



A VIEW FROM

BENEATH

**REDISCOVERING
IBM'S CORPORATE
CONSTITUTION**

THE

DANCING

ELEPHANT

**PETER E.
GREULICH**

“The modern business enterprise is not just an economic institution. In order to discharge its economic function, it has to have a concept behind it, an organization and a constitution. It is a social institution and a community as well, and needs to be managed—and studied—as such.”¹

Peter F. Drucker,
The Concept of the Corporation

PREFACE

“When we read we must always keep in mind that we are not reading just to get the conclusion of the writer, because if we do that we are just getting one man’s view. We must read and keep in mind the fact that we are reading to stimulate our own thoughts; we should take the points and the ideas and the suggestions that we get from this reading and apply them in our own way and in our own work. Never accept any man’s conclusions until you have analyzed them and found them acceptable. It is so easy to be carried away by something that sounds good, something that a man with the gift of oratory may present convincingly. Analyze it thoroughly. Assimilate it. Make it your own.”²

Thomas J. Watson Sr., *Men—Minutes—Money*

If the Watsons still ran IBM, this book would never have seen the light of day. I would have mailed it directly to Tom Watson Sr. or his son and then retired knowing they would act. Unfortunately, IBM’s twenty-first-century leadership, so far, has not inspired such trust and confidence. The twentieth-century IBM believed in the integrity of the individual. It created the world’s first corporate constitution and defined global social responsibility. The twenty-first-century IBM has misplaced all of these and has lost its culture, its constitution and its way.

IBM stands as one of the world’s most representative corporate social ecologies. If it were a city, its representation from 175 countries would make it one of the world’s most educated and ethnically diverse. Its population would place it in the top forty cities of the United States and Brazil, the top ten of Malaysia, the top five of France and the top two of Romania or Norway.

In the short time frame from conception to realization of this book, this corporate metropolis expanded 19%, from 341,279 employees to 405,535, then contracted 31% to 278,039, only to grow again by 68% to a historic peak of 466,995.³ The strain this would put on any social infrastructure is unimaginable.

Therefore, although economics may write headlines, we must push past just an economic evaluation. It was a century-old social network that held IBM together, and that's what we must study to assess its future.

Although my opinion is only one of many, I have interviewed thousands of IBM employees over my thirty-year IBM career. We are an opinionated bunch, and our perspectives on change at IBM are as diverse as the company is old. I dislike stereotypes, and I believe the only true generalization is that all generalizations are false; but there are similarities in IBMers' views.

The elder generation retired before the mid-nineties. Its members had long careers and experienced the IBM Basic Beliefs as the Watsons intended. This generation's CEOs culturally imbedded the IBM Basic Beliefs through Open Doors, Speak Up!s, Executive Interviews, Opinion Surveys and exemplary first-line management training. These IBMers had most of their retirement invested in IBM stock and its defined-benefit pension plan, and they were grateful that Louis V. Gerstner Jr. took over for John Akers as CEO, because IBM's corporate bankruptcy would have meant their personal bankruptcy. When they hear the newest generation of IBMers caution others to think carefully before adding IBM to their employment short list, many wonder why.

The transition generation was hired in the late sixties to mid-eighties. Tom Watson Jr. still wandered the halls of Armonk, talking directly with many of them. They have experienced a range of IBM leaders, good and bad: from Watson Jr., Learson and Cary, to Opel, Akers, Gerstner, Palmisano and Rometty. An adaptable group, this generation includes everyone from those who built the first mainframe to those hired to construct the Hundred Billion Dollar IBM. They have experienced the Basic Beliefs, but also the ongoing changes in pension and health benefits, resource actions and financial impacts around IBM's earnings-per-share road maps. Some have survived thirty-plus years like the elder generation, but most have not.

The younger generation joined after the IBM recovery in the early nineties, and they have never experienced the IBM Basic Beliefs except on isolated teams. Many accept as fact what Gerstner wrote in *Who Says Elephants Can't Dance?*—that “Respect for the Individual came to mean

that an IBMer could do pretty much anything he or she wanted to do, within the broad HR and legal rulebooks, with little or no accountability.³⁴ They see the new corporate workplace as just a fact of life: many corporations have quarterly resource actions, minimal pay increases, regular job-hopping and little correlation between pay and performance. Why expect anything different? They view the Watsons' IBM as an archaic, wistful dream of old men.

Once upon a time, IBM's Basic Beliefs were the corporate constitution that bounded all of Big Blue's decisions. The elder generation sees them as principles that encouraged independent thought and empowered action. The new generation, if they are even aware of them, sees them as nice words and not much else. The transition generation lives with their loss.

This book is just one perspective, humbly offered, from a member of the transition generation.

Peter F. Drucker once leveraged an eighteen-month study of General Motors to become one of the preeminent management philosophers of the twentieth century. Decades earlier, Tom Watson Sr. had already utilized an uncanny sense of community to achieve the same ends. I offer the insights in this book as an addendum to Drucker's work because we need more servants of business—and fewer masters.

Change occurs slowly in a society of a half million people. It may impact one generation but not the next; it may affect one geography and no other; or it may divide executive and employee. But universally, the Basic Beliefs no longer unite generations of IBMers. This is the century's most significant change.

Endnotes

1 Peter F. Drucker, *The Concept of the Corporation* (New American Library, New York, 1964), p. xii Preface.

2 Thomas J. Watson Sr., *Men—Minutes—Money*, (IBM Corporation, New York, 1934), pp. 25, 42, reprinted with permission of IBM.

3 Any reference to the number of IBM employees and data that is dependent on this number (such as revenue per employee) uses IBM annual report information and includes

complementary employees. A complementary employee is an approximation of an equivalent full-time employee hired under a temporary, part-time and limited-term employment arrangement to meet specific business needs in a flexible and cost-effective manner.

4 Louis V. Gerstner Jr., *Who Says Elephants Can't Dance?* (Harper Business, New York, 2002), p. 186.

“ IBMers were once proud of their company and its leaders. But IBM’s once-revered reputation is rapidly tanking, and employees are leaving by the thousands. Peter’s magnificent book asks where IBM is headed, and it calls on the executives to re-discover their responsibility to lead and create a culture where all IBMers can thrive.”

Marcia Daszko, Marcia Daszko & Associates

THIS IS NO LONGER YOUR FATHER’S IBM

Many IBMers see Louis V. Gerstner as the savior of their company—indeed, Gerstner sees himself that way. *Who Says Elephants Can’t Dance?* expresses this perspective quite well. What Gerstner never realized is that much of his success came from accidentally tapping into an eighty-year-old culture that he never understood. IBM’s founders, the Watsons, created this culture in the 1910s, and then codified it in the 1950s with the creation of three Basic Beliefs: Respect, Service and Excellence.

But today’s IBM has lost its culture, its constitution, and its way. Surely a century-old corporation is more than its founding words. Great leaders, though, do not seek to abolish a people’s constitution; rather they seek a return to its original intent.

This book captures how that change occurred—a view from beneath the dancing elephant.

PETER E. GREULICH spent thirty years at IBM as a salesman, brand manager, worldwide product/market manager and sales instructor. He’s interviewed thousands of IBMers worldwide—from the United States to China, Canada to Brazil, and Australia to Scandinavia. The themes in his writings reflect these discussions, his own corporate experiences and a three-year journey to understand Thomas J. Watson Sr.’s leadership—a guiding force, that in the face of nine recessions and the Great Depression, created one of the 20th Century’s greatest corporations.



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