

FATHER, SON & CO

My Life At IBM And Beyond

THOMAS J. WATSON JR

1.

The people around Short Hills (a small town about 20 miles from New York) had their own way to describe the oldest son of the founder of International Business Machines (IBM). They simply called him "Terrible Tommy" and for most of his childhood, that name really suited. He was the oldest of four kids - two girls, Jane and Helen, and a younger brother Arthur who everyone called Dick. Tom was always in trouble.

One of his fondest achievements at that time involved a dead skunk. Tommy met an outdoorsman who had just skinned a skunk, and he bought a small bottle of skunk juice. Armed with this, he went to his school building and snuck down to the furnace room, where he dumped the entire bottle into the air conditioning vents. He rushed upstairs, just as a school assembly was commencing, and took his place. Before long, the entire hall stunk with an awful stench, and the school had to be closed for a day. He considered it his finest achievement to close an entire school for the day.

His elation was rather short lived. He eventually owned up to the Principal, who decided to take up the matter before the school board, which happened to include Thomas Watson Sr. His father was totally embarrassed, and came as close to belting his son as he ever came in his entire life. However, before it came to that, Tommy ran off. His father yelled after him, "*I don't need to discipline you! The world will do that, you little skunk!*"

2.

Thomas Watson Sr went from rags to riches, but he came very close to staying in rags. His first job, at age 17, was selling pianos, organs and sewing machines to families from the back of a wagon. He was working for Mr W.F. Bronson who paid him \$12 a week, which was good money in the 1880s. However, by talking to other salesmen who were paid on commission, he learnt that for his volume of sales, he would have earned a commission of

\$65 per week. He quit the next day.

Thomas Sr was always a passionate advocate of a sales career. He'd say, "*Everything starts with a sale. If there's no sale, there's no commerce in the whole of America.*" He went to Buffalo, determined to work in sales on commission so he would be paid what he was worth.

Mr C.B. Barron took on Thomas Sr as his assistant. Barron sold stock in the New York State Building and Loan Association which was actually a savings plan that was a forerunner to insurance savings plans. Thomas Sr was too naive to realize that Barron was a crook, but before long Thomas Sr had saved some capital. He decided to open a butcher shop in Buffalo, but in less than a year this business failed.

However, while operating the butcher shop, Thomas Sr had bought a cash register on an installment plan, and when he went to transfer the account to the new owner, he used the occasion to talk his way into a sales job with the National Cash Register (NCR) Company. As it later turned out, this marked the beginning of a lifetime career.

Before long, Thomas Sr was the top salesman at NCR and he came to the attention of John Henry Patterson, the owner of the company. Paterson is now widely regarded as "the father of modern salesmanship" and he developed the techniques of America's first national sales force. He introduced memorized, standard sales pitches, ran sales meetings and developed the idea of setting goals and sales quotas. He also introduced the idea of sales territories to avoid inter-salesmen rivalry. He worked his sales force hard, but paid them very well.

Thomas Sr was with the company for 18 years, rising to become Paterson's second-in-command. Thomas Sr didn't marry until he was 34, as he wanted to choose a wife who could keep up as he became successful. He married Jeanette Kittredge, the daughter of a prominent Drayton businessman. On return from their honeymoon, Paterson gave the couple a house to live in.

Paterson, however, was fairly ruthless. For example, when one of his employees had angered him, Paterson took that man's desk and the contents of his office and set fire to them on the front lawn of the company. The man left without coming back into the building. Paterson worried that Thomas Sr was becoming too popular, and started cutting him out of the important decision making meetings. Finally, Thomas Sr realized it was time to leave. It was early 1914, and he left with a severance payment of \$50,000 but no house, car or job.

What he did have was a reputation for being able to sell almost anything. He met a Wall Street financier, Charles R. Flint, who owned a company called Computing-Tabulating-Recording (CTR), selling scales, time clocks and mechanical tabulating machines. The company had so much debt it was in danger of folding, but Thomas Sr was attracted by the tabulating machines which he considered had great potential. Thomas Sr joined the company on condition that he was paid a gentleman's salary to support his family, and a share of the profits that remain after the stockholders dividend.

Thomas Sr's first move at CTR was to go to a major creditor (who was owed \$4 million) and ask for an additional loan of \$40,000. They were surprised, but he argued, "Balance sheets reflect the past. This loan is for the future." He got the loan, and used the money to improve the company's products. Thomas Sr also set about creating a polished sales force, based on the principles he had learnt at NCR. He also worked hard to build staff loyalty, firing none of the existing staff but retraining them methodically.

Whenever he had some spare cash, Thomas Sr bought shares in CTR, eventually reaching the stage after a number of years where he owned 5% of the stock in IBM as CTR later came to be renamed. His profit sharing arrangement had seemed foolhardy in the early days of the company, but by the 1920s and 1930s, Thomas Sr was the highest-paid manager in America.

3.

Thomas Sr's wife worked hard at raising the kids and running the house while her husband was busy building his company. She also did most of the chores around the house, as Thomas Sr turned out to be a bit of a disaster in a domestic setting. This was illustrated by a story.

Thomas Sr had hired a houseman, and decided to show him how to light a fire. He piled that fireplace so high with kindling and wood that when he set it alight, the fire promptly spread up the chimney and set the whole shingle roof on fire. Only quick action by the locals averted the entire house burning down. From then on, there was a clear division of domestic responsibilities.

Thomas Sr and his wife did have some heated exchanges, especially when the pressure was on at the company. Thomas Sr would expect the same unquestioning obedience from her that he demanded of his employees, with predictable results in a domestic setting. However, the family always seemed to enjoy going away on trips together. It was on one of these trips that Thomas Jr caught the flying bug.

At an early 1920s county fair, an ex-World War I pilot was offering joyrides in an old plane. As Thomas Sr had met the Wright Brothers many years earlier in Dayton, he was curious and bought a ticket. He left the line to buy the kids some ice creams, and by the time he got back in line, the plane had crashed killing three passengers. Thomas Sr took that as an omen and decreed that neither he nor any of his family would ever fly. However, Thomas Jr had been absolutely captivated by the plane. Finally, on a trip to Europe in 1924, Thomas Jr got the chance to fly as a passenger. He was hooked.

4.

Although it was never expressed, Thomas Jr always knew his father wanted him to work for and eventually lead the company he was building. The problem was that it was hard to imagine a less likely successor.

Whenever Thomas Jr visited the company, he would head for the machine room where the real action seemed to be, rather than the offices on the floor above. He particularly enjoyed the stacks of cards for the punch card machines used to keep records in those days. Sometimes he would accidentally knock over stacks of card, fouling up hours of hard work for the employees.

5.

The Stock Market crash occurred when Tom Jr was 15 years old. The Depression really started to bite in 1932, but IBM's profits stayed quite high. Since Tom Sr's income was pegged to profits and not the share price, his income remained fairly consistent. However, as word went around the community that he was still solvent, he was often asked to lend money to his neighbors. He eventually ended up lending about \$100,000, mainly to people who never paid him back even when they were once again back on their feet.

Tom Sr thought the Depression was just temporary, and his strategy was to expand production. When there weren't enough sales to keep the factories busy, he ordered the warehouses to be filled with spares to be ready when demand picked up. He urged the sales force to sell harder and hired more salesmen. By the time the National Recovery Act of 1933 marked the end of the Depression, IBM had more than doubled in size.

With an increasing requirement for gathering statistics and the new Social Security Act of 1935, the demand for IBM's machinery soared. In short time, the US Government became IBM's biggest customer as 100s of machines were used in keeping records. The vital statistics of the entire country went onto punch cards.

While IBM was achieving huge gains, Tom Jr barely made it through high school. He finally graduated at age 19, after attending three schools for six years. He tried to offset academic failure with sports, but he had extremely poor eye-hand coordination. His father used to tell him, "*I wish you were better at school, and I'm sure you do, but at some point, something will catch hold and you are going to be a great man.*"

Tom Jr sat the college entrance exams, and scored at or below the passing level in every subject except physics, in which he had scored the highest mark in the entire State of New Jersey. Behind the scenes, his father was quietly doing the rounds of universities arranging for him to further his education. Finally, he was accepted at Brown University in Rhode Island.

6.

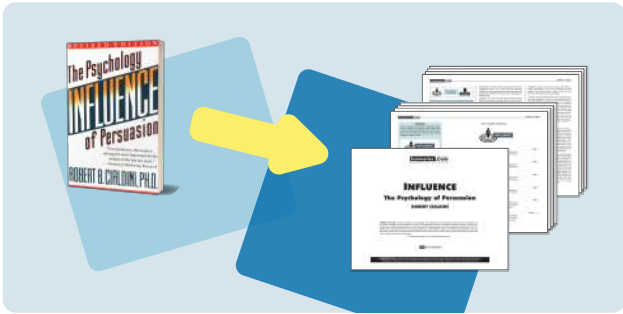
Tom Sr turned 60 years old while Tom Jr was at Brown University. Tom Sr was gaining an increasing amount of international recognition and had huge business commitments. Tom Jr fell in with a minority of students who partied hard, and lived life to the fullest. He was living on an allowance of \$300 per month - about double the income of the average American family in 1933.

At the end of his first semester began a little ritual that occurred regularly - he was called into the Dean's office to explain why his grades were so bad. Tom Jr promised to do better next semester every time.

Interestingly, Tom Jr never knew how much he was worth until he was more than 30 years old. His father had established a trust fund for him with IBM stock, but every year, the accountants

Summaries.Com

The Ultimate Business Library



We condense **300+** page business books into **8-page** summaries.

By reading summaries, you'll get the **key ideas** in **30 mins**, so you can spend more time turning your ideas into **dollars**.

Knowledge is Power — Invest in Your Future

For just **\$2 per week**, you will...

- > Learn from the mistakes and success of the smartest people in business;
- > Get fresh ideas, strategies & motivation that could be worth millions to you;
- > Follow emerging trends, so you can catch the wave before your competitors do;
- > Catch up on the classics you always wanted to read.

1,000 Top Business Book Summaries

Our catalog includes summaries on a range of topics for aspiring entrepreneurs, managers, and consultants.

BUSINESS PLANS

MANAGEMENT

PRESENTATIONS

SALES

LEADERSHIP

MOTIVATION

STRATEGY

AND MORE

