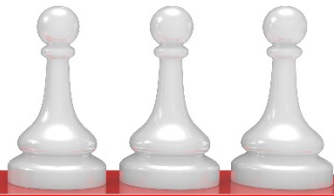


# **Tom Watson Sr.**

## **Essays on Leadership**



Democracy in Business



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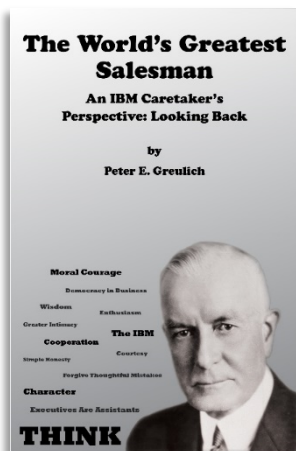
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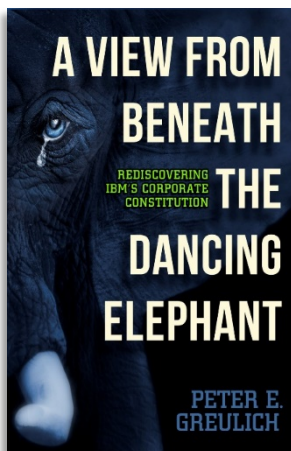
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The World's Greatest  
Salesman

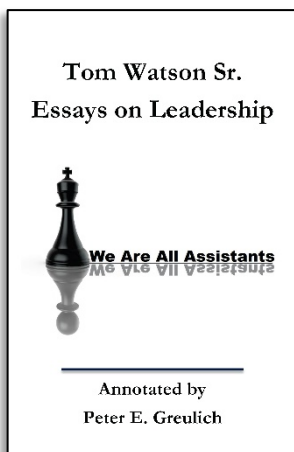


A View from Beneath the  
Dancing Elephant

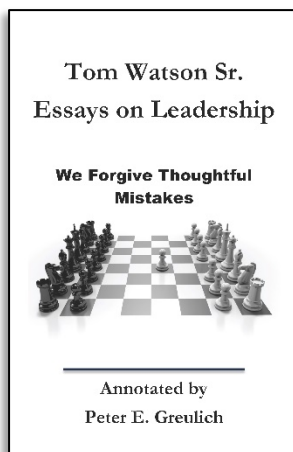


THINK Again!

(The following free downloads are available in electronic format only.)



We Are All Assistants



We Forgive Thoughtful  
Mistakes

**Tom Watson Sr.**  
**Essays on Leadership**

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**Democracy in Business**

**Volume I: Issue I**

**Peter E. Greulich**

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To  
Tom Watson Sr.,  
the traditional founder of IBM  
and the IBM Basic Beliefs:

Respect

Service

Excellence

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“The great success of our country  
has been built on a foundation  
of democracy.

Democracy has been developed  
and is exemplified here  
to a greater extent than in  
any other country in the world.

The businesses today that follow  
the lines  
of democracy are moving  
faster and making greater progress.”

—

“Building Careers”

Thomas J. Watson Sr.

October 30, 1930

# An Employee-Owner's Perspective

**M**ost businesses do not foster an atmosphere of democracy. As an IBMer of thirty years, I never once attended a meeting and heard, “Let’s take a vote and let the majority decide.” IBM executives specifically, at key decision points, are known to emphatically state, “IBM is not a democracy.”

I never thought of IBM as a democratic organization, so it might be difficult to believe that Thomas J. Watson Sr. founded IBM on democratic ideals. Books such as *The Maverick and his Machine* by Kevin Maney and *The Watson Dynasty* by Richard Tedlow paint IBM’s founder as more egocentric, egoistic and egotistic than democratic.

But Tom Watson Sr., never one to leave anything to chance, defined democracy-in-business for his company. He forged this definition negotiating a path through the recessionary fires of 1913, 1918, 1920-21, 1923 and 1926. His definition ignited a business expansion in the greatest economic contraction of the 20th Century—the Great Depression.

## AN EMPLOYEE-OWNER

There is a term today used to describe the men and women who call IBM home: IBMer. I have never uncovered any stories or internal corporate mythology about the exact origin of the term; it probably grew out of daily usage. IBMer, to me, is an abbreviation—short for IBM employee-owner.

IBMer captures the heart and soul of the person. It has no social standing associated with it, no position of stature, no power ranking within the corporation, no underlying hierarchy supporting it, no social class or pay grade; rather it defines a person’s heart, a person’s commitment, dedication and loyalty. Most of all, the term defines the person using it as being in a win-win relationship with a company—a company that, in the past, saw itself as a family.

An employee-owner is an individual that makes everyday business decisions as if they carry the owner’s burden.



In this 1929 Black Tuesday speech he articulated its essence saying, “You all look alike to me.”

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**T**om Watson Sr.’s democracy-in-business was the midpoint between two powerful and competing forces during the Great Depression: the anarchy of the many and the tyranny of a few. This day, Tom Watson Sr. stood before an audience he knew well. True to his lifelong passion, he spoke frequently and spontaneously to his salesmen. He was explaining his view of democracy-in-business to a profession infused with independent thinkers and free spirits.

It must have been a tough sell.

He states that any business needs structure, form and controls; yet he believes “that the businesses that follow the lines of democracy” move faster, make greater progress and receive deeper cooperation. His chosen path to become the fastest growing, most profitable and most dominant business in United States history was democracy-in-business.

This day he was focused on harnessing the energy of his audience—the many. During this dark economic time, he needed enthusiastic individuals. He believed democracy-in-business would unleash that enthusiasm. It eliminated social-class bigotry. It discouraged educational snobbery. It offered unlimited corporate mobility. Cooperation was at its core and opportunities were universal. Everyone was respected; everyone was treated alike. They pulled together as one; they operated as one; they were one. They were family. His democracy-in-business gave every man the opportunity to fit in.

Thomas J. Watson Sr. though, believed freedom without discipline was bondage. A framework was required. In an organization of individuals united

for the greater good, mutual respect was required. He focused his company on the individual—individual responsibility, individual performance, and individual thought and action. Ultimately, it was about individual empowerment balanced with individual accountability.

He knew this structure wasn't for all men; some would not fit. He challenged those that were not satisfied, to find another company—find other careers. This was just in their mutual self-interest. He was creating what Jim Collins in *Good to Great* would later define as a rigorous company. IBM consisted of exacting standards at all times and at all levels. Hiring or promoting the right person meant prioritizing personal character over proper upbringing and personal capabilities over a specific knowledge or skill. Everyone had a voice; everyone was heard. Everyone was encouraged, challenged and expected to suggest improvements. And, everyone was held accountable, including management.

IBM was a representative democracy. Managers, as the employee's representatives, enacted business policy; and a policy was changed only if it benefited the many, not the few. Change was expected but change, by definition, was an improvement for all. The employee-manager relationship was balanced on the fulcrum of mutual trust and confidence. It demanded constant communication and continuous cooperation.

Tom Watson Sr. spoke of his first-line managers as “carrying water on both shoulders.” They balanced the needs of the individual with the needs of the business. They were at the epicenter of this representative democracy. They were expected to build family spirit; forgive thoughtful mistakes, be an assistant to man, instill trust and confidence, practice and teach introspection, evaluate actions over words, character over reputation, and personal traits over physical appearance. They were to call a man to a higher purpose. Over the

next four years, Watson Sr. would constantly discuss the dangers of the tyranny of a few. He warns his European executives several months later:

“When you give men authority it affects them differently. Some men think, ‘I have been given authority to tell these other men what to do.’ Consequently, they are not able to tell anybody what to do that will be of any value.

“When a man is given a promotion. . . . the first thing for him to do is to worry a little over it instead of taking a great deal of pride in his new power. His first duty is to sit down and to think seriously about his responsibility and how he can aid his coworkers.”

Individual accountability and managerial excellence were the hallmarks of IBM’s democracy-in-business. It did not allow anarchy; neither did it allow tyranny. Many have written about Tom Watson Sr.’s reputation—that which they believe he was. IBM reflected his true character—that which he really was.

Because of Watson’s democracy-in-business, we looked alike to each other and IBM grew and prospered.

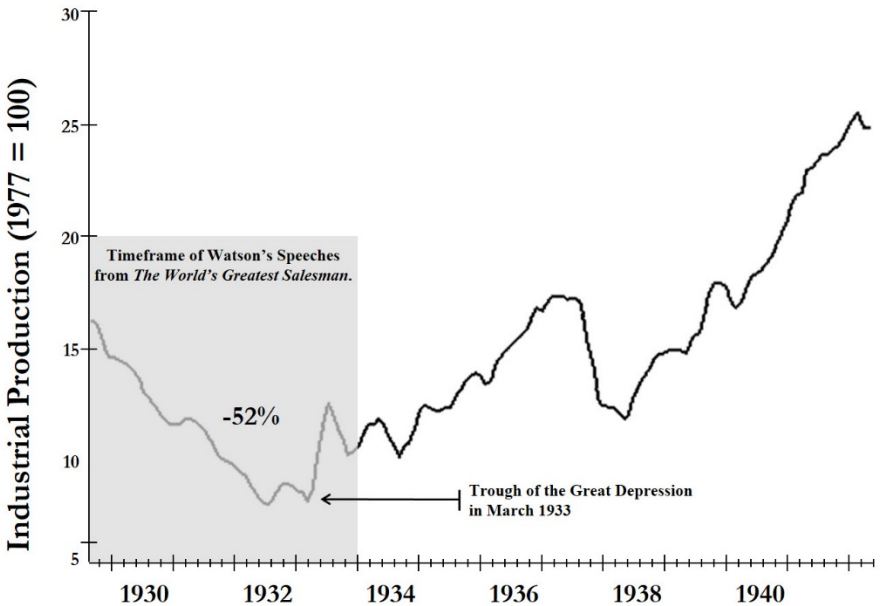
**“You all look alike to us.”**

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# A Historical Perspective

**T**his chart frames the context of Thomas J. Watson Sr.'s speeches, writings and interviews during the Great Depression. Industrial production fell 52% between his first speech and, two days before Christmas in 1933, when he declared, "We have seen industry rise from virtual prostration and start forward again." During this time, Tom Watson Sr. expressed his beliefs in over 200,000 words transcribed from some 200 speeches, interviews and writings.

This is one of his speeches from this time frame.



Source: Frank G. Steindl, Regents Professor of Economics Emeritus at Oklahoma State University, "What Ended the Great Depression?"



# Thomas J. Watson Sr.

## Building Careers

IBM Sales School Number 54

Endicott, N. Y.

October 30, 1929

**I**t is really a special pleasure and a privilege for me to meet with a group of young men who are just beginning their careers with the IBM. I know that you have heard many things said recently about our company, and I doubt very much if any of the speakers said anything bad about it.

I do not know who has talked to you outside of your direct instructors, but I believe that if you review the talks you have heard in this school you will realize that everyone has had back of it the same spirit—the spirit of the IBM. I hope that each of you has absorbed that spirit, and that it is now a part of you, because without the IBM spirit you cannot possibly get anywhere in this organization.

I know that men coming into this business from different businesses and different walks of life have different ideas. We do a great many things in our business that strike outsiders as being unusual. Very often young men disagree with our ideas or our policies because they believe they know better ways. Consequently, they go off on their own line, ignoring the teachings of the company. Such young men never make a success with us. I cannot impress that upon you too strongly this morning.

When we get ready to build a building, we employ an architect. He draws the plans; he has his engineers make up the specifications, in which all of the measurements are drawn to scale. The contractor is then called in and the contract is let. The contractor turns it over to his workmen, along with the plans. Every man is instructed to build that building in accordance with those

plans, and everybody works according to plans and specifications, never deviating one iota. Occasionally some man makes the suggestion, "this will be a stronger or a better structure if we make such and such a change," but he does not make it. He takes it up with the men above him. They discuss the proposition. If it is a good idea to change the plans, they change them and the work goes on.

That is exactly the way a business is built. It is the only way that you can build a business and have a solid organization back of you. Every man must follow the plans and specifications laid down by the architect and the engineer. Always keep in mind the fact that, if you see a chance for improvement, you must take it up with Mr. LaMotte and Mr. Armstrong and the other men above you. Explain it to them and, if it is a good idea, they will use it. They will change a policy for the entire organization; not for just one man. Any policy in our business that is not good for every man is not a good policy for the business, and we will not adopt it.

I bring out these points to you because I know that in every school there are men who in the beginning cannot quite see our way. It takes a little time. I want to say to you that you must get into the spirit of the company; you must decide to follow out the policies of the people who are running this business, or else decide not to go any further in it. To do so would be a waste of time on your part and a waste of money on our part. Our organization works as one man and that is the policy we are going to pursue. I hope all of you in this room can make up your minds to carry out our policies literally, conscientiously and enthusiastically, keeping in mind the fact that we are always looking for a better way, and that whenever we find a better way of running this business we shall use it. We welcome changes from time to time, because business conditions change, everything changes, and we change along

with the rest. We aim to keep up-to-date, to keep ahead of the times. It is our business to do that.

I want to say to you that you are very, very fortunate in being in this business at this time. I can look back over the building that has been done in the past forty years. People today recognize our machines and our methods of accounting, weighing, and recording time, as being the best methods. We are the pioneers in those three industries. We have had more experience than anybody else. We have put more money back into the business in the form of new development work and we have more men thinking about how to improve the business.

You in this school are especially favored in having here with you Professor Brown of Harvard, the man who is responsible for all of the statistical work of that great educational institution. He thinks enough of us, our policies and our products, to come here and cooperate with us in teaching you how to carry out those policies and how to present those products to the public. He, in his institution, is using our methods. That alone is a great compliment to our business. It is a great honor to you to have Professor Brown here giving you his time. We appreciate it Professor Brown, and we want to reciprocate in every possible way the favor which you and your institution are showing us.

Mr. LaMotte, TM [Tabulating Machine Division] Sales Manager, and Mr. Armstrong, TM Assistant Sales Manager and chief instructor of this school, are two young men who started in this business a few years ago, just the same as you men are now starting in it. They had nothing to help them along except their desire to progress and their willingness to study and work. You have the same opportunity to advance that they had.

I do not want you to feel that all of the executive positions in this business are permanently filled, because they are not. As the business grows and expands there are more opportunities for executives and there is need for more executives. We want the men in this business to feel that they are high grade executives, because every man is really the head of the particular territory in which he is operating. You are the executives who present this company to the prospect, and we want you to assume the same sense of responsibility that Mr. LaMotte and Mr. Armstrong carry in their positions. Above all things, I want you to follow the instructions of these men, and those of Mr. Ogsbury, Mr. Titus, Mr. Stephens and the other field men who are working with you and for you.

We want you to cultivate and develop the spirit of democracy—democracy-in-business. The great success of our country has been built on a foundation of democracy. Democracy has been developed and is exemplified here to a greater extent than in any other country in the world. The businesses today that follow along the lines of democracy are moving faster and making greater progress than the ones in which some men still say, “Well I have had better educational advantages than that man,” or, “I have had better home surroundings than he has had; I am in a little different class and I am not going to associate with him.” There is no place for such men or such thoughts in the IBM organization. You all look alike to us.

As I look at you this morning, I know that this class is made up of men who used to be repair men in our business, men who used to be stenographers in our business, men who are college graduates and have just come into our business. I cannot pick you out as individuals, because as I look into your faces you all look alike to me.



If you can only all feel alike about this proposition, you are going to be real assets to this business, and to yourselves as individuals. So, cultivate the spirit of democracy—it means real cooperation. Always be willing to spend all day helping another man even though it makes it necessary to do your own work at night. That is the spirit that exists at the Home Office. I have known Mr. LaMotte, and other men, to spend a whole day with some man from some other division of their business, and then be in their offices at night attending to their own work. They do not have to do that every night. They do not have to do it at all. But they want to. They want to help the other men around them.

I want you men to decide that you are all going to pull together as one man—that when you have graduated and are out in the field, you are going to keep this class spirit alive as the other classes have. I presume you have already organized, and have elected your president, secretary, etc. Keep in touch with one another. You will bear a little closer relation to each other than to the other men in the organization. Keep that relationship alive. Keep thinking about the things that you have been taught here, and follow through with all of the instructions that have been given you.

I know Mr. Armstrong; I know his methods of imparting knowledge, and I know the enthusiasm that he puts into his work. There is no one in our business or in any other business who can do those things like Mr. Armstrong. Some of you may feel that you cannot be Armstrong's, and as far as his methods of presenting his propositions are concerned you cannot. But you can use, in your own way, all of the information and knowledge that Mr. Armstrong passes on to you. I always like to get this thought to a young man just starting out: Do not ever try to do your work the Armstrong way or the LaMotte way, or the Watson way, or any other way, because when you do, you limit your own personality, and then ninety per cent of your strength is gone.

Do not look upon this as a hard proposition. Do not feel that, because Mr. Armstrong puts it over in his way and Mr. LaMotte puts it over in his way, you cannot do it your way. All you need to do to be successful in your sales work is just learn the advantages that business men can derive from the use of our machines, and then go out and impart your knowledge to the business people of the country.

It does not require a genius to make a success of selling International Business Machines. It requires just good, ordinary common sense, backed up by a proper knowledge of the business. That is what we are endeavoring to give you here—the foundation of the knowledge necessary to enable you to succeed in selling our products. But you must continue to study. Every man in this business is studying. I try my best to learn something every week. If we try we can learn something about this business every week and every day. Success in the IBM is a matter of study all the time.

Anything that marks progress is backed up by knowledge. Knowledge comes from only one source, and that is study. I know that you have been taught how to study. You must continue to study, in all the different ways that we teach—through reading, discussing, listening, observing and thinking. Do not neglect any one of these five ways of studying, because, if you do, you will not acquire the proper kind of knowledge and information.

In closing, I want to say to you—without any reservations—that the opportunities for young men in our business today are far greater than they ever were before. I have made many predictions about the future of our business. I have been wrong every time. When, on previous occasions in the past, I have told my associates, “We will double the business in a certain period,” or, “we will increase our business twenty per cent in a certain period,” I have been wrong every time. The business actually has always gone beyond

my predictions. That is a matter of record. You will find it in the records of my talks, and in all of the financial statements of our company.

So, I say to you this morning, without any reservation, that your opportunities for success in this business today are greater than they have ever been before in the history of the Company, because we have so much more to offer the public and we know so much more about how to handle the problems of the businesses we serve.

I wish for every one of you real, lasting and permanent success as members of our organization. I want you to know that we want you in the business. We need every one of you. We need you more than you need us, perhaps, because our business is growing so fast that it seems almost impossible for us to keep up with it. We need you and we want you to bring others into the business. We want you to go out feeling that you can recommend this business as a life work to your associates, and that they can come with us and have an opportunity to progress.

All we can do for you now is to give you the opportunity. We cannot do the work for you. You have to take advantage of the opportunity we present. I have followed very closely the growth and development of the men who have come into this business in the past fifteen years and everyone who has made an honest effort to take advantage of his opportunity has made progress.

Not every man who comes into this business makes a success. But when you trace the reasons for the failures you find that they are not because there is anything wrong with the business, or with the products, or the company's policies. It is usually because they did not follow through; did not do things like the rest of the people do them, and did not take advantage of their opportunities.

So, gentlemen, do not make the mistake of neglecting your opportunities because as young business men you have entered into a work which affords a wonderful opportunity for you. I hope that every one of you will take full advantage of it. You will always find every member of the organization, from the office boy to the head of the company, ready to put forth an extra effort to help you at all times.

We want you to succeed.

**Cultivate the Spirit of Democracy.**



## About Thomas J. Watson Sr.

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**T**he New York Times and Time Magazine called Thomas J. Watson Sr., the founder of IBM, the “World’s Greatest Salesman.” Newsweek wrote that he was a philanthropist, where “none gained more from his beneficence than his own employees.” President Eisenhower said he was a man “marked by a deep-seated concern for people.”

Thomas J. Watson Sr. Essays on Leadership are the individual speeches, interviews and writings by Watson Sr. during the Great Depression. They are extracted from *The World’s Greatest Salesman*, published by MBI Concepts Corporation in 2011. *The World’s Greatest Salesman* is an IBM employee’s perspective of Mr. Watson’s leadership during the Great Depression. The book starts the day after Black Tuesday and ends three days before Christmas 1933, soon after the Great Depression’s trough.

Watson Sr. set an example of great leadership during one of the darkest economic times in world history and led a good company to greatness in the 20<sup>th</sup> century.

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## About the Author

**P**eter E. Greulich spent thirty years serving IBM customers in a variety of roles: administrator, systems engineer, worldwide sales instructor, salesman, and as worldwide brand, product, and market managers. He is a Seeking Alpha contributor and a Bulldog Drummond author who uses Bulldog's Uncommon Sense Principles to pursue corporate truths. In his examination of IBM's century of CEO leadership, he has uncovered an uncommonly simple financial truth: human relationships matter.



Pete retired from IBM in March 2011. Since then he has continued studying the history of IBM, its chief executive officers, customers, employees and shareholders, and their interactions with their surrounding communities. Three books have been published over the course of this six years of research: *The World's Greatest Salesman* (2011), *A View from Beneath the Dancing Elephant* (2014) and *THINK Again: IBM CAN Maximize Shareholder Value* (2017).

Pete started in administration, became a first-line administration manager, and then held multiple sales and technical roles for IBM:

- Worldwide Brand Manager for OS/2 Warp Server
- Worldwide Sales Evangelist for OS/2
- Worldwide Marketing Manager for Tivoli Configuration Manager
- Worldwide Sales Evangelist for Tivoli Configuration Manager
- Worldwide Sales Evangelist for IBM Tivoli Monitoring
- Worldwide Tivoli Top Gun presenter
- Worldwide Product Manager for IBM Tivoli Netcool



# Tom Watson Sr.

## Essays on Leadership



### Democracy in Business

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Annotated by  
Peter E. Greulich