



Deming Cup Award Ceremony 2011 and IBM's Centennial Lecture



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On November 2, 2011, the W. Edwards Deming Center for Quality, Productivity and Competitiveness at Columbia Business School awarded the 2011 Deming Cup to Brent James, chief quality officer of Intermountain Healthcare, and Sergio Marchionne, chairman and chief executive officer of Chrysler Group and chief executive officer of Fiat. Earlier that day, Sam Palmisano, chairman, president and CEO of IBM and 2010 Deming Cup recipient, delivered IBM's final Centennial Lecture and presented the Deming Cup to the 2011 recipients.

IBM's Centennial Lecture

The Deming Cup celebration opened with an afternoon lecture on campus by Samuel J. Palmisano, chairman, president and CEO of IBM and recipient of the inaugural 2010 Deming Cup. Palmisano spoke to an audience of more than 400 students, faculty, and friends of the Deming Center about the principles and beliefs that have contributed to IBM's longevity. Glenn Hubbard, dean of Columbia Business School, enthusiastically introduced Sam to the audience. The full text of Glenn Hubbard's and Sam Palmisano's remarks appears below.

Deming Cup Award Ceremony

After Palmisano's lecture, the Deming Cup Award Ceremony and dinner was held in

Columbia University's Low Rotunda to celebrate Dr. Brent James, chief quality officer at Intermountain Healthcare, and Sergio Marchionne, chairman and chief executive officer of Chrysler Group and chief executive officer of Fiat.

Seventeen members of the judging committee attended: Rob Amen, Kevin Burke, Tom Cole, Awi Federgruen, Beth Ford, Nelson Fraiman, Tom Groos, Richard Jaffe, Jeff Keefer, Shelly Lazarus, Sangwan Lee, David Niles, Bennett Nussbaum, Ginni Rometty, Keith Sherin, Burt Steinberg, and Garrett van Ryzin. The Deming Center is grateful for their attendance and support and encourages the rest of the committee to participate next year.

“IMPROVE CONSTANTLY AND FOREVER.”
-W. Edwards Deming



Additional attendees included: **Jan De Witte**, president and CEO of GE Healthcare, IT and Performance Solutions, **John Dillon**, senior managing director of Evercore Partners, **John Dineen**, president and CEO of GE Healthcare, **Lynne Greene**, global brand president of Clinique, Origins and Ojon at Estée Lauder, **Scott Miller**, partner of Sullivan & Cromwell, **Sam Palmisano**, **Harry Silver**, managing director of Goldman Sachs, **Charles Sorenson**, president and CEO of Intermountain Healthcare, **Georges Ugeux**, founder, chairman and CEO of Galileo Global Advisors, **Jim Wiseman**, VP of Toyota Motor North America, and **Stephen Wolf**, chairman of R. R. Donnelley & Sons Company, and members of the board of Chrysler Group.

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

Nelson Fraiman, Director of the W. Edwards Deming Center, opened the

evening and introduced Shelly Lazarus, chairman of Ogilvy & Mather, for her welcoming remarks. Tom Cole, chairman of the W. Edwards Deming Center board and chief administrative officer at Macy's, talked about the Deming Center's plans to promote operational excellence and Deming principles in 2012, and thanked the Deming Center board, the 2011 judging committee, and the 2011 Deming Cup sponsors for taking part in the event.

Keith Sherin, vice chairman and chief financial officer of General Electric Company, introduced Dr. Brent James, and discussed his accomplishments in the field of operations.

Sam Palmisano, who also introduced IBM's next CEO, Ginni Rometty, explained how Sergio Marchionne elevated the performance of Fiat and Chrysler Group.

The full texts of Keith Sherin's, Brent James', Sam Palmisano's and Sergio Marchionne's remarks at the dinner are given below.

Photo highlights from the IBM's Centennial Lecture



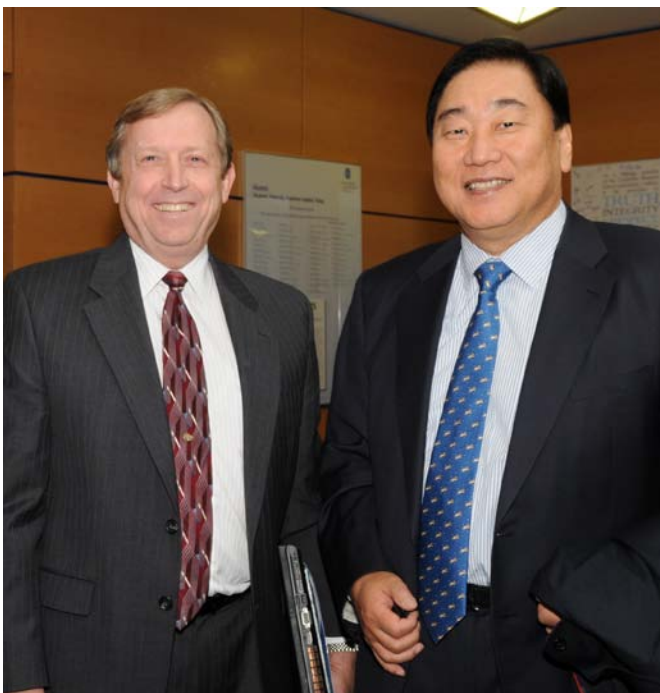
Sam Palmisano delivers the IBM's Centennial lecture at Columbia Business School



Students, faculty and friends of the Deming Center listen to Sam Palmisano



Jeff Keefer, John Dillon and Nelson Fraiman at the IBM's Centennial Lecture reception



Dr. Brent James meets Sangwan Lee



Bennett Nussbaum and Janet Sherin

Glenn Hubbard's remarks to introduce Sam Palmisano at the IBM's Centennial Lecture

Good Evening. Welcome.

Tonight is a very important occasion for us at the school. It is the final IBM's Centennial Lecture and we are honored to have with us IBM's CEO Sam Palmisano.

But this is a very long tradition. Sam is going to talk about a 100 years tonight and he and I were doing some corporate America reminiscing before coming in. There are almost no major American companies in this boat. Possibly Exxon Mobile, if you trace back to the Standards Oil Trust or General Electric, but there are very few companies who have successfully reinvented themselves.

The partnership between IBM and Columbia is also both natural and long standing. Tom Watson Sr., who is the founder of IBM, was a trustee of this University. He recruited Dwight Eisenhower to be president of the university, and I think encouraged him to run for the presidency of the United States as well.

In this building we of course have the Watson Library, and IBM has been very generous through the support of research in the university and certainly hired many, many students over the years.

Fifty years ago, Tom Watson, Jr., celebrated the 50th anniversary of IBM with a speech at the school talking about a vision for the next

50 years. That's seemed bold enough 50 years ago; now we are looking at the span of 100.

Last year, in his own acceptance of the Deming Cup Award here at the school, Sam echoed Mr. Watson's vision of a stronger enterprise, more vibrant and more confident in facing the future.

Now IBM has come a long way from manufacturing clocks and cheese slicers, which was an original business. It is in 170 countries and, as we were talking downstairs, while Wall Street stocks hover around bottom and sub bottom, IBM hit a 100-year high.

Sam also has come a long way since high school days where he played the backup sax for the Temptations. He has been, in the other parts of his life, outside music, at IBM since 1973 and CEO for nearly a decade. Over that period revenue has grown four fold, a 73% increase in the share price by, as what he puts it, continually changing. He has brought series of seminal changes to IBM in global services and centralized internal supply chain and built a very large and diversified IT services organization. He has maintained the Watson vision and his successor, Ginni Rometty, is also here, and I think she summed it up well in a piece that I saw recently, that Sam taught us that we must never stop reinventing IBM.

I can't think of a better way to introduce the next 100 years. Sam, the floor is yours.

“A Business and Its Ideas: Shaping a Company and a Century” by Sam Palmisano

Thank you, Dean Hubbard, for that generous introduction. It’s a pleasure and an honor to be here at Columbia University to discuss the significance of IBM’s Centennial and to offer some thoughts on our view of the future.

Today marks, in effect, the end of our Centennial. I always believed that the proper venue to mark this occasion would be here at Columbia. IBM has deep, historic ties with this university. It was a Columbia faculty member, Ben Wood, who in 1928 opened the eyes of Thomas Watson Sr., IBM’s first chairman, to the fact that the company’s punched card tabulators could be used to discover the underlying information patterns in just about anything – from science to business to education. That led to Professor Wallace Eckert setting up a lab for IBM’s machines to perform astronomical calculations. By 1937, that lab, in Pupin (“Pyoo-pin”) Hall’s Rutherford Observatory, had become the Thomas J. Watson Astronomical Computing Bureau – the world’s first center for scientific computation, and the beginning of IBM Research. It was here in 1946 that IBMers and Columbia professors jointly pioneered the nascent discipline of Computer Science.

And it was also here, in 1962, that Tom Watson Jr., – IBM’s chairman and the son of our founder – stood before another lectern, addressing an audience of future leaders. IBM had recently turned 50. Tom was invited to offer his thoughts on what half a century of corporate life had taught his company – and what other leaders might learn from that history. He began with a striking statistic. Of

the top 25 industrial corporations in the United States in 1900, only two remained on that list by 1961 – one of those because it had absorbed six others from the original list. Two companies had disappeared, and the remaining 15 had slipped far behind. As he said: “Figures like these help to remind us that corporations are expendable, and that success—at best—is an achievement which can always slip out of hand.”

Now, here we are, 50 years later, and IBM is celebrating its Centennial. So... what have 100 years of history taught us?

Well, one thing they have taught us is that Tom was right – success is fleeting. Of the top 25 companies on the Fortune 500 at the time of Watson’s lecture... only six remained in 2010.

More importantly, though, our history taught us something about the source of any business or institution’s continued success. That’s what I want to talk about with you today. People who are familiar with our history are often struck not merely by our longevity... but by the fact that we have continually changed. We started off making clocks, scales, punched card tabulators and... believe it or not... cheese slicers. After that, it’s a blur: typewriters, vacuum tube calculators, magnetic tape, the first disk drive, the memory chip, FORTRAN, fractal geometry, ATMs, mainframes, minicomputers, personal computers, supercomputers, services, software, analytics... Also, we’ve gone from operating in one country... to more than 170.

“Wow, you haven’t done the same thing for 100 years.” That’s one way of looking at our history. Another view is that we’ve been doing exactly the same thing for a century. And that, I would offer, is the first lesson from our history. I again quote Tom Watson from 1962: “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.”

Tom Watson was not talking here about ethics. He took those as a given. He wasn’t even talking about what we have come to know as corporate social responsibility – though IBM had in many ways pioneered that understanding of a business’s role in the world. For Tom, a company’s beliefs or values were the core of its identity – what makes it distinct. If you could codify and sustain that core, it would ensure that the company remained unique... decade after decade. That it would be able – let me repeat Tom’s last line – “to change everything about itself except its beliefs.” In IBM’s case, this need for continual forward movement is particularly acute. It’s not a truism, it is core to our business model, which is to create and provide innovative solutions to our clients – solutions they can’t get from anyone else. And that is a constant reminder to keep moving to

the future.... never to define ourselves by the things we make, no matter how successful they are today.

Time has taught us how essential this balance is – between what changes and what endures – and the essential role of values in achieving it. In fact, I would argue that the need for a foundation of belief and values is greater today than ever before. We are all moving to the future with dizzying speed... and in a complex, globalizing world, people need something that holds them together.

A decade ago, when I came into my job, we identified several major shifts that would play out in the coming years – big shifts that would test every company in our industry: A new computing model would sweep aside the PC-centric one... Globalization would re-order economies and markets... Our clients would have entirely different expectations for technology... not just as a tool for productivity, but as a tool for transformation. A small circle of us at IBM knew that we needed to seize upon these shifts and turn them to our advantage. We also knew that doing so would require another massive wave of transformation – and mind you, we were just coming out of IBM’s financial turnaround in the 1990s. Quite honestly, I wondered if the management team and our employees were ready to take this on. This is why we decided, nearly a decade ago, that returning IBM to greatness required getting back in touch with our DNA. So, one of the first things I did as CEO was to initiate an effort to reexamine our core values. The question was... how? We no longer live in a world where the chairman can

simply lay out a company's "Basic Beliefs," as Tom Watson Sr. had done. Employees today are super-smart, highly independent... even cynical. You can't come down from on high and tell them, "These are your values." So we took a different approach. We came together online, as a global population over 72 hours in what we call a "jam." I guess we'd call it social media today. It was messy, passionate and contentious. But in the end, IBMers embraced a new set of values – because they themselves had shaped them.

I truly believe that none of our work since would have been as effective or sustainable if we had not first gone back to the foundations of our culture. We needed to get clear on that, before we could reinvent IBM's portfolio of products and services... globally integrate our company... or, later, launch our Smarter Planet agenda in the depths of a global recession. Let me give you an example. We introduced the IBM PC in 1981 and the very popular Thinkpad in 1992. It was by any measure the most recognizable brand for us – and arguably the only brand that touched individuals... tens of millions of people. For all these reasons, the idea that we would divest the PC business was, for many – pardon the pun – unthinkable. Yet, we knew that the emerging computing model was commoditizing the PC industry. And that's not where we wanted to be. So we decided our PC business would have a better future in the hands of another company, which turned out to be Lenovo. The point is... that decision, which could have caused a rift inside the company, was instead embraced – not merely

on the basis of economics and strategy... but because it was consistent with our values.

At IBM, we are innovators. In 1981 the PC was an innovation. Twenty years later it had lost much of its differentiation. It was time to move on – to the future. This business of continual forward motion is hard to pull off – and the primary challenges are not external, but internal. It's about culture. The history of business is a bone pile of companies that had extraordinary initial success... organizations that made a meaningful impact on the world... but were unable to achieve a second act. Why? For many, it was because they could not get beyond an emotional attachment to the past... to the product or service or business model that had made them successful.

Companies get caught up in what they have done... and forget who they are. Of course, for most companies, their culture is an extension of the organization's founder – his or her beliefs, actions, decisions, personality. Which is why we see such interest in the charismatic, superstar leader. Without question, the cult of personality in business is a powerful lure. The press cultivates it. Wall Street trades on it. Some employees crave it. Thomas Watson Sr. himself was one of its prototypes.

But what happens when the founder is no longer around? The challenge becomes how to perpetuate a culture through time. That's hard. For a century? That's really hard. It's about how you bottle up what makes any organization distinctive – what makes GE GE...

what makes Apple Apple – or for that matter, what makes Columbia University... Columbia University.

We have spent 100 years seeking to remain faithful to what makes us... us. Even when technologies shift. Even when the global economies re-balance. Through multiple generations of products, markets and people. Indeed, this was arguably Thomas Watson Sr's most enduring contribution to the world -- the notion that an organization can – and must – undertake the intentional creation of a culture based on its beliefs or values. That's certainly what his son believed. As he said in 1962, we need to do this if our organizations – whether in business, government, academia or anywhere – are, in his words, “to meet the challenges of a changing world.” Finally, let me offer some thoughts on two of those challenges that we will all have to face... forces that will drive change in the world for the foreseeable future: technology... and the rebalancing of economies.

First, the future of technology. Over the course of the last century, information technology has gone from a set of tools... to an industry... to a science... to a pervasive aspect of the modern world. It has therefore become something that every leader must master. And I don't mean learning how to tweet or use an iPad. Technology is the way we now see the world. It's how we map and understand the dynamics of the world's complex systems. And it is increasingly how we decide on the best course of action – and put it into effect. Indeed, this technology now

pervades every aspect of the way our world works – the systems and processes that enable services to be delivered... physical goods to be developed, manufactured and sold... everything from people and freight to oil, water and electrons to move... and billions of people to work and live. Computing is being infused into things no one would think of as a computer. All over the world, we see forward-thinking leaders who are mastering these new capabilities. They're applying new kinds of instrumentation, interconnection and intelligence to make systems, processes and infrastructures more efficient, more productive and responsive – in a word, smarter. You miss this if you see technology merely as a succession of gadgets. It's much more. It's the way our world now works. And therefore today's leaders – those who want to keep moving to the future – have an obligation to understand it – not its mechanics, but its implications.

The next trend I want to highlight is the future of global integration. I use this term deliberately. We tend to hear the “global” part of that. And we get very excited about the enormous growth opportunities in the so-called developing world. True, companies in developed markets are chasing that growth. Certainly we are at IBM. And for companies, governments and citizens in the developing markets, this is an opportunity to raise the living standards of billions of people around the world... bringing them into the middle class. They are becoming consumers and entrepreneurs. This is a macro-economic fact of historic proportions. But perhaps, in our

excitement, we overlook the “integration” part of global integration. To state the obvious, we have never been more interconnected – economically, socially and technologically. Our world has become a global system of systems... and that’s different from an assemblage of markets or nations or industries. We have global systems of transportation, of energy, of communications, of finance, of food and water, of commerce, of security and more. And these systems interact with and change each other. This new reality requires new policies, approaches and organizational forms – regardless of your size or location.

Because we believed that this shift was inevitable, we transformed IBM over the past decade. We used to be a classic “multinational,” with mini-versions of our company in country after country. Now we are moving to something new... what we call a globally integrated enterprise.

This is changing the way we work and run the company – from sales and marketing to HR and research. We have significantly lowered our operational center of gravity – away from headquarters, closer to markets and customers. We have also changed our thinking about the skills IBMers will need to make this globally integrated model work.

Let me give one example. In my day, you prepared future leaders of a multinational through “overseas assignments” – typically for two years, and typically in mature markets. I did this myself, living in Japan for a

couple of years. It was a wonderful, eye opening experience. However, as a management development system, international assignments are expensive, and they are limited in scope to a handful of executives. We needed different ways to create a whole generation of global professionals and global citizens.

So, four years ago, we launched an experiment we call the Corporate Service Corps. It’s modeled on America’s Peace Corps from the 1960s. It puts together diverse teams of high-potential IBMers from around the world... and sends them for a month to emerging markets such as Ghana, the Philippines, Turkey and Vietnam. They work in communities with NGOs and local leaders to jump-start their economies and to make their cities smarter. And when they come back, they share what they have learned with their colleagues through social media.

The results have been highly encouraging. Not only can we provide this experience to far more IBMers – thousands rather than dozens – but these targeted interventions are having a transformative impact... both on local communities and on the IBMers themselves. Most say it is one of the most meaningful experiences of their lives. Of course, the world has been going global for centuries... but that will mean very different things in the 21st century than it meant in the 19th or 20th. To be a leader in the future will mean thinking globally... and not only about geography.

Put it all together, and what does IBM's history teach us? I would suggest that its lesson is this: If you want long-term success, you have to manage for the long term. Of course, everyone pays lip service to that, but if you take it seriously – if you make long-term thinking a management approach – then it produces some clearly identifiable behaviors and choices.

It determines how and where you invest and allocate resources. It takes a kind of institutional patience to invest in R&D. The payoff, if it ever comes, can take years. It shapes your view of talent development. To develop talent at all levels takes money, time and commitment.

It shapes the way you see your company's role in its industry, and in society. We hired our first disabled employee in 1914... We gave women equal pay for equal work in the 1930s... We established an equal opportunity policy in 1953, 11 years before the U.S. Civil Rights Act... And in 2005, we became the first company to put genetic information off-limits in employment-related decisions.

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." Far from being risk-averse, building for the long term often compels the enterprise to act when it isn't obvious... to place bets that seem risky in the near term... to combat corporate inertia when times are good. The constant in all this is what the enterprise values and believes.

And to keep that front of mind, the CEO has to set the pace.

As you may have heard, the IBM board of directors announced last week that I will be stepping down as CEO on January 1. I will continue as chairman of the board, but I will be succeeded as CEO by my long-term colleague Ginni Rometty. Ginni is an extraordinary executive, and I cannot imagine a better leader to take IBM into its second century. As you would expect, I've been thinking about this moment for a long time – but not most importantly with regard to my own career or life.

The truth is that I have always thought of myself not as a "captain of industry"... but as the temporary steward of a great enterprise. I came to work every day with the mindset that IBM would outlive me... and with a determination that I and my colleagues will pass on to future generations of IBMers... and to the world... a better IBM than the one we inherited. Better positioned in our industry... stronger financially... and more relevant to society. We have all witnessed the emergence of a truly global economy and society. We have seen the flowering of a new age in science and technology. We have seen the dawn of an era in which intelligence is infused into all the ways our planet works. And we have watched billions of people better their lot in life by entering the middle class and modernizing their nations. This moment is changing life for people everywhere. The luckiest ones are blessed with the chance to shape it. Frankly, when this year began, I wondered how interested anyone could

possibly be in a corporation's 100th birthday. What I've learned, as I've traveled around the world this year, sharing perspectives on our centennial – with students in Beijing, venture capitalists in Silicon Valley, scientists in India and leaders of business, government and academia in many countries – is that there is intense curiosity about IBM... but not mostly as a story of business success. It's about something deeper.

What I've seen is a widespread hunger to fill a vacuum that I think we all feel now – the need

for leadership, the need for hope. Hope that we still have institutions and enterprises, leaders and employees, scientists and global citizens who keep moving to the future, who keep reinventing themselves, who keep driving progress – and who do so while preserving those fundamental values that must be preserved.

I am biased, of course, but I believe that IBM's history offers all of us a credible basis for this hope. Thank you.

Photo highlights from the Deming Cup Award Ceremony 2011



Dr. Brent James receives the award. In this picture: Tom Cole, Nelson Fraiman, Dr. Brent James, Shelly Lazarus, Keith Sherin, and Rob Amen (from left to right)



Sergio Marchionne receives the award. In this picture: Rob Amen, Tom Cole, Nelson Fraiman, Sergio Marchionne, Ginni Rometty, Sam Palmisano, and Garrett van Ryzin (from left to right)



Dr. Brent James and Sergio Marchionne, 2011 recipients



Steuben's cups for the Deming Cup recipients 2011



Dinner in Low Rotunda



Ginni Rometty and Dave Liederbach



Tom Groos and Ricardo dos Santos Jr.



Harry Silver talks to Sanjiv Nathwani, a colleague from Goldman Sachs, and Henry Chen, doctoral student



Marcelo Olivares, Alireza Tahbaz-Salehi, Omar Besbes and Gabriel Weintraub, faculty from Columbia Business School



Wayne Dix and David Niles



Deming Center staff: María José Quinteros and Paula Pontiliano (from left to right)



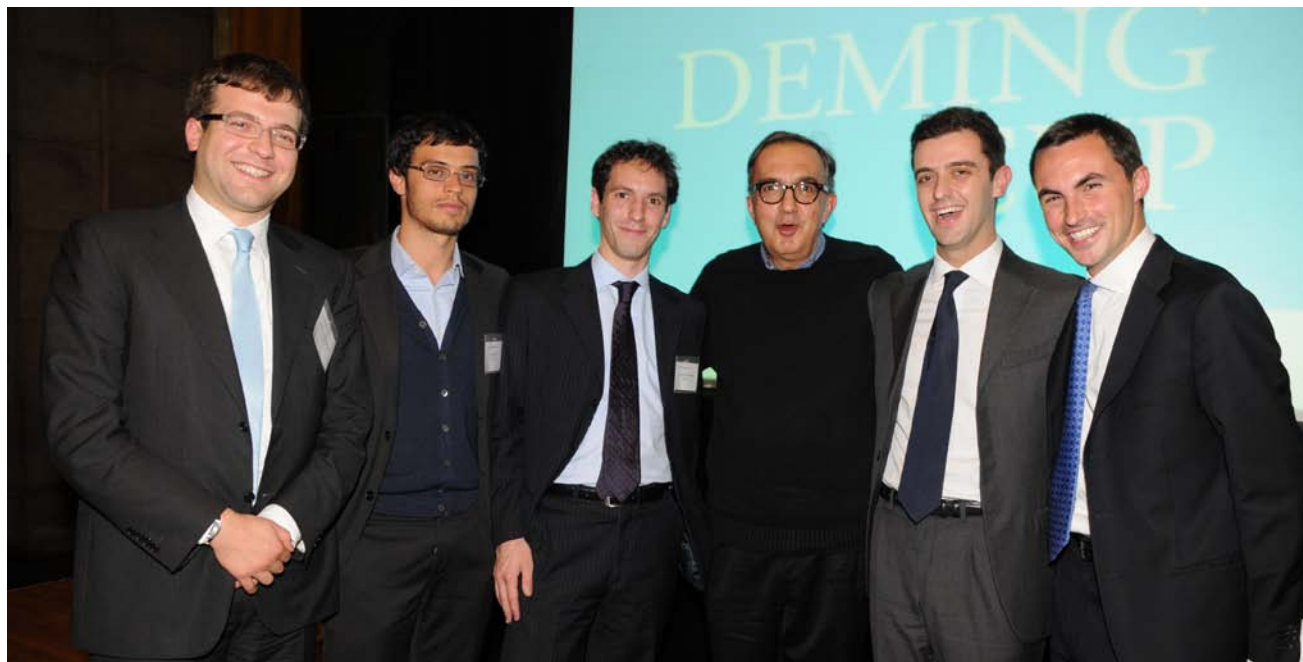
Rob Amen and Beth Ford



Sam Palmisano meets Richard Jaffe and Marc Silver from Stifel Nicolaus



Nelson Fraiman greets Roger Mesznik and Kevin Burke



Sergio Marchionne meets students from the MBA program. From left to right: Alberto Montagner, Stefano Pini, Francesco Passera, Alessandro Pradelli, and Federico Squeri.



Bob Zapfel and Bill Connell



Tom Cole discusses Deming Center's plans for 2012

Keith Sherin's remarks to introduce Dr. Brent James at the Deming Cup Award Ceremony

Thank you, Nelson. Good evening, ladies and gentlemen. It is my privilege tonight to introduce one of our Deming Cup award honorees, Dr. Brent James. Brent is here tonight with his brother, Alan, and several of his friends and colleagues from many healthcare institutions, including Charles Sorenson, President & CEO of Intermountain Healthcare.

We are fortunate to be here tonight to recognize a humble man who is a leader, a pioneer, and a scientist who collaborated with Dr. Deming for many years. Brent James is a man on a mission. That mission is to apply Dr. Deming's principles to improve the quality of delivery of healthcare.

Brent has always been on a mission -- I mean, how many of us can say that while we were in high school, we took our calculus textbook out to read, in-between doing chores?

From the beginning of his medical career, he has been working on reducing the massive variation he observed in the delivery of health care. He started over 25 years ago with teams at Intermountain Healthcare to identify the causes of variation and eliminate them.

He started working with Dr. Deming in 1987. All of Deming's work fit everything that Brent was seeing in healthcare. He loved the Deming theory that higher quality would lower costs and he set out to prove it, and he did prove it time and time again in his studies. He wrote the first major paper on the application of quality improvement principles

to clinical medicine with Dr. Deming's assistance. That paper, "Quality Management for Healthcare Delivery", is still used today as the standard for teaching physicians about quality.

Brent pursues his mission in so many ways. First, he has made the name "Intermountain" synonymous with quality. As the quality director at Intermountain Healthcare, he is responsible for some of the best practices in the world at 23 hospitals, 160 clinics, and an 850+ member physician group that serves more than 500,000 people.

He brings his steadfast commitment to creating a "learning organization". Brent developed the Institute for Health Care Delivery Research and the seminal Advanced Training Program Class to educate healthcare executives, not only on the methods necessary to execute quality change, but also the culture needed to maintain it. And to date, nearly 5,000 healthcare executives from all over the world have taken Brent's classes.

Brent is passionate about leverage. His work has led to a requirement that new board-certified physicians pass a written and oral exam on systems theory and quality improvement, based on Deming's principles and Brent's applications.

Brent brings leadership -- demonstrated over and over by his tireless contribution of time and talent -- to organizations like the Institute of Medicine's National Roundtable on Quality, and the Committee on Quality of Healthcare

in America, not to mention his efforts to create the first Malcolm Baldrige Award for Healthcare.

There is one other thing Brent brings to Intermountain Healthcare ... and it's indisputable ... RESULTS. A better health care system ... it's better service ... it's better care ... it's lower cost ... and it's better outcomes.

Dr. Deming once famously said: "In God we trust, all others must bring data." Well, the data is in. Intermountain is widely recognized amongst the lowest-cost, highest-quality healthcare providers in the United States. Even President Obama has taken notice. He noted that "if all doctors practiced to the

standard of Intermountain Healthcare in Salt Lake City, Medicare would cost 40 percent less."

Tonight, it is our turn to take note.

If we are to ultimately succeed in changing our healthcare system for the better -- providing the best patient outcome at the lowest necessary cost -- I have no doubt it will be Brent James' pioneering work that will lead the way.

Ladies and gentlemen, it is my pleasure to honor and introduce Dr. Brent James.

Dr. Brent James' remarks on accepting the second annual Deming Cup Award

After that introduction what I can say but thank you. Thank you very much Dr. Fraiman, Columbia University School of Business, for a wonderful two days and hopefully for a productive future together. We have already got the plans on the way.

Only one thing can make my evening more perfect. That's if my wife Eve would be here with me. I miss her. She was delighted in this too. As through the years we worked together to build a family and to build the future. And I think that's what this is about. It's building futures.

To be honest I found this great quote from the former head of the American Hospital Association, and academic at the University of Minnesota. He talked about what he called "retrospective construction of history". The idea is that successes were really the planned consequences of wise prior actions. For me I don't think this can't be further from the truth. The quote from Kurt Vonnegut Jr., a famous author: "I was the victim of a series of fortunate accidents".

So far as I can tell a very great fortune in 1987 to me. W. Edwards Deming. We have been studying variation in medical practice in a detailed level. Dr. Deming supplied a theory that described it perfectly. He helped me publish that first major paper. Actually he helped me write it, and he refused to apply his name to it. He said it's time for new generations. I think it was because I was in healthcare.

I learnt a lot more about this man though the years, but not in a friend level, more in a colleague level. I realized he was carefully mentoring me. Who can claim to be mentored by the original grandfather of this body of three in approach. If we have seen further is because we are still on the shoulder of two giants. So, it feels particularly appropriate, the only way that it really feels appropriate is to do this in honor of Dr. Deming and his massive contribution to us all on such a broad scale.

The second great fortune, I came to Intermountain Healthcare. There I discovered a new institution that truly lived its mission. The short version: "The best medical result of the law isn't necessary cost and time after time I watched the senior level of our institution, I saw they make real sacrifices to make that true. I can say that we count our successes in lives as we apply these ideas within healthcare literally thousands of lives in Utah, people who would have died if we did not, and hard data to demonstrate that truth.

I honestly don't think that this is happening anywhere else. So Charles, I really only feel confident in accepting this award if it really represents the teams at Intermountain, the physician and nurses, the leaders, my own staff at the Institute for Health Care Delivery Research, Lucy Stavitz who came here tonight to make this special evening. That's the real success.

Finally tough I have to do this for the future. Our country faces massive financial challenges. And when you examine closer about two thirds of the problem comes back to healthcare. We are destroying the country to be frankly. You know there's an interesting thing you may recall from your college psychology: the Maslow's hierarchy of human needs. Survival, security, social acceptance, self-esteem, and then finally self-actualization. A very wise man, Dallin Oaks, former Utah Supreme Court justice and president of the BYU School of Law, added one more element to the top of that, the idea of service as the ultimate in human accomplishment. You have all heard the old saying that we make a living of what we get. As I looked at the hand of Dr. Deming reaching down through the years, and based on my experience since the last time I saw him, here's what I would be telling Dr. Deming: "Dr. Deming, you should have started in medicine". He really should have started in medicine. And now it is starting to really define those professions, the healing profession, the future.

I've learnt another thing too that it is very important. I've learnt that the physicians and the nurses who work at Intermountain, the people who have come to my courses down through the years, they don't understand that the real advantage of having students is that you get to steal their good ideas. And you do it very routinely. It's always a two ways street, back and forth. What I've learnt is that the real key is to make it easy to do it right.

I've learnt that there are dedicated patients as I am, hard workers as I am, smart people as I am. The differences is that they don't control the systems within which they work, those in leadership do, and the key was creating that infrastructure to make it easier for them to achieve the goals that they always held in their hurt.

We had a more recent development, probably the single most important thing I think that we can do to make that true, to make it easier to do it right.

Medicine is innately inherently an information science. And we are now right in the middle of a major project to create a whole new world for medicine through health IT. It is particularly pleasant to see the leadership team from GE, our partners, here today. I honestly think that you haven't seen anything yet. We have not yet begun to understand how good we could be for a patient. At the same time I think we are going to solve the cost problem for healthcare, and it's going to be based on the foundation of Dr. Deming.

So, what I'm really want to say is that a series of accidents and thanks for each one.

Down through the years Dr. Deming, Intermountain and my students and staff, THANK YOU.

Sam Palmisano's remarks to introduce Sergio Marchionne at the Deming Cup Award Ceremony

Good evening. Thank you, Nelson. And congratulations Brent on receiving this very special recognition. I am delighted and honored to be here – and to have been asked to present tonight's second Deming Cup to Sergio Marchionne.

I don't think I need to cite the litany of Sergio's accomplishments at Fiat and Chrysler – they are already the stuff of modern business legend. How he took an ailing European industrial giant and transformed it into a thriving leader. And how he delivered a repeat performance – what Newsweek called "the Chrysler miracle."

What I want to highlight is not what Sergio did, but how he did it. In an article in Harvard Business Review in 2008, Sergio described his management approach. And I quote:

"We've abandoned the Great Man model of leadership that long characterized Fiat... and have created a culture where everyone is expected to lead."

I can't tell you how much I smiled when I read that, Sergio. It's so refreshing. I like it not just because we're both Italian. Or even because we're both liberal arts majors trying to survive in seriously engineering-based cultures.

But you are connected at a deeper level than that. I think we both understand the single most important insight for any CEO: We are not the company.

Now, we see enormous interest today in the charismatic, superstar leader. Without question, the cult of personality in business is

a powerful lure. The press cultivates it. Wall Street trades on it. Some employees crave it.

But I would argue that this romantic attachment to the charismatic superstar is the opposite of long-term leadership. Even worse, it creates organizational passivity.

If everybody is waiting around for enlightenment and direction from the guru on the mountaintop... then they are not actively engaged in the continual transformation of a complex, dynamic, evolving organism. Which is what any company or institution is – or must become, if it hopes to survive for the long term. That's certainly not Sergio's approach.

From the moment he got to Fiat, Sergio established a practice of visiting plants and offices around the world – in order to meet Fiat's people. He still engages with them directly, and spends four or five months every year in intensive reviews of the company's 700 top performers.

Another example of putting the Great Man Theory to rest: When Sergio arrived at Chrysler, he didn't set himself up in the plush corner suite – he took a standard office in the middle of the engineering department.

There are so many other dimensions of Sergio's leadership practice: His outside-the-box thinking... his honoring responsibilities to his workforce... his deep commitment to environmental sustainability... his genius for branding.

Put it all together, and what Sergio has done is to practice the radical idea that we can manage for the long term – even in the midst of a global economic downturn. And even in an industry that some were declaring on its last legs. We can create healthy, vibrant, profitable and socially responsible enterprises by taking a long view... building organizational systems and cultures that last... and managing by values. And yes, paying back his debts!

This is 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... as Sergio's accomplishments at Fiat and Chrysler demonstrate so clearly. 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. But managing for the long term is what you do if you understand that times will change, and that your responsibility is to leave an enterprise that is stronger, more vibrant and more confident than the one you found.

I am confident, Sergio, thanks to your leadership at the helm of Chrysler/Fiat, you will do just that. And I am equally confident that W. Edwards Deming would have agreed. Sergio, it is my deep pleasure to present you with this year's Deming Cup.

Sergio Marchionne's remarks on accepting the second annual Deming Cup Award

Thank you very much for those kind words, Sam.

It is an honor to share the stage with you tonight and to follow in your path as a winner of this distinguished award.

Beyond the long-standing relationship between our companies and our commitment to two organizations, the Council for the United States and Italy and the Peterson Institute in Washington, Sam and I share a deep belief in the importance of corporate culture, as well as faith in the potential for cross-border interfaces to bring people from different cultures together and improve human relations.

I would also like to express my appreciation to the Deming Center at Columbia Business School and the Selection Committee for this award.

When you give a prize to someone who has spent the last seven-and-a-half years at the head of big industrial groups like Fiat and Fiat Industrial -- and, for the last two and a half at Chrysler -- you are really rewarding the commitment and determination of the people who belong to those companies.

You are recognizing more than 250,000 men and women who have worked to restore the pride and credibility of our companies, and continue to do so with a renewed sense of purpose and passion.

I am proud to accept the Deming Cup on their behalf. They have demonstrated courage, commitment and passion in authoring two remarkable comeback stories.

For this reason, this award is even more gratifying, considering the comeback that W. Edwards Deming himself helped engineer.

For most of his life, he was a "prophet without honor" in his own country, the United States.

This country was rich and unchallenged after its success in the Second World War, and producers were focused on generating enough production to meet soaring consumer demand, without making quality a great priority.

Deming first found a receptive audience for his ideas on operational excellence in Japan, a society which had been devastated by the ravages of war.

In his book, "The Reckoning," the Pulitzer Prize-winning journalist David Halberstam wrote that the Japanese:

"had their backs to the wall, and they had no place to turn except to him ... Deming, who was accustomed to being ignored, realized he had touched something formidable. It was like some raw, powerful human force trying to assert itself.."

"No one was going to stop these people, because they so earnestly wanted to succeed. They had no other priority. They would make any sacrifice."

In a similar manner, today's Fiat, Fiat Industrial and Chrysler are made up of survivors – men and women who faced the abyss, and found the strength and resolve to fight against the death sentences that seemingly had been pre-ordained for them.

In 2004, Fiat was months from running out of cash, and business journalists were competing to write the best obituary even before the body had turned cold. But four years later, Fiat posted the highest earnings in its then 109-year history. A record which, notwithstanding the uncertain economic environment plaguing Europe, will be exceeded this year.

The situation was much the same at Chrysler in 2009, when there was widespread skepticism that the company could successfully restructure and compete, even with the financial assistance of the U.S. Treasury and the Canadian government.

Yet in less than two years, Chrysler repaid every penny of its government loans, with interest, and is now turning a profit. At both Fiat and Chrysler, we were able to find the courage to act and reverse our fate.

As always happens in life, the hardest, the most difficult moments – when we feel lost and beyond hope – are also the most meaningful.

They can change us forever.

Those who survive, who find the strength and courage to stand and fight, will never be as before.

Survivors are different people, special people.

My colleagues and I are survivors.

We all gain strength from the experience of overcoming adversity. We don't shy away from making tough decisions, and we are able to quickly adjust to new challenges.

The decisions we make today at Fiat-Chrysler are pervasively colored by the near-extinction experience and by a resolve to never again get so close to our own demise.

My colleagues and I have learned to live a culture of change, of feeling comfortable in the discomfort of uncertainty, of measuring ourselves each day with competition.

We regard the future as a huge opportunity.

Having been to hell and back, we are willing to seek out change and initiate it, rather than be victims of it.

I am referring to much more than merely a change in strategy.

What I have learned from my experience as a chief executive is that a change in culture is something much deeper and longer-lasting than a simple change in industrial or commercial practices.

We can modify those, but we cannot negotiate ourselves out of our set of values.

Our ability to embrace change and to confidently plan for the future rest on a concept of leadership embodied in a handful of core principles.

- *Merit above mere knowledge or rank*
- *Leadership of change and of people above position*
- *The search for excellence above mediocrity*
- *A desire to engage in competition above egocentricity and insularity*
- *Reliability and accountability above idle promises*

These values are reflected in every decision we take, in every leadership appointment we make.

These five simple, cardinal rules that govern our lives at Fiat and Chrysler are consistent with Deming's 14 management principles for business effectiveness.

Deming championed the idea that true quality demands a total commitment throughout the entire organization.

At Fiat-Chrysler, we understand the need for every level to understand and embrace our values.

One of the biggest drivers of cultural transformation has been the implementation of World Class Manufacturing, or WCM, in our plants.

It will not surprise this audience that our journey to WCM began by visiting plants in Japan, where Deming had such a profound influence, in order to understand their best practices.

WCM provides a rigorous framework to methodically and relentlessly root out waste. But equally important, it is intended to put dignity back into the workplace, reflecting the fundamental values of self-respect and respect for others.

At the heart of WCM is a deeply seated belief that a workforce that is fully engaged in planning and problem-solving will provide the best answers to the real needs of the production line.

I believe waste is fundamentally unethical. And, to quote Deming himself, "the greatest waste is failure to use the abilities of people."

WCM is just one example of how the people of Fiat and Chrysler have embraced change and the spirit of competition.

Our alliance is being led by a group of motivated and tenacious leaders who believe in themselves and in their colleagues. These individuals do not flinch in the face of responsibility and have an extraordinary capacity to craft creative collaborations inside their teams.

These leaders are our best hope for the future. They understand competition, embrace it openly, and know how important it is to continually rethink their approach.

Perhaps their biggest test ahead is the effort to align Fiat and Chrysler in a way that builds on our combined capabilities without discarding the strengths that come from their individual histories and identities.

Fiat and Chrysler are complementary in terms of geography, automotive architectures, powertrains and product offerings.

As important as these synergies are, our greatest challenge is the cultural integration of these two groups.

We have succeeded thus far because we recognize Chrysler is first and foremost an American car company and that its character needs to be nurtured and preserved.

The partnership will continue to flourish if Fiat and Chrysler people can work alongside each other with humility, listening, sharing, experiences, exchanging knowledge and ideas, and expanding their horizons.

The extent of our mutual respect will determine our future.

It is said that human beings can live for 40 days without food, four days without water and four minutes without air. But we cannot live for four seconds without hope...the oxygen of human society is hope."

My hope as a leader is that all of us, in whatever field we work, adopt Deming's belief in the potential for continuous improvement.

My hope is that we will always live knowing that ultimately, regardless of circumstances, we have the power to refuse our consent.

We have the power and a moral obligation to refuse our consent to decay, to industrial neglect, to wasteful activities, to disengage from competition – because ultimately, consenting to all these things would not only be a denial of our own right to life, but also of our duty to protect the welfare of our people.

Thank you all.



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