IBM at 100

_Nearly all the companies our grandparents admired have disappeared._ Of the top 25 industrial corporations in the United States in 1900, only two remained on that list at the start of the 1960s. And of the top 25 companies on the Fortune 500 in 1961, only six remain there today.

Some of the leaders of those companies that vanished were dealt a hand of bad luck. Others made poor choices. But the demise of most came about because they were unable simultaneously to manage their business of the day and to build their business of tomorrow.

As you read this, IBM begins its 101st year. Today we take a moment to step back and view the longer arc of history. We’d like to share some of what we have learned—sometimes in humbling ways—on our journey so far.

A century of corporate life has taught us this truth: _To make an enduring impact over the long term, you have to manage for the long term._

This seems about the simplest lesson we could share, yet putting it into practice is a lifetime’s work. Long-term thinking affects almost every aspect of how you lead. And it turns out to be anything but safe, steady and conservative. Its rewards are powerful, but to achieve them, long-term thinking compels you to confront some fundamental questions:

**How does an organization outlive its founder?**

We have learned not to confuse charisma with leadership. In business, there are archetypal examples where the genius of a founder created tremendous good fortune—at least in a company’s opening act. The cult of personality is seductive.

But what then? How does an enterprise follow the departure of its founder or of a larger-than-life CEO?

Without question, the personality, drive and ethos of IBM’s first CEO, Thomas J. Watson Sr.—his irrepressible optimism, his obsession with performing tasks in a superior fashion, his belief that the problems of the world could be settled easily if people were only willing to THINK—made an indelible imprint on IBM.

But Watson’s most enduring contribution to business was his intentional creation of something that would outlast him—a shared corporate culture. He showed how the basic beliefs and values of an organization could be perpetuated—to become its guiding constant
through time. This is why we have never defined IBM by what we make, no matter how successful the product or service.

By values we do not mean ethics or morals, which are requisites for every enterprise. We mean the characteristics that identify what is both unique and enduring about any particular enterprise. And by deliberately building a culture, we don’t mean memorializing the routine of what the founder did. Rather, it’s about institutionalizing why the organization does what it does—getting to the essential truths of what makes you, you. Grounding a culture in such values and purpose is about how employees, anywhere around the globe, at this very moment and for generations, honor and deliver on that.

Values therefore force choices: Whom you hire. The ways you serve the customer. How you develop talent at all levels. Which businesses you create, enter and exit, and when. How much risk taking you promote.

When we have lived our values, IBMers and our company have thrived. When we haven’t, it hurt us.

**How does an organization deal with the inherent tensions among its constituents?**

A company’s constituents all have choices—the employee of where to work, the investor of where to put a dollar. Communities allow companies to operate within their borders; customers choose which company wins their business.

Which of these constituents has primacy? It’s a false choice. Generating shareholder value may be the baseline responsibility of a public corporation, but we have learned that, by itself, it does not build a lasting enterprise, much less a great one.

Perhaps you’ll agree with us that this is not merely about balance and compromising among divergent interests. Rather, it’s about making the hard choice to live at their intersection—using the inherent tension to drive innovation. . . .

In our history, there are many other examples where tensions—among the interests of investors, employees, society and clients—were resolved through innovation and by responsibly confronting, not shying away from, new realities.

**How does a company confront relentless commoditization?**

The technology field is cruel to those who fail to make the leap from era to era, but tech companies are hardly alone. The hand of commoditization spares few. The question becomes, as leaders, what to do about that.

Our lesson learned: You have to keep going to the future.

Partly, it’s about creating new spaces to move into—investing in good times and bad. This requires a kind of institutional patience; upside benefits rarely come this quarter, or even next year. Sometimes, they never come.
But it’s not just about what you create. It’s also about what you choose to leave behind. Every institution, by its nature, favors the ideas, products and services that made it successful. Leadership often requires shedding emotional attachment to that heritage.

The largest lesson we have learned is about value creation itself. Every leader has to determine how “the new” is born. We have realized that innovation itself is ever evolving. Over a century, we have added fundamental research to development. We have collaborated with universities and governments. We embraced open source. We selectively acquired companies. And most recently, we have generated ideas at population scale via social media. We have learned that a profitable idea can come from many sources.

**What does a company’s nationality mean in an era of global business?**

We have learned that national origin is less important than the indigenous value you create everywhere you chose to do business.

All of this means we must think differently about long-term commitment and investment. And, as the world becomes flatter, it also means that we have to be particularly thoughtful and progressive in helping every part of the world adjust to and participate in global integration.

**How do leaders manage for the long term in a world driven by short-term thinking?**

Fifty years ago, the average share owner held their investment in most companies for about eight years; today that’s down to six months. Markets move at an ever-faster pace, increasingly driven by speculators. In the past 15 years, CEO turnover has increased by approximately 50%.

Short-termism is winning.
Or is it?

We see an increasing number of leaders in business, government and civil society choosing instead to think systemically, and think for the long term. They have come to believe there are no short-term fixes for long-term problems, no shortcuts to longevity. It means behavior that consistently meets high standards, because future growth depends on trust. None of this is easy. It requires leaders to show up in defense of the future. We remind ourselves of this every day.

**What must never change.**

If Tom Watson Sr. were to visit IBM today, he would hardly recognize what we make or the services we provide—analytics, clouds, the *Jeopardy!*-winning computer named in his honor, solutions for a smarter planet. But he would very much recognize why IBM is pioneering these spaces—to make the world work better through information and the tools of thinking.
If Tom Watson Jr., our second CEO, were to return, he would not recognize the  
structure or global footprint of IBM. But he’d instantly recognize the IBMer—the women and  
men who still very much believe that a company can, and must, change everything about itself . . . except its beliefs.

Over the past 100 years, millions of IBMers have chosen to lend their talents to  
fulfilling this company’s mission. Tens of millions of share owners have given us their trust.  
More than 170 countries have welcomed us to do business within their borders. And  
hundreds of millions of clients, customers and business partners have found value in our  
products and services, and used them to help make the world work better.

To every single individual, thank you. We pledge boldness in IBM’s second century to  
create a company that never stops moving to the future. Ever onward.

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1 This advertisement, slightly edited, appeared in *The Wall Street Journal* on June 16, 2011.