The Rise and Fall of the ‘IBM Way’

What the tech pioneer can, and can’t, teach us

by Deborah Cohen

IBM is one of the oldest technology companies in the world, with a raft of innovations to its credit, including mainframe computing, computer-programming languages, and AI-powered tools. But ask an ordinary person under the age of 40 what exactly IBM does (or did), and the responses will

be vague at best. “Something to do with computers, right?” was the best the Gen Zers I queried could come up with. If a Millennial knows anything about IBM, it’s Watson, the company’s prototype AI system that prevailed on *Jeopardy* in 2011.

In the chronicles of garage entrepreneurship, however, IBM retains a legendary place—as a flat-footed behemoth. In 1980, bruised by nearly 13 years of antitrust litigation, its executives made the colossal error of permitting the 25-year-old Bill Gates, a co-founder of a company with several dozen employees, to retain the rights to the operating system that IBM had subcontracted with him to develop for its then-secret personal-computer project. That mistake was the making of Microsoft. By January 1993, Gates’s company was valued at $27 billion, briefly taking the lead over IBM, which that year posted some of the largest losses in American corporate history.

But *The Greatest Capitalist Who Ever Lived*, a briskly told biography of Thomas J. Watson Jr., IBM’s mid-20th-century CEO, makes clear that the history of the company offers much more than an object lesson about complacent Goliaths. As the book’s co-authors, Watson’s grandson Ralph Watson McElvenny and Marc Wortman, emphasize, IBM was remarkably prescient in making the leap from mechanical to electronic technologies, helping usher in the digital age. Among large corporations, it was unusually entrepreneurial, focused on new frontiers. Its anachronisms were striking too. Decades after most big American firms had embraced control by professional, salaried managers, IBM remained a family-run company, fueled by loyalty as well as plenty of tension. (What family isn’t?) Its bosses were frequently at odds. Meanwhile, it served its customers with fanatical attentiveness, and, starting in the Depression, promised its workers lifetime employment. “Have respect for the individual” was IBM’s creed.

Today, as we hurtle toward a future in which AI threatens to obliterate the individual both as employee and creator, much of the IBM story reads like a tale from a faraway world. The company’s technological accomplishments are still recognizable as the forerunners of the digital era, yet its culture of social responsibility—a focus on employees rather than shareholders, restraint in executive compensation, and investment in anti-poverty programs—proved a dead end. A mashup of progressivism and paternalism,

communalism and cutthroat competition, the once ballyhooed “IBM Way” was, for better and worse, inextricably intertwined with the family at the top.

For most of its history, and especially from the First World War through the 1970s, IBM’s business was making business run more efficiently. During the late 19th century, the development of railways, the telegraph, and electricity created the conditions for a significant expansion in the scale and scope of American firms. As companies produced and distributed goods to middlemen and consumers, they had to deal with ever more complex logistics. Firms required new ways of tabulating, storing, and recalling information. Enter the typewriter (patented in 1868), the cash register (1883), and the adding machine (1888).

At the apex of this information-machine ecosystem was the firm National Cash Register, which was where Thomas J. Watson Sr., born in 1874 and raised on a farm near Painted Post, New York, served a 17-year apprenticeship. At NCR, Watson found his calling as a salesman. At the behest of NCR’s dictatorial boss, he also ran a shady scheme to undersell secondhand-cash-register vendors to drive them out of the market. He was indicted for restraint of trade and then, deepening the humiliation, forced out at NCR. By the time Watson landed on his feet as the new general manager of the New York–based Computing-Tabulating-Recording Company in 1914, he was 40 years old and newly married with an infant son, Tom Jr.

Watson soon renamed the company International Business Machines Corporation, a much more fitting description of his global ambitions. IBM’s embrace of punch-card technology, the state-of-the-art method for aggregating information, was his doing. So was the creation of an evangelical company culture, equal parts moral uplift, corporate paternalism, and personality cult. Inscribed on the company’s walls were Watson’s favorite slogans: “A company is known by the men it keeps.” “Spend a lot of time making customers happy.” And “THINK,” a dictum that to Watson (as the business historian Richard S. Tedlow has observed) likely meant “Think like me.”

If these injunctions call to mind “Don’t be evil” (Google’s former mantra) or “Do the right thing” (the current Alphabet slogan), those are the hollow echoes of what was at IBM an all-encompassing credo, anchored by the