

I.B.M.: The Pleasures and Penalties of Sheer Size

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The International Business Machines Corporation has learned to its sorrow that being one of the nation's largest industrial companies and the giant of its field can bring brickbats as well as roses.

I.B.M. today faces at least half a dozen antitrust suits with the case generated by the Johnson Administration and recently revived by the Nixon Administration now in the forefront.

Other current actions include suits brought by the Control Data Corporation; the Telex Corporation; International Data Terminals, Inc.; M.D.C. Data Centers, Inc.; Symbolic Control, Inc.; and a counterclaim to an I.B.M. suit by V.I.P. Systems, Inc. In addition, the Xerox Corporation is suing I.B.M., but in this case for patent infringement.

Not All Unpleasant

Not that the fruits of size are all unpleasant. The very growth and success that has spawned antitrust suits also has propelled I.B.M. into the vanguard of the computer industry, and, indeed, into the front ranks of the entire business community.

The company's sales last year were more than \$8-billion, exceeded only by the General Motors Corporation, the Standard Oil Company of New Jersey, the Ford Motor Company, and the General Electric Company.

I.B.M.'s 1971 profits were over \$1-billion, and its consistent earnings record over the years has made the company a darling of Wall Street.

An investment in 100 shares of I.B.M. stock in 1914 cost \$2,700. Today, that investment would have grown through stock splits and dividends to nearly 60,000 shares worth over \$20-million.

One reason for the antitrust attacks on I.B.M. is the sheer size of the company. By outside

estimates, it has installed, 70 per cent, by dollar value, of the computer equipment in the United States, and even more startling, over 50 per cent of the computer equipment outside the country.

This kind of market performance has made I.B.M. more dominant in its industry than any company in any other industry in the country, according to many observers.

Notwithstanding its current problems, I.B.M. has enjoyed good relations with Washington, occasionally interchanging talent with the Federal government.

For example, Nicholas deB. Katzenbach, who served as Attorney General of the United States in 1965 and 1966, became I.B.M.'s general counsel in 1969, a post he still holds.

Another highly-publicized I.B.M. official who moved in the opposite direction, from the company to the government, was Arthur K. Watson, the younger son of I.B.M. founder Thomas J. Watson.

Ambassador to France

Mr. Watson was named Ambassador to France by President Nixon in 1970, but recently resigned the post, effective this month. While in office, he was the subject of a

highly-publicized article by Jack Anderson, the columnist, in which he was accused of drunkenness on a flight from Paris to the United States. Mr. Watson denied the incident.

Before leaving for his Ambassadorship, Mr. Watson had been head of I.B.M.'s international operation, which some critics have said should be severed from the domestic company.

Arthur Watson's older brother, Thomas J. Watson Jr., led I.B.M. from 1956, when he took over from his father, until 1971, when he turned the chairmanship over to T. Vincent Learson.

Mr. Learson, the first non-family member to lead I.B.M., plans to retire in December, when another outsider, Frank T. Cary, is scheduled to succeed him as chief executive.

The senior Watson, who built the company and formed it in his image, was a New York State farm boy with a knack for salesmanship. In 1914 he took over a young firm called the Computer-Tabulating-Recording Company and by 1924 he had changed its name to International Business Machines.

Mr. Watson installed the company's famous "THINK" signs in every office, required that his salesmen wear dark suits and white shirts, and forbade

drinking on the job, even at luncheon. The rules still prevail although sometimes in modified form, throughout much of the I.B.M. empire.

From \$4-million in sales and 1,346 employees in 1914, I.B.M. has grown to include 265,000 employees and operations in 117 countries.

In addition to computer mainframe equipment, I.B.M. makes a wide variety of input and output devices. It also manufactures electrostatic copiers, electric typewriters and dictating machines.

Where the Income Is

Sales, service and rentals of data processing machines and systems accounted for nearly 80 per cent of the company's gross income in 1971.

When originally announced in 1969, the government's antitrust suit against I.B.M. alleged that the company monopolized the \$3-billion general purpose digital computer market, and indicated that at least a partial breakup of the company would be sought.

That suit was part of an enormous flurry of last-minute activity on the part of officials of the Johnson Administration in its waning days before the Nixon Administration took office.