's success in international assignments. By connecting this SVP with the women's task force, Bouchard and Childs hoped these barriers could be better understood—and that opportunities for women to advance in the sales organization might improve. Similarly, the SVP for research and development was asked to sponsor the people with disabilities task force, with the expectation that if he could get closer to the day-to-day experiences of people with disabilities in his own organization, he would gain new insights into the development of accessible products.

Sponsors were not necessarily constituents of their groups. The sponsor for the white men's task force was a woman; the sponsor for the women's task force, a man. Indeed, there was a certain advantage to having sponsors who didn't come from the groups they represented. It meant that they and the task force members would have to learn from their differences. A sponsor would have to dig deep into the issues of the task force to represent its views and interests to other WMC members.

In addition to having a sponsor, cochairs, and members, each task force was assigned one or two HR employees and a senior HR executive for administrative support, as well as a lawyer for legal guidance. The groups also received logistical and research support from Childs's Global Workforce Diversity organization, which was responsible for all of IBM's equal employment and work/life balance programs.

Once the task forces had been set up and launched, Bouchard sent an e-mail to every U.S. employee detailing the task forces and their missions and underscoring how important the initiative was to the company. In his message, he acknowledged IBM's heritage of

respecting diversity and defined the new effort in business terms. Here's an excerpt from the e-mail:

To sustain [IBM's recognition for diversity leadership] and strengthen our competitive edge, we have launched eight executive-led task forces representing the following IBM employee constituencies....We selected these communities because collectively they are IBM, and they reflect the diversity of our marketplace.

He also encouraged employees to respond with specific suggestions for how to make IBM a more inclusive environment. Childs then compiled more than 2,000 responses to the e-mail and channeled them to the appropriate task forces. As a result of these suggestions, the task forces focused on the following areas for evaluation and improvement: communications, staffing, employee benefits, workplace flexibility, training and education, advertising and marketplace opportunities, and external relations.

The initial charge of the task forces was to take six months to research and report back to the CEO and the WMC on four questions: What is necessary for your constituency to feel welcome and valued at IBM? What can the corporation do, in partnership with your group, to maximize your constituency's productivity? What can the corporation do to influence your constituency's buying decisions, so that IBM is seen as a preferred solution provider? And which external organizations should IBM form relationships with to better understand the needs of your constituency?

At first, skepticism prevailed. Here's what one white male executive told me:

This whole idea of bringing together people in the workplace and letting them form these groups was really repugnant on its face to a lot of people, and of course IBM had been a non-union company in the United States for a long, long time. I mean, having groups was like letting them into your living room.

**And from a black executive:**

I was somewhat skeptical, and there was a level of reluctance in terms of how successful this would ultimately become in IBM, given some of the complex issues around the topic of diversity.

The groups faced other challenges as well. When the women's task force met for the first time, many members were relieved to hear

that some of their colleagues were sharing similar struggles to balance work and family; at the same time, some of IBM's women believed strongly that female executives should choose between having children and having a career. The dissenting opinions made it more difficult to present a united front to the rest of senior management and secure support for the group's initiatives.

Task force members also disagreed on tactics. Some within the black task force, for instance, advocated for a conservative approach, fearing that putting a spotlight on the group would be perceived as asking for unearned preferences, and, even worse, might encourage the stereotype that blacks are less capable. But most in the group felt that more aggressive action would be needed to break down the barriers facing blacks at IBM.

In both cases, members engaged in lengthy dialogue to understand various points of view, and, in light of very real deadlines for reporting back, were forced to agree on concrete proposals for accomplishing sometimes competing goals. The women's group concluded that IBM needed to partner with its female employees in making work and family life more compatible. The black group decided it needed to clarify the link between its concerns and those of the company—making it clear that the members were raising business issues and that the task force effort was not intended to favor any group.

During the six months of the initial phase, Childs checked in with each group periodically and held monthly meetings to ensure that each was staying focused. The check-ins were also meant to facilitate information sharing across groups, especially if several were grappling with similar issues. The task forces' work involved collecting data from their constituencies, examining internal archival data to identify personnel trends, and reviewing external data to understand IBM's labor and customer markets. Their most critical task was to interpret the data as a means of identifying solutions and opportunities for IBM. Task forces met several times a month, in subcommittees or in their entirety, and at the end of the research period, Childs met with each group to determine its top issues—or the “vital few.” (See the exhibit “The Vital Few Issues: Employees' Biggest Diversity Concerns.”) These were defined as the issues and

concerns that were of greatest importance to the group and would have the most impact if addressed. Childs and the task force cochairs also realized that not addressing these issues would hamper the credibility of the initiative with frontline employees.

On December 1, 1995, the task forces met to share their initial findings. Again, the date was chosen with the idea of sending a message to employees: It was the 40th anniversary of Rosa Parks's refusal to give up her seat on a bus in Montgomery, Alabama, to a white passenger. That act, of course, led to her arrest and ignited the Montgomery bus boycotts that ushered in the modern U.S. civil rights movement. Just as the Bastille Day launch signaled a release from old ways of thinking, the timing of this meeting indicated a desire for a radically new approach to diversity.

Several of the task forces shared many of the same issues, such as development and promotion, senior management's communication of its commitment to diversity, and the need to focus on recruiting a diverse pool of employees, especially in engineering and science-related positions. Other concerns were specific to particular groups, including domestic partner benefits (identified by the GLBT task force) and issues of access to buildings and technology (raised by the people with disabilities task force). Overall, the findings made it clear that workforce diversity was the bridge between the workplace and the marketplace—in other words, greater diversity in the workplace could help IBM attract a more diverse customer set. A focus on diversity was, in short, a major business opportunity.

All eight task forces recommended that the company create diversity groups beyond those at the executive level. In response, IBM in 1997 formed employee network groups as a way for others in the company to participate. The network groups today run across constituencies, offering a variety of perspectives on issues that are local or unique to particular units. They offer a forum for employees to interact electronically and in person to discuss issues specific to their constituencies. (For more on these groups, see the sidebar “Engage Employees.”)

Another recommendation, this time put forth by the women's group, aimed to rectify a shortage in the talent pipeline of women in technology, identifying young girls' tendency to opt out of science and math in school as one

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of the causes. To encourage girls' interest in these disciplines, in 1999 a group of women engineers and scientists in Endicott, New York, ran a pilot "EXITE" (Exploring Interests in Technology and Engineering) camp. The program brought together 30 middle-school girls for a week that summer to learn about science and math in a fun, interactive way from female IBM employees. In 2000, the women's task force replicated the program in five other loca-

tions throughout the United States, reaching 400 girls, and in 2001 the program expanded internationally. In 2004, IBM will have a total of 37 EXITE camps worldwide—15 in the United States, one in Canada, eight in Asia-Pacific, six in Europe, and seven in Latin America. After the girls attend camp, they are assigned an IBM female scientist or engineer as a mentor for one year.

Since 1999, IBM has reached 3,000 girls through EXITE camps. In 2003 alone, 900 girls attended, and in 2004, 1,100 will have gone through the program. In collaboration with IBM's technology group, the women's task force also created a steering committee focused on retaining women in technology currently at IBM and attracting female scientists from universities.

As for external initiatives that arose from the task forces, IBM's Market Development (MD) unit came directly out of the groups' responses to the third question: What can IBM do to influence your constituency's buying decisions, so that the company is seen as a preferred solution provider? It became clear that IBM wasn't well positioned in relation to the market's fastest growing entrepreneurial segments—female- and minority-owned businesses. The MD was formed as a unit of the Small and Medium-Sized Business Sales and Marketing organization. Initially, the group helped IBM revamp its communications strategy for reaching female- and minority-owned companies. Its role has since evolved into identifying and supporting sales and marketing strategies aimed at these important segments.

The MD's efforts have directly translated into hundreds of millions of dollars in new revenue. More important to IBM's senior executives, the MD is elevating the company's overall level of cultural competence as it responds to the needs of IBM's diverse customer base. A case in point is advertising, where the MD convened teams from the task forces and the advertising department to create constituency casting guidelines and other communications. These changes have helped ensure appropriate representation of constituencies in all aspects of the company's marketing, with the guidelines forming the basis for ongoing discussions about how to reach and relate effectively to IBM's diverse customer base.

The people with disabilities task force (PWD), which initially focused on compliance

## The Vital Few Issues: Employees' Biggest Diversity Concerns

Charged with getting to know their constituencies' needs and concerns, IBM's eight diversity task forces gathered data on personnel trends as well as labor and customer markets for their respective groups. Interpreting that information led to the list of issues below—what IBM calls the "vital few," as identified by each of the task forces. The task force members then used the vital few to shape their thinking about possible business and development opportunities.

### Asians

Stereotyping  
Networking and Mentoring  
Employee Development and Talent Pipelines  
Target Advertising and Marketing

### Blacks

Representation, Retention, and Networking  
Education and Training  
Target Advertising and Marketing

### People with Disabilities

Recruiting  
Target Advertising and Marketing  
Centralized Fund for Accommodations  
Benefits Review  
New World HQ Building (Accessibility)  
Online Help for Self-Identification

### White Men

Executive Accountability  
Education and Awareness  
Aging  
Work/Life Balance

### Women

Networking  
Career Advancement  
Succession Planning  
Work/Life Balance  
Flexibility as a Business Strategy  
Executives' Personal Commitment to Advancing Women  
Target Advertising and Marketing

### Gays/Lesbians/Bisexuals/ Transgender Individuals

Domestic Partner Benefits  
Education and Training  
Networking  
Target Advertising and Marketing  
Online Help for Self-Identification

### Hispanics

Recruiting  
Employee Development and Talent Pipelines  
Target Advertising and Marketing

### Native Americans

Recruiting  
Community Outreach  
Networking

with accessibility laws, began in 2001 to think about making the leap from compliance to market initiatives. That same year, Ted Childs arranged for each task force to meet with senior management, including Sam Palmisano, then IBM's president. The PWD task force leaders took the opportunity to point out the tremendous market potential in government contracts if IBM made its products more accessible. Palmisano agreed, and PWD received the green light it needed to advance its projects.

One reason for the increased focus on accessible technology was that in June 2001, the U.S. Congress implemented legislation mandating that all new IT equipment and services purchased by federal agencies must be accessible. This legislation—known as Section 508—makes accessibility a more important decision criterion than price in many bid situations,

thus creating an opportunity for accessibility IT leaders to gain market share, charge a price premium, or both, from federal buyers. In addition to legislation, other indicators made it clear that the demand for accessibility was growing: a World Health Organization estimate of more than 750 million disabled people across the globe, with a collective buying power of \$461 billion, and an increase in the number of aging baby boomers in need of accessible technology.

IBM believes that business opportunities will grow as countries around the world implement similar legislation. Furthermore, the private-sector opportunity for accessible technology could be far greater than that of the government as companies address a growing aging population. IBM's worldwide Accessibility Centers comprise special teams that evaluate existing or future IBM technologies for their possible use in making products accessible. There are now a total of six IBM Accessibility Centers, in the United States, Europe, and Japan.

### Pillars of Change

Any major corporate change will succeed only if a few key factors are in place: strong support from company leaders, an employee base that is fully engaged with the initiative, management practices that are integrated and aligned with the effort, and a strong and well-articulated business case for action. IBM's diversity task forces benefited from all four.

**Demonstrate leadership support.** It's become a cliché to say that leadership matters, but the issue merits discussion here because diversity is one of the areas in which executive leadership is often ineffectual. Executives' espoused beliefs are frequently inconsistent with their behavior, and they typically underestimate how much the corporation really needs to change to achieve its diversity goals. That's because diversity strategies tend to lay out lofty goals without providing the structures to educate senior executives in the specific challenges faced by various constituencies. In addition, these strategies often don't provide models that teach or encourage new behaviors.

IBM has taken several approaches to helping executives deepen their awareness and understanding. To begin with, the structure of the task forces—how they operate and who is

## Engage Employees

IBM's diversity task forces asked that the company allow employees who were not at the executive level to get more involved in the effort. The company did, and diversity councils and employee network groups were born.

The diversity councils, groups of employees across diverse constituencies, were created specifically to address local or unique diversity issues. Through these 72 councils, IBM seeks to ensure that its workforce represents an environment that visibly encourages and values the contributions and differences of employees from various backgrounds. The objectives include heightening employee awareness, increasing management sensitivity, and making the most out of a diverse workforce. For example, within IBM's R&D and engineering units, specific efforts have focused on women and minority retention and development in technology-related jobs.

The network groups came out of a grassroots initiative driven by employees and have a broader scope than the task forces or councils. IBM has 160 such groups, in which employees interact electronically and in person to discuss issues specific to their constitu-

ency. The black networks, for instance, have been helpful in connecting employees who are working in areas of the company where there are few blacks. Those who are part of the networks, especially at facilities located far from urban areas, feel less isolated and report greater job satisfaction.

While diversity councils and employee network groups are independent from the task forces, all three frequently collaborate. The women's task force has started diversity councils and employee network groups globally, all of them in close communication with the task force. One area of focus has been the importance of mentoring women globally. IBM regions have tailored programs to the needs of women in various locations. The goal is to ensure that they receive advice, guidance, and support and share knowledge that is relevant to other constituencies. This has been accomplished via Web-based mentoring, job shadowing, and group mentoring. Additionally, material is available on IBM's intranet on how to have effective mentoring relationships. Several Web lectures have also been developed on this topic.

on them—immerses executive sponsors in the specific challenges faced by the employee constituency groups. The groups are a formal mechanism for learning, endorsed at the highest levels of the company.

Second, the chief diversity officer, Ted Childs, acts as a partner with the CEO as well as coach and adviser to other executives. In addition to educating them on specific issues, as he did when the company decided to offer domestic partner benefits, Childs also works to ensure that they behave in ways that are consistent with the company's diversity strategy. A senior executive described Childs's role as a coach and teacher:

I know that he's had a number of conversations with very senior people in the company where he's just sat down with them and said, "Listen, you don't get it, and you need to get it. And I care about you, and I care about this company. I care about the people who are affected by the way you're behaving, and so I owe it to you to tell you that. And here's how you don't get it. Here's what you need to do to change."

And third, Gerstner and later Palmisano not only sanctioned the task force process but actively sought to be role models themselves. A number of the executives I interviewed were struck by Gerstner's interest and active involvement in the development of high-potential minority and female senior managers and junior executives; he took a personal interest in how they were being mentored and what their next jobs would be. He also challenged assumptions

about when people could be ready for general management assignments. In one case, Gerstner and his team were discussing the next job for a high-potential female executive. Most felt that she needed a bigger job in her functional area, but Gerstner felt that the proposed job, while involving more responsibility, would add little to the candidate's development. Instead she was given a general management assignment—and the team got a signal from the CEO about his commitment to diversity. His behavior communicated a sense of appreciation and accountability for people development. Indeed, accountability for results became as critical in this domain as it was for all business goals.

Gerstner also modeled desired behaviors in his interactions with his direct reports. One of them told me this story:

During a board of directors dinner, I had to go to [my daughter's] "back-to-school night," the one night a year when you meet the teachers. I had been at the board meeting that day. I was going to be at the board meeting the next day. But it was the dinner that posed a problem, and I said, "Lou, I'll do whatever you want, but this is the position I am in," and...he didn't even blink. He said, "Go to back-to-school night. That is more important." And then...he told the board at dinner why I wasn't there and why it was so important...to make it possible for working parents to have very big jobs but still be involved parents. He never told me that he told the board. But the board told me the next day. They...said, "You should know that Lou not only said where you were but gave a couple minute talk about how important it was for IBM to act in this way."

CEO leadership and modeling didn't stop when Gerstner left. One senior executive who is a more recent arrival to the WMC described how Palmisano communicates the importance of the diversity initiative:

Executive involvement and buy-in are critical. Sam has played a personal and very important role. He personally asked each task force to come and report its progress and agenda to him. He spent time with the [task force that I sponsor] and had a detailed review of what we are doing on the customer set. What are we focused on internally? How can he help in his role as CEO? He's really made it clear to the senior-level executives that being good at [leading the diversity initiative] is part of our job.

## Go Global

More than 50 years have passed since IBM's first written equal opportunity policy called for equity in hiring "regardless of race, color, or creed." This policy, signed in 1953 by then-CEO T. J. Watson, Jr., was written as a result of the company's desire to build manufacturing plants in the South. Watson remarked that there would be "no separate but equal facilities"—one year before the Brown decision ending "separate but equal" public education and 11 years ahead of the 1964 Civil Rights Act.

With this kind of history, what is the

future of diversity at IBM, and where is it heading? Chief diversity officer Ted Childs is now developing a global strategy to better address issues facing the company around the world. Included in that strategy is a definition of diversity that encompasses global cultures. In Europe, for instance, IBM is trying to be more mindful of the growing number of ethnic minorities. In Asia-Pacific, the programs try to address the differences between countries and regions. All of these efforts are essential as global boundaries continue to dissolve.

**Engage employees as partners.** While the six-month task force effort was consistent with IBM's history of promoting equal opportunity, the use of the task force structure to address issues of diversity represented a significant culture shift. IBM was an organization that had discouraged employees from organizing around any interest not specifically defined by the requirements of their jobs. The idea of employees organizing to advocate was anathema. One white male executive said, "Does this mean that we can have a communist cell here? Are we going to have hundreds and hundreds of these?" The skepticism reached up to the highest levels: When Childs first proposed the task force strategy, Gerstner asked him one question: "Why?"

But in the end, IBM's task force structure paved the way for employee buy-in because executives then had to invite constituent groups to partner with them in addressing the diversity challenge. The partnerships worked because three essential components were in place: mutual expectations, mutual influence, and trust.

When the task forces were commissioned, Childs and Gerstner set expectations and made sure that roles and responsibilities were unambiguous. Initially, the task forces' charters were short, only six months (the groups are still active today), and their mission was clear: to explore the issues, opportunities, and strategies affecting their constituencies and customers. Once this work was done, it fell to the corporation's senior executives to respond and to report on the task forces' progress at various junctures to the WMC. Gerstner and Childs followed up with the task force sponsors to ensure that the groups were gathering meaningful information and connecting it to the business.

The task forces' work has evolved to focus on more tactical issues, and the organization has demonstrated its willingness to be influenced, committing significant resources to efforts suggested by the groups. Trust was also built as the task force structure allowed employees more face time with executives—executives they would likely not have had a chance to meet—and provided new opportunities for mentoring. According to one task force participant:

What got me to trust that this was a real commitment by the WMC was when I saw

them ask for our advice, engage us in dialogue, and then take action. They didn't just do whatever we said, but the rationale for actions was always shared. It made me feel like our opinions were respected as businesspeople who bring a particular perspective to business challenges.

The task force structure has been copied on a smaller scale within specific business units. Even without a mandate from corporate brass, most units have created their own diversity councils, offering local support for achieving each unit's specific diversity goals. Here, too, the employee partnership model prevails.

**Integrate diversity with management practices.** Sustaining change requires that diversity become an integrated part of the company's management practices. This was a priority for Gerstner, who told me:

If you were to go back and look at ten years' worth of executive committee discussions, you would find two subjects, and only two, that appeared on every one of the agendas. One was the financial performance, led by our CFO. The second was a discussion of management changes, promotions, moves, and so on, led by our HR person.

In my interviews, among the most frequently mentioned diversity-related HR practice was the five-minute drill, which began with Gerstner's top team and has cascaded down from the chairman to two levels down from CEO. The five-minute drill takes place during the discussion of management talent at the corporate and business unit levels. During meetings of the senior team, executives are expected at any moment to be able to discuss any high-potential manager. According to interviewees, an explicit effort is made to ensure that minorities and females are discussed along with white males. The result has been to make the executives more accountable for spotting and grooming high-potential minority managers both in their own areas and across the business. Now that it's been made explicit that IBM executives need to watch for female and minority talent, they are more open to considering and promoting these individuals when looking to fill executive jobs.

Managing diversity is also one of the core competencies used to assess managers' performance, and it's included in the mandatory training and orientation of new managers. As one executive responsible for designing parts

*Managing diversity is one of the core competencies used to assess executives' performance.*

of this leadership curriculum commented, "We want people to understand that effectively managing and developing a diverse workforce is an integral part of what it means to manage at IBM."

Both Gerstner and Palmisano have been clear that holding managers accountable for diversity-related results is key. Gerstner noted, "We did not set quotas, but we did set goals and made people aware of the people in their units who they needed to be accountable for developing." And Palmisano said, "I reinforce to our executives that this is not HR's responsibility; it is up to us to make sure that we are developing our talent. There is a problem if, at the end of the day, that pool of talent is not diverse."

**Link diversity goals to business goals.** From the beginning, Gerstner and Childs insisted that the task force effort create a link between IBM's diversity goals and its business goals—that this would be good business, not good philanthropy. The task force efforts have led to a series of significant accomplishments.

For instance, IBM's efforts to develop the client base among women-owned businesses have quickly expanded to include a focus on Asian, black, Hispanic, mature (senior citizens), and Native American markets. The Market Development organization has grown revenue in the company's Small and Medium-Sized Business Sales and Marketing organization from \$10 million in 1998 to hundreds of millions of dollars in 2003.

Another result of the task forces' work has been to create executive partner programs targeting demographic customer segments. In 2001, IBM began assigning executives to develop relationships with the largest women- and minority-owned businesses in the United States. This was important not only because these business sectors are growing fast but because their leaders are often highly visible role models, and their IT needs will grow and become increasingly more sophisticated. Already, these assignments have yielded impressive revenue streams with several of these companies.

The task force effort has also affected IBM's approach to supplier diversity. While the company has for decades fostered relationships with minority-owned businesses as well as businesses owned by the disabled, the work of the task forces has expanded the focus of IBM's supplier diversity program to a broader set of

constituencies and provided new insights on the particular challenges each faced. The purpose of the supplier diversity program is to create a level playing field. It's important to note, though, that procurement contracts are awarded on the merits of the bid—including price and quality—not on the diversity of the vendor. In 2003, IBM did business worth more than \$1.5 billion with over 500 diverse suppliers, up from \$370 million in 1998.

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The cynics have come around. One black executive said, "Yes, I think [the initiative] has been extremely effective if you look at where we started back in the mid-nineties. I can tell you that I was somewhat skeptical [at first]." Another commented on the growing acceptance of the effort across IBM: "You can see that support actually changed over time from 'I'm not sure what this is about' to...a complete understanding that diversity and the focus on diversity make good business sense."


Perhaps the best evidence of the task forces' success is that the initiative not only continues but has spread and has had lasting impact. In more than one instance, after an executive became a task force sponsor, his or her division or business unit made significant progress on its own diversity goals. Leaders of some of the task forces described seeing their sponsors grow in their ability to understand, articulate, and take action on the issues identified by their groups. One executive described how the task force sponsor experience had been important for him as a business leader and personally, as well as for IBM:

There is no doubt that this is critical for how we manage the research organization, because of the need for diverse thought. It has affected me substantially because...I became involved with diverse populations outside of IBM that I may well not have been connected with if it hadn't been for my involvement with the task force. I'm on the Gallaudet University [school for the deaf] board. Without the task force, I would have never thought of it. And so this has been a terrific awakening, a personal awakening.... Since it's focusing particularly on accessibility, we can help in a lot of ways with technology for accessibility, and Gallaudet turns out to be, for the subset of people who are hearing impaired, a terrific place to prototype solutions in this space.

Such comments were not atypical. In many

instances, the sponsorship experience was developmental in important and unexpected ways. Having eight task forces means that in a group of 52 top leaders, there is always a critical mass strategically connected to the issues. Today, more than half of the WMC members have been engaged with the task forces in the role of sponsor or task force leader prior to being promoted to the senior executive level.

For IBM, that makes good business sense. The entire effort was designed to help the company develop deeper insights into its major

markets, with a direct tie to two of Gerstner's central dictates. One: IBM needed to get closer to its customers and become more externally focused. Two: It needed to focus on talent—attracting, retaining, developing, and promoting the best people. On both measures, the company has come a long way. 

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