

**Babes in Boyland:  
Women in the 21<sup>st</sup> Century Corporation**

**Remarks by  
IBM General Manager and  
Managing Director  
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Good morning, ladies and gentlemen. I'm delighted to talk with you today about my favorite topic: the importance of women in senior corporate leadership positions.

Including women in the executive ranks of your company is not just "the right thing to do." It's not just what your competitors are beginning to do. In truth, it's nothing short of a business imperative.

A recent Pepperdine University study of 215 Fortune 500 companies showed a positive correlation between a strong record of promoting women into high positions and profitability for the company. In short, having women at the top will boost your bottom line.

I kid you not.

(pause)

Women have already come a long way, baby. We're your employees, your customers and your shareholders. We've got jingle in our jeans...and innovative ideas in our heads. But by and large, we're not your CEOs.

Let's look.

Today, 63 million or 60 percent of American women work. According to the U.S. Department of Labor, that number is growing faster than the number of men in the workforce. In fact, at some point in their lives 99 out of every 100 American women will work for pay.

Working women currently earn more than \$1 trillion every year. More than 30 percent of us out-earn our husbands. Three-hundred-thousand of us earn more than \$100,000 annually. And women head 40% of American households with assets of \$600,000 or more.

Since 1970, men's median income has barely budged – up only 0.6 percent, adjusted for inflation, while women's has soared 63 percent.

Between 1995 and 2005, women became the majority of financial managers, accountants, auditors and economists. Today, women make up 38 percent of business school students, 46 percent of those in medical school, and 49 percent of the law school population.

Women also lead in opening their own businesses and found them at twice the rate of men, according to the National Foundation of Women Business Owners.

In 2005, there were 9.1 million women-owned businesses in the U.S. employing more than 27.5 million people and generating more than \$3.6 trillion in sales. Over the next few years, it's expected women will own the majority of the nation's small businesses.

Even stock ownership is no longer the province of men, the affluent or the elderly. According to a NASDAQ Shareholders Survey, women make up 47 percent of all investors. Half of them are under the age of 50, and nearly half say they have main responsibility for the financial/investment decisions in their households.

Top financial services firms cater to a generation of professional women with substantial portfolios and significant buying power who will probably, by the way, outlive their husbands by a number of years.

(pause)

How much money women make or have access to is only half the story. More important to you as business leaders is just how much money women spend.

We spend a lot.

Historically, women purchased everything from the family meal to the family entertainment, from their husbands' shirts to their children's shoes.

What is new is that women now buy big-ticket items. Today, we purchase our own cars, our own computers, our own cell phones and our own investment accounts.

The TrendSight Group estimates 80 percent of all household-purchasing decisions are made by women.

To begin with, 27 percent of women head their own households. And in married households with two incomes, studies show that women spend not only their own paychecks, but a good deal of their husbands' too.

You already knew that, didn't you?

(pause)

Clearly, women are a force to be reckoned with. But what are my chances of one day standing before you as the chairman of IBM?

Let's go to the data.

In corporate America, women make up about 50 percent of professional and managerial ranks, but only 5 percent of top management positions.

In 2005, only five women led Fortune 500 companies; only 11 are CEOs of Fortune 1000 companies. That's a measly one percent.

In the Internet and start-up world – where you might expect more opportunity for women – things are much the same. Except for the rare Meg Whitman, eBay's CEO, few women have top leadership positions.

(pause)

So how does one reach the executive suite?

There may be lots of routes, but a recent study by Indiana University's Kelly Business School identified one. It found the majority of successors to CEOs in large corporations are first inside directors. Unfortunately, in the 10 years the study examined -- 1986 to 1996 -- the number of inside female directors actually dropped.

And recruitment specialist Spencer Stuart found only 3 percent of directors on Internet company boards were women, even less than the 12 percent share of women on S&P boards.

In the interest of full disclosure, let me tell you that two women serve on IBM's 15-member board of directors and six women are among the

company's 54-member Worldwide Management Committee, the senior management of IBM. We're not perfect, but we're ahead of many companies in this area.

(pause)

As you might suspect, the story is much the same around the globe. Although women run 11 countries across Europe, Asia, Central America and the Pacific, they're still not running companies there.

Women make up only 11 percent of boards in Australia; 9 percent in Canada; 6 percent in South Africa, and 0.2 percent in Japan.

A new study by Britain's Cranfield School of Management found women were only 2 percent of directors of the top 100 British companies. Across the European Union, women hold only 1-to-2 percent of board slots.

(pause)

And yet, I am hopeful because I believe forces of change are at work in the world that bode well for women – including a commitment to improve corporate governance and to embrace diversity, to name just two.

Let's look.

First, global competition requires new competencies from company heads and company boards. These include a greater understanding and experience with diverse markets and diverse workforces that women can bring to the table.

Second, many boards have aging members whose competencies no longer match the global marketplace. When they leave, board openings may be filled by those with different expertise and perspective, women among them.

Third, union and pension fund boards are also demanding diversity in board composition from companies in which they have large investments. Women will provide some of that diversity.

(pause)

As I've suggested, excluding women from top positions means losing the brainpower and perspective of more than half of your employee and shareholder populations, and more than three-quarters of your customer base.

Women are no longer a market niche; we're a market majority. It's smart business to exploit our insight on everything from product design and marketing to customer development and employee morale.

In addition, studies show that senior women attract other high-achieving women to all levels of your companies.

These are tangible business benefits.

(pause)

Men are from Mars, you'll remember, and women are from Venus. We bring a unique perspective to the world and to everything we do. You need us, in short, because you can never walk a mile in our Manolo Blahniks...or our Birkenstocks.

When women are given the power and the tools – or the power tools -- there's no telling where their imagination and creativity may lead them.

It was, after all, women who invented the submarine telescope, the car heater, the life raft, the fire escape, medical syringes, the windshield wiper, the electric hot water heater. And one invention we couldn't do without – the chocolate chip cookie, created by Ruth Wakefield in 1930.

Without us, men would be cold, drowned, burnt, sick and squinty-eyed, not to mention eternally distracted by their craving for the perfect cookie.

Women have an impressive history of business innovation resulting in significant revenue streams for our employers.

In 1850, 12-year-old Margaret Knight saw a man seriously injured at the factory where she worked with her brothers. It made such a strong

impression that she invented the “stop-motion” machine that closes down the production line when a machine malfunctions and someone is injured.

The mill immediately put her invention to work and today such machines are on factory floors around the world, saving countless lives and limbs.

In 1964, while working at DuPont Chemical, 43-year-old Stephanie Kwolek, invented a very thin substance that was five times stronger than steel. The material was Kevlar, used today in everything from bulletproof vests to cut-resistant gloves to firefighters’ suits. It has also saved countless lives, and guarantees DuPont hundreds of millions of dollars a year in sales.

In 1956, 26-year-old Patsy Sherman discovered Scotchgard® while working at the 3M Company. Experts had said such a product was “thermodynamically impossible.” But one day Patsy accidentally spilled a formula she’d been working with on a white tennis shoe. It wouldn’t wash off nor would solvent remove it. And the area resisted soiling.

Patsy recognized the commercial potential of its application to fabrics during manufacture and in the home. And so was born one of America’s most recognized, and most valuable, family of consumer products.

In 1957, Bette Graham was a 35-year-old divorced mother of two living in Dallas, who longed to be an artist. To support her children she became a secretary who sought a better way to correct typing errors. Remembering that artists painted over their mistakes on canvas, she wondered if typists could paint over theirs.

Graham tried out her idea using a paint brush and tempura water-based paint, colored to match her office stationery. So began Mistake-Out, later renamed Liquid Paper. By 1967, it had grown into a million-dollar business, and was sold in 1980 for \$47.5 million.

My own industry would not be where it is today without the creativity of Grace Hopper, born in New York City in 1906, who believed that computers could be programmed in plain English.

In 1959, she invented COBOL, the first user-friendly business software program, and changed the face of computing. COBOL

programmers, you may know, actually saved the world from a Y2K disaster because almost everything that had to be updated at the turn of the 21<sup>st</sup> century was written in COBOL.

(pause)

Let me suggest another reason women make valuable corporate leaders. They may be more sensitive to ethical conflicts and more willing to expose wrongdoing.

From Enron to Worldcom, from Adelphia to the FBI, from Tyco and Qwest to Global Crossing and Arthur Anderson, corporations and government agencies have been awash in investigations and indictments because of phony earnings, inflated revenues, bloated bureaucracies, and directors asleep at the switch.

Perhaps it's no coincidence that women are playing key roles in bringing these problems to light.

The memo Enron Vice President Sherron Watkins sent to Chairman Ken Lay warning of improper accounting and management practices led to the biggest corporate bankruptcy in US history.

FBI agent Coleen Rowley's testimony chronicling a "climate of fear" in the FBI and naming officials who brushed aside warnings about suspected terrorists before the 9/11 attacks, helped spur the biggest shake-up in FBI history.

And who can forget Erin Brokovich? The class action suit she spearheaded claiming Pacific Gas and Electric contaminated the ground water in Hinkley, California, resulted in a \$333M settlement, the largest paid in a direct action lawsuit in U.S. history.

(pause)

New research by Carol Gilligan of Harvard supports the anecdotal evidence that men and women look at ethical issues differently. Men are not inherently more crooked than women, the study points out. But it suggests women see the implications of their decisions, such as who will be hurt,

more clearly than men, who tend to think about whether they will make money or get caught.

Hey, I'm only the messenger!

(pause)

Let me pause for a commercial disclaimer here: IBM currently ranks number one on *Business Ethics* magazine's list of best corporate citizens.

We've covered a lot of territory, haven't we? We've looked at women in the workforce and their earning, investing and spending power. We've discussed the lack of women CEOs and corporate directors. And we've talked about the creativity and passion women can bring to the workplace as inventors and corporate consciences.

If you buy my thesis, then, that companies with women leaders are more profitable, more creative, more ethical and more able to attract and retain employees, there's only one question left.

What steps might your organization take to foster the advancement of women leaders?

It seems to me there are four areas on which you might focus:

**First**, meaningful work/life policies and programs.

**Second**, mentoring and networking opportunities.

**Third**, leadership training.

**And fourth**, ways to show young girls they have a future in your company or industry.

(pause)

Of all the issues that dog working women, perhaps none is as daunting as achieving "work/life balance."

Here's *Working Mother* magazine on the subject: "We live in an age in which the merits of 'work/life balance' are proclaimed by virtually every CEO. But it's also a world in which the vast majority of the country's 25 million working moms can't take a day off to care for a sick child.

“We live in an age in which a female executive can leave the office early for her child’s baseball game, but a line worker in the same company can be fired for saying no to mandatory overtime. We live in an age in which women who achieve the big-power alphabet jobs – CFO, CIO, COO – too often pay a high personal price.”

Ain’t it the truth?

But daunting as it may be, for both companies and individuals, the organizations which offer thoughtful and progressive policies and programs...the organizations which give women choices and opportunities...are the places where women want to work, and where creative, motivated and productive employees will stay and best serve your shareholders.

Let me tell you a little bit about what IBM is doing in these areas, and about the “best practices” of other leading companies.

(pause)

Today, 55 percent of IBM’s executive women are working moms, so we try hard to help these high-achieving women stay and succeed in their careers.

IBM is no “Johnny come lately” to its commitment to women. The company hired its first women -- Emma Manske, Nettie Moore and Lilly Philip -- in 1899.

In 1935, IBM recruited its first professional woman and that year company founder Thomas J. Watson Sr. stated that “men and women would do the same kind of work for equal pay.” In 1943, the company named its first female vice president, Ruth Leach.

In 1956, IBM introduced a three-month leave of absence program for employees having babies. And as the leaves increased to one year in the 1960s and to three years in 1988, so too did the reasons for taking them. Today, employees can take a leave to return to school, pursue a special volunteer opportunity, or be at home with a child.

Since 9/11, IBMers are also taking military leaves.

The company has no limit on how long a person can serve in the military and still return to his or her job. Reservists can continue to contribute to their 401(k) plans and pensions and keep health insurance for themselves and their families. IBM makes up the difference between the reservist's military salary and his or her IBM pay, not just for 30 or 90 days, like many other companies, but for the reservists' entire length of service.

Right now, 104 IBM employees are on active duty.

Ten years ago IBM introduced a flexible work schedule so employees could vary their start and stop times. In 1997, the company established a regular, part-time employment program.

And IBM's worldwide LifeWorks resource program helps employees and their families identify and engage appropriate childcare and elder care services.

It also provides practical solutions, realistic answers and customized resources on a full-range of personal and job-related issues. LifeWorks consultants speak English and Spanish and offer simultaneous translations into more than 140 languages.

(pause)

Pharmaceutical giants Pfizer and Merck, like IBM, have consistently been named by *Working Mother* magazine to its list of 100 Best Companies for Working Mothers.

In 1999, Pfizer created "Vista RX", the industry's first sales force consisting entirely of reps working three days a week while receiving full benefits.

At its Groton, Connecticut, R&D campus, Pfizer offers part-time, flextime, job-sharing, telecommuting and compressed workweeks. Its Animal Health Group has a work-at-home pilot program up and running.

And at Pfizer headquarters a “Lunch and Learn” program features guest speakers on topics from communicating with your teen to caring for an elderly parent.

Merck provides employees with on-site banking and childcare, lactation rooms, drop-off dry cleaning, yoga, massage, and prepared pick-up dinners.

(pause)

Mentoring and networking opportunities are a second way to help women become leaders in your company. After all, Plato had Socrates. The Karate Kid had Mr. Miyagi. And Thelma had Louise.

(pause)

I might need to re-think that list, but you get my point.

Early in my own career, I didn’t have specific goals or a vision of where I wanted to go in IBM. I got the job experiences my supervisors thought I should have.

Then one day I asked a senior executive why I was overlooked for a certain job. He took me aside and said, “Where do you want to go in this company?” Only then did I begin to think about my career path and to look at every job opportunity with a critical eye and ask: will this help me achieve my goal?

Since that time, I’ve been a mentor and I’ve had the benefit of excellent mentors myself.

Simply defined, a mentor is a role model you can talk to. It might be someone you e-mail daily, sit down with every Friday afternoon or meet for lunch from time to time. A good mentor will help you find your footing in a new company, locate opportunities, meet key people and brainstorm solutions to the challenges you face.

Fran Allen is an excellent mentor and one of only 55 IBM Fellows worldwide, the recipient of the company’s highest recognition for technology excellence.

Mentoring is part of her normal workday. She seeks out people who are new to the company and helps them figure out how to succeed. In a typical week, Fran has two in-office meetings and three lunches with various proteges seeking her counsel.

IBM now gives an award in her name to women who take the lead in mentoring other women.

At PriceWaterhouseCoopers, new consultants are assigned a coach or mentor the first day on the job. In addition to regular meetings, the coach helps the employee develop an annual personal plan, including areas for skills growth.

A program at Bayer matches 150 mentoring pairs each year, features senior level executives sharing their career strategies, and includes an e-mentoring pilot program.

Networking opportunities are equally important as women realize they often lack the informal networks men have traditionally developed.

So women are building their own. I appropriated the name of one of them, “Babes in Boyland,” for the title of this talk. The real “Babes in Boyland” is a Silicon Valley networking group for IT women.

IBM’s 25 Diversity Network Groups help our women and multicultural employees to meet and team; mentor and coach; do community outreach; plan and implement social, cultural and education events, and develop professional skills and share information.

Many of our business units also conduct quarterly networking calls which can include more than 500 women sharing, learning and communicating about the company and the challenges they face.

Our Women in Technology teams provide networking opportunities to IBM’s technical women and identify and encourage young women to enter technical fields.

(pause)

A third important focus area is leadership training.

Recently, IBM was named the best company for leadership development by *Chief Executive* magazine. The magazine wrote, “When it comes to developing bench strength in business leaders across an organization, no company does it better than IBM.”

Let’s see why.

In 2005, IBM conducted a comprehensive research effort to identify the characteristics that distinguish outstanding business leaders inside the company. As a result, 11 leadership competencies unique to IBM were identified, along with the behaviors that demonstrate those competencies for all levels of management, including senior executives.

Every employee gets this handbook (hold up), called *Strengthening Leadership at IBM*. It helps them assess strengths and areas for further development, and it prescribes specific development activities. This tool is used with an employee’s manager and results in an individual development plan and ways to measure progress.

Marriott International has a similar Leadership Development Talent Inventory, which includes a thorough personal assessment, extensive feedback, executive coaching, a workshop and the creation of a personal development plan.

And Bayer Corporation’s Delegate Career Development Program provides women with international assignments in non-traditional roles and includes in-depth language and culture training. Since 2005, nine of 19 women participants have completed their assignments and achieved promotions ranging from two-to-four grade levels.

(pause)

The final way to increase the number of women in the executive pipeline is by helping young girls see themselves in the future of your company or industry.

In technology industries, for example, nearly two million engineers are employed in the U.S. today; another million engineering jobs are expected to open up by 2010.

Unfortunately, the number of young people entering these fields continues to drop each year.

So during National Engineers Week last year, IBM launched “Introduce a Girl to Engineering Day,” in which women engineers and their male colleagues reached out to nearly one million K-12 girls nationwide. IBM does the same through Women in Technology Workshops for girls in grades seven and eight throughout the U.S., Canada and Latin America.

Finally, IBM’s Camp EXITE -- Exploring Interest in Technology and Engineering -- is a summer camp program for middle school girls held at IBM sites around the world. The program encourages the girls’ interests in math and science and gives them an in-depth look at technology careers.

(pause)

As I thought about, researched and began to write my remarks to you, I realized that the topic of women in corporate leadership is BIG -- not just important, but filled with complexities and contradictions.

For example, some say women haven’t been in the pipeline long enough to become CEOs. That isn’t really the case. Instead, it may be what they’ve been doing in the pipeline that’s limiting their advancement.

Women often take the “silo” approach to their work – choosing to become very good at one thing or in one area.

But that’s not how people become CEOs in corporate America.

Moving up usually means moving around geographically. Someone in sales, for example, might make 10-to-15 moves, family in tow, to reach the top. At many companies, it seems a big career requires a modern-day version of an Aztec sacrifice, with whole families offered up.

People used to say IBM stood for “I’ve Been Moved.”

This can be tough on women with families. There aren't that many portable husbands. I've had to move around in my career, and feel blessed that my husband was able to come when I was offered an assignment in Japan some years ago.

Catalyst, the research group that studies women's business issues, reports that more than two-thirds of recent survey respondents cited commitment to personal and family responsibilities as barriers to career advancement for just the reasons we're discussing.

So here we are again.

As usual with women's issues, there are no simple answers. But perhaps we understand in a new way that simplicity, like world peace, is something we aspire to, not something we possess.

Instead, we'll take choice and opportunity. We don't want employers to limit our options or circumscribe our careers. We want them to offer us possibility, in all its messy complexity.

Perhaps most of us will never become CEOs. Perhaps we'll choose to be division or department heads. Perhaps we'll stick with something we know and love. Perhaps we'll take a leave to run a literacy program or a homeless shelter. Perhaps we'll change careers, work part-time, stay home.

What's clear is that the companies with creative policies and programs...the companies offering us choices and chances...are the places we'll want to be, the places we'll tell our friends about, and the places whose shareholders will benefit from our contributions.

As more and more companies understand and embrace the value of women in leadership positions, maybe someday I won't call this talk "Babes in Boyland." Perhaps I'll be able to call it "Chicks in Charge"...of our own destinies.

Thank you. I'll be happy to take your questions now.