

IBM Management Principles & Practices

For nearly 90 years now, IBM chairmen have defined and communicated the principles by which IBMers should manage the business, conduct themselves, direct their activities, guide their employees, and work with each other, their customers and their communities. Here is a varied selection of those statements.

Basic Beliefs and Management Principles

As you all know, we have long held to three basic beliefs in the conduct of this business: Respect for the individual, the best customer service and superior accomplishment of all tasks.

These beliefs, combined with IBM management principles, express the goals we seek, the means we use to achieve them, and the obligations we accept along the way.

These ideas don't change. We mean to keep them and we mean to live by them.

Because we have grown so fast in the past few years and because we have so many new managers I thought it would be well for us to reissue the statement of our beliefs and principles.

In reissuing this document, we have combined the basic beliefs and the management principles into one compact statement, but the three basic beliefs — in the individual, in service, and in excellence — retain a special place and a special significance. They are the ones that provide every IBMer, whatever his job, daily guidance in his work and in his relationships with other IBMers and customers.

I hope you will study these principles, know them well, and discuss them with the people you manage.

Basic Concepts—IBM Principles

An organization, like an individual, must build on a bedrock of sound beliefs if it is to survive and succeed. It must stand by these beliefs in conducting its business. Every manager must live by these beliefs in the actions he takes and in the decisions he makes.

The beliefs that guide IBM activities are expressed as IBM Principles.

Respect for the Individual

Our basic belief is respect for the individual, for his rights and dignity. It follows from this principle that IBM should:

- Help each employee to develop his potential and make the best use of his abilities.
- Pay and promote on merit.
- Maintain two-way communications between manager and employee, with opportunity for a fair hearing and equitable settlement of disagreements.

Service to the Customer

We are dedicated to giving our customers the best possible service. Our products and services bring profits only to the degree that they serve the customer and satisfy his needs. This demands that we:

- Know our customers' needs, and help them anticipate future needs.
- Help customers use our products and services in the best possible way.
- Provide superior equipment maintenance and supporting services.

Excellence Must Be a Way of Life

We want IBM to be known for its excellence. Therefore, we believe that every task, in every part of the business, should be performed in a superior manner and to the best of our ability. Nothing should be left to chance in our pursuit of excellence. For example, we must:

- Lead in new developments.
- Be aware of advances made by others, better them where we can, or be willing to adopt them whenever they fit our needs.
- Produce quality products of the most advanced design and at the lowest possible cost.

Managers Must Lead Effectively

Our success depends on intelligent and aggressive management which is sensitive to the need for making an enthusiastic partner of every individual in the organization. This requires that managers:

- Provide the kind of leadership that will motivate employees to do their jobs in a superior way.
- Meet frequently with all their people.
- Have the courage to question decisions and policies; have the vision to see the needs of the Company as well as the division and department.
- Plan for the future by keeping an open mind to new ideas, whatever the source.

Obligations to Stockholders

IBM has obligations to its stockholders whose capital has created our jobs. These require us to:

- Take care of the property our stockholders have entrusted to us.
- Provide an attractive return on invested capital.
- Exploit opportunities for continuing profitable growth.

Fair Deal for the Supplier

We want to deal fairly and impartially with suppliers of goods and services. We should:

- Select suppliers according to the quality of their products or services, their general reliability and competitiveness of price.
- Recognize the legitimate interests of both supplier and IBM when negotiating a contract; administer such contracts in good faith.
- Avoid suppliers becoming unduly dependent on IBM.

IBM Should Be a Good Corporate Citizen

We accept our responsibilities as a corporate citizen in community, national and world affairs; we serve our interests best when we serve the public interest. We believe that the immediate and long-term public interest is best served by a system of competing enterprises. Therefore, we believe we should compete vigorously, but in a spirit of fair play, with respect for our competitors, and with respect for the law. In communities where IBM facilities are located, we do our utmost to help create an environment in which people want to work and live. We acknowledge our obligation as a business institution to help improve the quality of the society we are part of. We want to be in the forefront of those companies which are working to make our world a better place.

Thomas J. Watson, Jr.

April 1969

Basic Management Responsibilities

Reprinted below are the basic responsibilities of IBM managers. They may seem pretty self-evident to you, but self-evident things have a way of fading out of focus if they're not referred to occasionally. That's why it's necessary to get down on paper the basic ideas that guide a corporation, even when they seem obvious. Statements like this serve as check points of our performance, because these general responsibilities underlie all our specific responsibilities. It might be a good idea to occasionally give yourself a quick test to see how well you carry out these responsibilities. Certainly they should be reviewed with new managers.

Every member of management is expected and required, as an essential part of his responsibilities, to promote the interests of IBM as a whole, to conduct his activities within the framework of corporate policies, and to facilitate the work of other IBM units which his actions affect.

The following responsibilities apply in varying degrees to all management positions.

1. Develop and recommend long- and short-range objectives, policies and plans designed to produce the most profitable results attainable from his assigned area.
2. Understand and comply with established corporate policies, procedures and instructions and ensure that subordinates do likewise; recommend changes when it appears that existing policy is no longer appropriate; direct day-to-day operations of his organization to attain established objectives.
3. Submit realistic budgets, as required, reflecting the anticipated income and/or expenditures of his activity; administer his activity within approved budgets.
4. Detect the need for and propose modifications in plans and operating methods which will result in improvements.
5. Staff his organization with capable people; train subordinates in the competent performance of their duties; periodically appraise their performance and develop suitable replacements, including a successor for himself.

6. Assign responsibility clearly so that subordinates know what they are expected to do, the extent of their authority, and the standards by which they will be judged; provide adequate guidance, counsel and supervision but give them sufficient authority to carry out their assignments and make decisions.
7. Create an atmosphere conducive to management development by encouragement and praise for initiative, imagination and resourcefulness, and by advice and example in the exercise of judgment.
8. Coordinate the activities of organizational units under his supervision to ensure performance on an integrated basis.
9. Keep informed of developments affecting his products, service or area of specialization and to the extent possible, utilize these to the benefit of IBM.
10. Institute adequate safety measures in the work areas under his control through elimination of potential hazards and safety education of subordinates in work practices and use of equipment.
11. Cooperate actively with his associates, both line and staff, to further the attainment of IBM's objectives.
12. Establish and maintain regular two-way communications with all of his employees on policies, procedures or changes; hold regular meetings with his people; keep them informed and give them an opportunity to bring up matters which concern them; be a good source of information about IBM and a good listener when employees come to him with questions, problems or ideas.

Thomas J. Watson, Jr.
July 1960

Be Yourself

During 1975, some 1600 IBMers in the U.S. will become managers for the first time. For many, the experience will bring distinctly mixed emotions — the sense of achievement that comes with new responsibility and some uneasiness about their ability to handle it successfully. Even for the most self-reliant people, the transition to management can be difficult.

I'm frequently asked if I have any words of advice for new managers. My first impulse is to say no. Over the years, I've grown very skeptical of formulas for "how to be a successful manager." People are different, jobs are different, and there are lots of different management styles that work. But if there is one piece of advice that I can offer, it is this: *Be yourself*. Don't try to imitate anyone else. All of us, of course, pick up useful techniques by observing other people — their ways of handling work, planning time, or delegating responsibility. But to do things exactly the way somebody else does them, to take on someone else's style or personality, is to run the risk of seeming insincere.

New managers sometimes ask if there is such a thing as an IBM management style. I suppose that to the extent we favor any style at all, it is an *active* style. By this I mean that we want managers

who do more than just provide goals for their people and then wait for them to succeed or fail. The best managers become actively involved with their people and what they are trying to accomplish.

By and large, new managers will evolve their own individual approaches. This is as it should be. So long as they bring out the energies and talents of their people, they will be managing in the best tradition of IBM — regardless of style.

Frank Cary
September 1975

Community Education

IBMers have always been very conscious of their community responsibilities, and have taken an active role in helping to improve the standards of education in our local communities.

American education faces a greater challenge today than ever before. This challenge boils down to simply this: How can we improve our system of education so it can give our children an education adequate to the needs of tomorrow's world?

As a company, we support education financially and provide a number of programs designed to assist school systems. But because American education receives direction at the local level, its really crucial support is what individuals contribute in time, effort, and talent in their own communities.

Managers, especially, have qualifications of leadership and experience that could make them extremely valuable to a local school system. Our schools need many different kinds of assistance, including speakers, seminar leaders, advisors to counselors, specialized instructors and assistants to the school boards, to name but a few.

Certainly all our people should be encouraged to give their support to their local school systems. Under our policy, the company will do everything reasonable to accommodate any employee who needs time off for these activities.

Our education systems need the support and participation of the best minds and talents in the country. Because I believe IBM has a large share of these minds and talents, I think it is appropriate that IBMers try to make an even greater contribution to meeting the educational needs of their communities.

Thomas J. Watson, Jr.
August 1961

Community Service

It has long been our practice to encourage IBMers to become involved in their schools, governments, charities, and community agencies. And I'm pleased that so many contribute their time and effort to these activities either as volunteers or as elected or appointed officials.

This kind of community service, however, can lead an unwary person into a real or potential conflict of interest situation that could leave both the individual and the company open to public criticism. The best safeguard for every IBMer serving in such a capacity is simply this: whenever the group is considering a proposal from which IBM might benefit — or might appear to benefit — excuse yourself from the discussion and definitely abstain from voting.

In recognizing this need for sensitivity, however, I hope no IBM employee will be deterred from entering community affairs because of fear of criticism. There are bound to be times when partisans to one cause or another will see things that simply are not there and will try to make capital of them. This is one of the risks of public life that those people in it learn to absorb.

The IBMers serving in their communities today have my congratulations and thanks. What they are doing helps their communities, themselves and IBM.

T. Vincent Learson
December 1971

Conformity

In many walks of life today, we are seeing a conflict between the willingness of people to stand up for their own convictions and their desire to be considered loyal members of the team.

Fighting for your convictions can be a lonely business. But it's my observation that the people who get ahead in IBM are the ones who are willing to do just that. This course is not without its hazards. To be thoughtful, sure of your facts, and firm in stating your point of view, however, is the very essence of good, courageous management.

By contrast, to accept without challenge the opinions of others when you believe them to be wrong is to let down the team. There is a name for this type of conformity — “groupthink.” We have all met people who voice business judgments in private that they would never express officially for fear of incurring disfavor. Others have been known to tailor reports or proposals to reflect what they think their management wants to hear.

This aim-to-please philosophy can have serious consequences for IBM. If we avoid raising valid objections, or suggesting new alternatives, or questioning weak premises, we run the risk of undermining our decision-making processes.

We need managers who are willing to challenge the conventional wisdom when their convictions and the facts demand it. That's the sort of courageous management I'm looking for in IBM.

Frank Cary
August 1973

Decision-Making

I am becoming more and more concerned with the “creeping paralysis” in decision-making in IBM. We’re not as fast on our feet as we should be. We often respond too slowly to the challenges and opportunities of our growing industry.

The reason for this is not that we don’t have a fine corps of managers. I think we have the best in the world. The reason is that too many managers are not using all the authority that has been delegated to them.

There seems to be entirely too much double checking, too much “group-think,” too many committee decisions, too many levels of approval before a proposal can be translated into action. I suspect there is probably as much “selling” effort inside IBM, among ourselves, as there is out in the field with customers.

We need to push more decision-making down to the level where the decisions are carried out. This means delegation, and delegation means delegating a chance to fail, as well as a chance to succeed. Failure can develop good managers just as well as success can.

From now on, I would like each of you to make as many decisions as you can on your own and reduce to the lowest possible level the amount of consultation, concurrence and approval involved.

I am not asking you to throw all caution to the winds and end up as dead heroes. But I am asking you to think more about getting the job done quickly, and with a minimum of “playing it safe.” Every time you think about getting approval or concurrence, instead, ask yourself, “Can I make this decision here and now, on my own?”

We are moving in fast company these days, and we simply have to move faster than anyone else if we want to lead the race.

Thomas J. Watson, Jr.

October 1963

Equal Opportunity

I’m sure you’re all aware of IBM’s commitment to Affirmative Action in providing equal opportunity for minorities and women.

We’ve made good progress on one of our objectives — bringing into IBM capable and highly motivated minorities and women.

Our second objective is taking longer to achieve: helping minorities and women qualify themselves for advancement at every level of the business consistent with their abilities and their growing population in the company.

The relevant question I'm asked most frequently by IBM managers is: "How can we do that without practicing reverse discrimination?"

My answer is that we will not compromise our policy of promoting the most competent, most qualified people. But what we all have to do as managers is provide whatever extra help and learning opportunities may be needed to shorten the time necessary for minorities and women to compete on an equal footing with other IBMers. The best individuals will still be selected for promotion, but we intend to make the competition keener.

We have tripled the number of minorities and women in the ranks of management over the past five years. That's not a bad start, but I'm convinced we can do better.

Frank Cary
February 1974

Ethical Conduct

The article printed on the following pages is appearing in the next *Business Machines* [IBM employee publication]. It covers conflict of interest and ethical conduct. Why it's being sent out is explained in the article. Also, the article suggests that employees contact their managers if they have any questions.

A policy like this necessarily must be stated broadly. It's simply impossible to lay down the solution for every situation. So, you should make it clear to your people that on this policy — as with all policies — you are available for advice on any problems concerning it. You might further point out that if you can't answer an employee's question, you will get the answer for him. Here are some general guides for you:

-- There are several practices covered by this policy which are clearly prohibited (as outlined in *Business Machines*) and on which you can give a firm ruling if a question arises:

Suppliers. Certainly you can determine if an employee is in a position to influence IBM's decisions with respect to any particular IBM supplier. If this is the case, it is quite clear that the employee can own no financial interests in or hold any position with that supplier.

Gifts and entertainment. In most cases, it certainly should be clear what constitutes "extended entertainment," "expensive gifts," or "unusual favors."

Mutual funds. No employee — the policy states clearly — should be an officer of a mutual fund.

Inside information. The use of such information by an employee for personal gain, or to enable others to make such gains, is flatly prohibited.

-- In any case, if you aren't sure of the answer, you should contact the person designated for interpretation of this policy in your area of the business.

- Obviously, the best thing you can do is familiarize yourself completely with the policy so you can follow it in letter and spirit, and be able to help answer any of your people's questions.

Reprinted from *Business Machines*, Volume 44, Issue 5, 1961

Good business ethics cannot be too strongly emphasized. Here is IBM's position on this matter.

Recently, many people in IBM received a memorandum from the company on business ethics. It was sent only to those in IBM who have the most contact with suppliers or otherwise would be most apt to find themselves in a conflict of interest or similar situation where the question of proper business ethics might arise.

Most IBMers are not likely to be involved in such situations. However, because it is possible that anyone could be, it is a good idea for every employee to be generally familiar with the company's position.

The company believes that a high standard of business ethics is of critical importance in our society. We have always followed the highest ethical principles and have achieved a reputation for doing so. To maintain that reputation, each employee must observe the highest standards of business integrity and avoid any activity which might tend to embarrass IBM or him. So that every employee will have an opportunity to become familiar with the company's position, the text of the memorandum is presented below. After reading the memorandum, if you have questions, please get in touch with your immediate manager. He will give you an answer or put you in contact with others who can.

Conflicts of Interest

There is no reason to believe that any officer or employee of IBM has placed himself in a position in which his loyalties might be thought to conflict. It is worthwhile, however, to repeat the fundamental policy of IBM:

Each employee must be free of any investment or association — whether his own or his family's — which might interfere or be thought to interfere with the independent exercise of his judgment in the best interests of IBM.

A conflict of interest, or the appearance of a conflict, may arise under a variety of circumstances. It is not feasible, however, to describe every such situation, or to prepare a detailed catalog of business ethics. This would run the dual risk of unduly restricting the broad application of the basic policy or of extending it to irrelevant matters.

Still, it might be helpful to give examples of a few of the situations which have been publicized through newspaper reports and legal actions and which clearly are conflicts of interest.

Example: No IBM employee may own, directly or beneficially, any financial interest in any supplier, if in his position the employee influences decisions with respect to IBM's business with that supplier. Clearly included are employees who draw specifications for, recommend, evaluate or approve a supplier's product or service or who participate in the selection of or the arrangement with a supplier.

Example: No employee who in his position influences in any way a decision with respect to IBM's business with a supplier should hold any position with such supplier; whether as a director, officer, employee or agent.

Example: No IBM employee should have an investment of a size which is significant to him in one of our major competitors.

Example: No employee should place himself under an actual or apparent obligation to anyone by accepting gifts or other personal favors which one might believe, or even suspect, were given for the purpose of influencing his business judgment. The acceptance of conventional business courtesies, such as an occasional luncheon, would naturally not influence an employee to disregard the best interests of his employer. On the other hand, extended entertainment, expensive gifts or other unusual favors raise justifiable suspicions that they are given to create an obligation inconsistent with an employee's responsibility to IBM.

In any case where it is wrong for the employee to do any of the above things, it is equally wrong for a member of the employee's immediate family to do so.

Ethical Conduct

Beyond clear cases of conflict of interest, there are situations which are inconsistent with accepted high standards of business ethics. For instance, an investment by an employee in a supplier might be improper even though in his position he does not influence IBM's business decisions with that supplier. The propriety of such investments must be determined on the basis of many factors including the IBM position held by the employee, the amount of the investment and its significance to the employee, the size of the supplier, and the amount of IBM business with the supplier. The fundamental principle to keep in mind is that there cannot be any compromise with high standards of business ethics. If there is room for suspicion that an employee's interest or connection with another venture might affect that employee's judgment in acting for IBM, he must dispose of that interest or sever that connection.

It is also possible that associations with other business firms, through directorships, advisory board memberships, or other affiliation, may give rise to questions of business ethics. An example is the association of an employee with a firm dealing primarily in investments, such as a mutual fund. While it is clear that no employee should be an officer of a mutual fund, the question of the propriety of an employee serving as a director depends upon the circumstances. For instance, there is a difference between a small fund specializing in electronic stocks and a large, well-established fund with widely diversified investments and a board of directors composed of well-known industrial and financial executives. The essential test is to consider the reaction of the public to the association of either the employee or the name of the IBM company with the outside venture. If possible embarrassment in the eyes of the public might result, the association should be avoided.

There is another IBM policy involving a different aspect of ethical conduct. This concerns the use or disclosure of inside information, that is to say, information which an IBM employee obtains in the course of his employment. The use or disclosure, intentional or inadvertent, of inside information discredits both the employee and IBM in the eyes of the public, whether that information is used for the financial gain of the employee or to enable others to make such gains.

For example, if an employee learns that IBM is about to make or substantially increase a contract with a particular company, it is wrong for that employee to employ that inside information as a basis for making an investment, even if the employee has other reasons for so investing. It is equally wrong for the employee to disclose that information to anyone else for such person's personal gain.

Thomas J. Watson, Jr.
June 1961

Gobbledygook

A foreign language has been creeping into many of the presentations I hear and the memos I read. It adds nothing to a message but noise, and I want your help in stamping it out. It's called gobbledygook.

There's no shortage of examples. Nothing seems to get finished anymore — it gets "finalized." Things don't happen at the same time but "coincident with this action." Believe it or not, people will talk about taking a "commitment position" and then because of the "volatility of schedule changes" they will "decommit" so that our "posture vis-a-vis some data base that needs a sizing will be able to enhance competitive positions."

That's gobbledygook.

It may be acceptable among bureaucrats but not in this company. IBM wasn't built with fuzzy ideas and pretentious language. IBM was built with clear thinking and plain talk. Let's keep it that way.

Thomas J. Watson, Jr.
February 1970

Human Relations

[Recently] an employee wrote: "I want to express my sincere appreciation to IBM for all the courtesies and kindnesses extended to me on the occasion of my retirement. I was made to feel really important. ... The company demonstrated once again that it has a genuine concern for its people."

Such comments show that the special attention we pay to our personal relationships with employees is appreciated — whether it's a luncheon for a retiree, a silver spoon for a newborn child, or an expression of condolence.

By and large, IBM managers are effective in encouraging our people in their work and recognizing them for their achievements. But when it comes to special forms of personal recognition, there is considerable evidence that some managers are not sufficiently sensitive and responsive.

This concerns me because good human relations are the responsibility of management. Programs designed to help us in this area can succeed only to the extent that they are fully utilized by

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managers and carried out with true warmth and concern. Ignored, or performed perfunctorily, they not only fail in their purpose but create the opposite impression — that the company has lost touch with the individual or has substituted mechanical procedures instead.

I realize that you have a lot to concentrate on these days to keep our business strong in a tough economic environment. But good human relations lie at the very heart of our business. As the company continues to grow and change, it becomes more important than ever to remember that personal recognition is vital to everyone.

The immediate manager is in the best position to know of major events in an employee's life — a birth, death or illness in the family, a service anniversary, retirement — and to respond to them in a sensitive, personal and meaningful way.

Frank Cary
December 1975

Managing People

There have been several occasions recently when IBM managers have indicated a lack of understanding of their basic responsibilities in the area of managing people. As a large company, we find it necessary to have staff specialists who are skilled in a particular area and who can be very helpful in giving us specialized advice and counsel. However, no manager should ever feel he can delegate his basic duties — or decisions — to these staff people.

The job of managing people involves five basic duties. They are: to employ; to teach; to supervise; to promote people who deserve it; and to discharge, when that is necessary. My father always emphasized the importance of these duties and he used to add that “If you give enough thought and attention to the employment, to the education, and to the supervision of men you will have very little discharging to do.”

We've grown a lot bigger as a company since then, but these fundamentals still apply. A manager still manages his department, even though we may have staff specialists to help us. And although you review decisions — such as the separation of an employee — with your own manager, it's important to remember that it's you who must make these decisions. If you do, you'll find that managing your people and projects will be a great deal simpler.

I realize that being a manager is tough work. It means you have a heavy load to carry. But it also means you have a lot of authority to help you do the job the way it should be done. I think you should use this authority. Unless you do, you just make the job all the harder. And if you do it, and do it well, the reward and personal satisfaction you will find is very great indeed.

Thomas J. Watson, Jr.
October 1964

Moves

The attitude persists in many parts of the company that the only way to get ahead is to move. As a consequence, people are being moved too often and for the wrong reasons. We do a disservice to our people and our business when we use relocation as the principal method of placement and career development.

The human costs involved concern me most. I have seen the unpleasant things that can happen when frequent moves disrupt families, complicate financial plans and interrupt children's education. And I know this kind of pressure can hurt a man's personal development and effectiveness on the job.

We could try to solve this problem with excessive rules and restrictions on relocations, but that would take the responsibility for managing people out of your hands — where it rightfully belongs. The best solution lies in a basic change in our attitude toward the placement and development of people.

Our guiding principle must be that we will make only those relocations that are essential to a person's career growth and the health of the business.

Fortunately, IBM today offers more opportunities than ever before to move people up without moving them to new locations. We must look more diligently among local people to fill job openings, and not overplay the real or imagined minor weaknesses that in the past have caused the man on the spot to be overlooked in favor of someone who "looks perfect" — but only from a distance.

Obviously, we will have to continue to relocate some people. But we must be sure that each move is necessary to IBM and an important step in a person's long-term career growth. By observing these requirements we can continue to provide qualified people with rewarding and challenging opportunities while holding relocation situations to a minimum.

Thomas J. Watson, Jr.
May 1968

Provincialism

Although our size has made it necessary for us to decentralize, to break our operations down into manageable units, we must still operate as the IBM company, as one company.

We are a business with a single mission: to help people solve their problems through the application of data processing and other information handling equipment. There is a close relationship between all parts of our product line. Any major decision in one part of the business inevitably affects many other parts of the business. We are not a group of unrelated businesses tied together by a corporate structure. We are one business.

And this means that every manager in IBM must not only manage his own particular part of IBM, he must manage it as a part of IBM. He must be alert to the needs of the whole company in every decision he makes.

I am somewhat concerned about a tendency I detect in some quarters to operate in isolation, to prefer isolation, to be rather unconcerned about what goes on in the rest of IBM, to assume that all IBM facilities that are out of sight belong to another world. Such provincialism can undermine our corporate strength as quickly as anything I know of.

I hope that each of you will make it his business to know — at least in some general way — what the rest of IBM is doing, so that you can make decisions, not just in the light of conditions in your own area, but with a proper regard for the whole company.

Managers who can do this, who can combine the proprietary concern of a smaller company manager with breadth of vision, are the kind of managers we need in IBM, and will need increasingly in the future.

Thomas J. Watson, Jr.
June 1962

Quality

As IBMers, we take pride in the fact that we work for a quality company, one that is dedicated to excellence in products, customer service and human relations. The very name IBM, in fact, has always signified quality.

In a recent survey, managers working for major corporations were asked to choose from a list of twenty U.S. companies the ones they believe have a reputation for offering high-quality products or services. IBM was chosen by 82 percent of those surveyed — seven percentage points higher than the second-ranking company.

These are encouraging findings. But reputation is a fragile thing. We can all name companies, or brand names, that have lost their reputations for quality and, in the process, lost customers.

Today, and in the years ahead, we will be called upon to deliver products and services that perform at higher levels of quality than at any time in our history. Moreover, we are operating in an environment that is more competitive — worldwide — than ever before. In addition, many of our competitors are doing an impressive job of stressing quality as a selling point. So, not only do we have to *maintain* our high level of quality, we have to *improve* it if we are to be the quality leader in the future.

We have placed a lot of emphasis on improving quality throughout the business, and it is beginning to show some results. Last spring, I wrote to all employees in *Think* magazine to stress the need for defect-free work in every job as the key to being the best in quality. It's that simple. If each person passes on defect-free work to the next person, the end product will be defect-free. All of the controls and procedures we can imagine can't replace the need for a basic attitude in the minds of all of our people that the quality of their work is of the utmost importance.

To make sure we continue to focus our efforts throughout the company on quality leadership, I have appointed a corporate vice president who will be dedicated to the coordination of our

quality programs. At the same time, I have asked each division and subsidiary to appoint an executive fully dedicated to quality.

These appointments are the beginning of an intensified effort to make sure everyone places the proper emphasis on the quality of his or her job. To be successful, each of you must rededicate yourself to quality and make sure the people reporting to you do the same, that is, do things right the first time.

With each of you producing defect-free work, we will surely maintain our leadership in quality.

John R. Opel
December 1981

Recognition

IBMers have always thrived on solving problems. Whether working in the customer's office, on the production line or in the laboratory, we have tried to look at problems as opportunities in disguise — opportunities to satisfy the customer, improve our skills and make the business grow. I hope IBM people never lose this characteristic.

At the same time, we have always tried to remember that people provide the solutions. We should never become so preoccupied with solving problems that we forget the contributions of people.

For the manager, this means putting the individual first. When your people do a good job, promptly tell them so. The phone call, the letter of appreciation, the personal "thank you" — these day-by-day relationships are the heart and soul of our business. Golden Circles, Hundred Percent Clubs, Outstanding Contribution Awards are important, but they are no substitute for telling someone, in your own personal terms, that he has done a first-rate job and you appreciate it.

Money and title alone are not enough to satisfy the kinds of people that make IBM great. What counts most of all is the knowledge that individual contributions are recognized and valued. We all want to receive that sort of recognition, and we must all be quick to give it, too. I believe you'll find, in most cases, that if you give thoughtful care to your people, they can take care of the problems.

Thomas J. Watson, Jr.
March 1970

Thinking

If a man thinks about his work — if he puts real thought into everything he does — he should be and will be forgiven for the mistakes he makes.

I do not believe in criticizing a man simply for making a mistake. If he shows that he has given the proper amount of thought to a matter, he shows that he has tried to do the right thing — and I am ready to forgive *thoughtful* mistakes.

The things that hold back a business are the thoughtless mistakes -- mistakes that are made because people have gone about their work without the proper amount of advance thought.

When a man does a thing wrong he should go over the proposition from the very beginning and ask himself whether he really and properly thought over the matter before he did anything about it. In the great majority of cases, if he goes over his work thoughtfully, he will reach the right answer and will avoid getting himself and the company into an embarrassing position. More important, he will eliminate the waste that goes with thoughtless mistakes and he will train himself to do a better job on everything new that he undertakes.

You have often heard the saying that the only man who does not make mistakes is the man who does not do anything. Mistakes will occur but every mistake should be a serious lesson to the man who makes it. If he earns the reputation of thinking carefully about everything he does, the mistakes a man does make will be excused.

What every business needs is more people who *think*. I cannot emphasize that word too strongly. Thinking is what makes our useful and profitable line of International Business Machines possible. Thinking is what makes well rounded sales and satisfied customers possible. Thinking is what really *makes* an organization.

The men who will go farthest in this business, or any other business, are the men who demonstrate that they are thinkers. They are the men who are able to stand on their own feet. Every executive values and is looking for the type of people who are capable of relieving him *safely* of many of the things he would otherwise have to do himself. The more a man thinks about his job the more responsibility he is able to carry, the more valuable he becomes to himself and the company and the more progress he is able to make.

Point out to the men working with you and around you that we forgive thoughtful mistakes — that it is only the thoughtless mistakes that cause trouble. Tell them first to be sure they have thought about each proposition, then to go ahead. You will find there is nothing that will so surely help them eliminate mistakes and get ahead in the IBM than that one thing — and there is certainly nothing that will so surely help the business, and every individual in it, to go ahead and become more and more prosperous.

Thomas J. Watson, Sr.
February 1930

Trust

What is the hallmark of a successful leader? Why do some leaders habitually succeed while others, often pursuing the very same goals with the same ability and power, fail? I think leadership style has a lot to do with it.

A recent column in *Time* magazine made the point well: President Reagan is a successful leader because he trusts his management team enough to give them authority to make decisions. Then he backs them up. That's his leadership style, and it pays off.

"Every week Cabinet officers, agency heads, staff assistants, clerks and G.I.'s take it on the chin for the chief and seem to love it," the magazine observed. "Without the President's unshakable faith that we can ... do the job," said one government official, "we would have been destroyed by now."

Harry Truman had the same style. As one of his former Cabinet officers said, Truman "had a deep and sincere loyalty to those working for him. He stood by them from first to last."

I believe this is a valuable lesson not only for government people but for business managers as well. Authority shared is authority multiplied. We extend our vision, strength, and effectiveness when we encourage our people to take responsibility. Our trust in them is repaid in higher morale, greater commitment, and a "take ownership" attitude that transcends and strengthens what we require in performance plans.

Trust is implicit in two of IBM's basic beliefs — respect for the individual and the pursuit of excellence.

We demonstrate the ultimate respect for our people when we trust them enough to delegate to them the authority to make decisions, and then back them up when the going gets tough. This frees them to use their talent, drive, and knowledge creatively, to meet our standards of excellence.

Trust is at the heart of effective leadership.

John F. Akers

June 1986

"Why?"

I'm impressed by the attitude with which most of our managers approach their jobs. Occasionally I meet a few who have an attitude which concerns me. These managers give the impression that they seldom really question their own operations; they hardly ever ask, "Why?"

Constantly questioning our operations is essential to good management, especially in IBM. I know that we are all busy, but I suggest that each of us should make time, once in a while, to take a look at our areas as a visitor might, and ask why we do certain things in a certain way. This is the kind of searching attitude that results in real innovation. When you ask this kind of question you are bound to come up with something new and better.

Of course we want all of our people to have this attitude, not just the managers. The way to encourage this feeling is for all of us in management to be open to questions at all times. And we should impress upon our people that IBM needs their ideas, whether big or small, just as long as their ideas help us to move ahead. You know best just how to stimulate this inquiring attitude. It was this kind of attitude that helped IBM to progress in the past and will help IBM to continue to progress in the future.

In the months and years ahead, problems will come faster and faster and we will have less and less time to solve them. What we need more than anything is to see problems before they emerge fully grown. I would say that the best way to do this is to ask, “Why?”

Thomas J. Watson, Jr.
May 1963

Women

This month marks the fiftieth anniversary of the Women’s Suffrage Movement, and yet securing other equal rights for women is still a national social issue.

Today, in the United States, over 25,000 IBMers — more than 15 percent of the company — are women. Over the past five years, a period of rapid growth for the company, the number of women in professional and management positions has grown more than twice as fast as the company itself. However, women are still disproportionately outnumbered in management and in certain other key jobs.

We are doing some things to change that. We are trying to recruit more women for professional jobs in marketing, engineering, programming, and other areas, and we also have a number of programs under way to identify and promote women who have management potential.

But policies and programs don’t address the real problem: the unspoken, often unrealized attitudes of individual managers. Look at your attitudes; you might discover you have some of these notions about women in business:

- They lack ambition
- They aren’t competitive.
- They fold under pressure.
- They are good at details but not at handling bigger issues.
- Their emotions overrule their judgment.
- They can’t supervise men.
- They can’t supervise women.

Any one of these judgments might apply to any woman — or any man. They apply to women as a group only in folklore.

That folklore has no place in IBM. It undercuts our belief in the individual and our commitment to pay and promote on the basis of performance and merit. It wastes precious human resources

that we need to keep this business growing and successful. The facts are that when any IBMer is denied a chance to give his — or her — best, the company and all of us in it are the losers. That is a loss we can't afford and must not accept.

T. Vincent Learson

August 1970

Win, Execute And Team

All successful companies have good strategies. They all have good processes. They reward people for the right things. For the companies that truly break through, it comes down to their people. For us, it's not a question of talent. We have the best people in the industry. I knew that before I came to IBM, and I know it today. But are our people going to stretch to their potential — step up and lead? That's the real issue for IBM. What's really important is the personal commitment that each of us makes about how we're going to behave, how much we care, how much we're willing to give, how much we're willing to learn and adapt, what we think about every day that drives what we do operationally.

It comes back to *win*, *execute* and *team*. Those are not slogans or even institutional values. They are personal commitments. They're not things of the head, they're things of the heart and the gut. They are behavioral, not intellectual. You do not get up every morning and salute them. You get up every morning and live them. We have completed, for the most part, the task of restructuring the institution. Our success now is going to be a function of personal behavior — the behavior of each and every one of us.

Louis V. Gerstner, Jr.

1998