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HUMAN RELATIONS AND PRODUCTIVITY

19 February 1951

1611

CONTENTS

	<u>Page</u>
INTRODUCTION---Major General A. W. Vanaman, USAF Commandant, ICAF.....	1
SPEAKER---Mr. James F. Lincoln, President of Lincoln Electric Company.....	1
GENERAL DISCUSSION.....	7

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RESTRICTED

1612

RESTRICTED

Mr. James F. Lincoln, President, Lincoln Electric Co., was born in Painesville, Ohio, 14 May 1883. He attended Ohio State University 1902-1907, from which he received an honorary E.E. degree in 1926. He began work as a salesman in 1907 with Lincoln Electric, which was started by his elder brother. The company, initially a manufacturer of electric motors, engineered improved arc welding. It became the world's largest manufacturer of welding equipment during the recent war and supplied over a third of the electrodes for ship, tank, pipeline, and synthetic rubber programs. Under his leadership, his company combined declining costs with high wages and large profits; this success, which gave its policies considerable publicity, has been attributed to the company's incentives program. Mr. Lincoln is the author of several articles including: "Incentives Versus Governmental Control, Lincoln's Incentive System." He became President of the Lincoln Electric Company in 1928.

RESTRICTED

RESTRICTED

1613

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GENERAL VANAMAN: Gentlemen, in the parade across this platform of top-flight executives, from both industry and business and from the military, you have noted, and you will note, that externally they do not appear the same: some are tall, some are short; some are fat, some are thin; some have hair, some do not, and so on.

But if you were asked to pick out the two outstanding characteristics that all these leaders have in common, I believe you could pick out the very objectives of our education here at the Industrial College; that is, the capacity to tackle and solve problems by a well-developed thinking process or a thought pattern; and second, great capacity to deal with your fellowmen. Expressed in other words, it is the capacity to arrive at sound decisions through a thought pattern, and the ability or the capacity to obtain decision acceptance, wholehearted decision compliance.

Now, no one who knows our speaker this morning doubts his ability to arrive at sound decisions through a well-developed thought pattern. His ability, his capacity to obtain decision compliance has been rather outstanding through his incentive plan--much to the chagrin of some of his competitors and much to the pleasure and profit of his stockholders. Incidentally, most of those stockholders are employees in his own organization.

Gentlemen, it gives me a great deal of pleasure to present to the Industrial College and our guests, Mr. James F. Lincoln, President of Lincoln Electric Company.

MR. LINCOLN: Mr. Chairman, gentlemen: I am to talk to you this morning about what we call "incentive management." It is quite obvious that the state of mind of the individual worker has a tremendous effect on how efficiently a job is done. I cite as a fact that under proper conditions--conditions in which the worker has accepted the idea he wants to do his best--productivity rates are more than four times those of the usual union-dominated organization.

When you have productivity that great, you immediately find two or three things are occurring. In the first place, the amount of money or percent of profit that can be made is enormous. Also, the wages that can be paid to the man because of his greater production are tremendously larger.

RESTRICTED

RESTRICTED

1614

These possibilities pose a real problem for management. What are they going to do with that additional profit? If it is given to the stockholders only, I think the net result would be far from satisfactory. And I doubt very much if you could maintain the cooperation of the organization by merely turning the money back to the stockholders as greater profits. The average man already believes the stockholder gets entirely too much; that he gets more than he contributes. I do not want to argue with you on this matter because it is not the point of view I want to express. But it does mean that it would have a very great effect on the man if, because of his added efforts, he would see that greater profits went to the stockholders. However, that has nothing to do with the production of those results.

It seems to me that something else other than merely profits to the stockholder must obtain. The primary object of industry must be to build a better product to be sold at a lower price. That is what industry is for; it cannot be justified on any other basis. It is a fact, of course, that companies in their bylaws have a statement to the effect that "this organization is organized for a profit"; but I doubt very much if you are going to get very far if you follow that rather narrow point of view to its logical conclusion.

If, however, you take the other point of view, namely, that the job of industry--which I think we all would accept--is to build a better product to be sold at a lower price, then you have immediately an activity which makes sense to everybody. Most important of all it makes sense to the people who are going to buy the product. In other words, your attitude is that the consumer--who, after all, is the fellow who pays the wages, buys your material, pays your taxes, and pays for your losses--should be the one who is thought of primarily in whatever industry does. He should be the one who has first call on those extra profits resulting from high-production rates. We believe that point of view and approach is fundamentally and completely necessary.

The second place these extra profits would go is to the worker who has produced at this very high rate. It seems necessary to us that the salary of the worker and all those who have done this job of very much greater productivity should be rewarded in accordance with what they had accomplished.

In the case of our organization, we have been able, as an average, to more than double the wages usually paid to people doing the same sort of work in Cleveland. When that is done, two rather remarkable things occur. In the first place, as I said, industry for the first time makes sense to the wage earner. It makes sense to the whole organization. The wage earner does not see it as a specified activity in which somebody is trying to make a lot of money. He thinks of it as a public benefit; and because he is part of that public, he will go along with that program enthusiastically.

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If you are going to have this very high productivity, you must have one fundamental change in the thinking of all the people in the organization; that is, the desire to do the best they can. If you have that desire on the part of all--that they want to do the best they possibly can--a number of things occur. In the first place, they try to do as well as they can. The second thing is, when you try to do the best you can on a job, you will also increase your skill on the job. Those two things are automatic. Also, you do not need to have someone watching the worker to see whether or not he is doing the kind of job he should do; to see whether he is really trying or whether he is just merely trying to see how little he can do in how long a time. Those things are automatic. Those things are obvious.

The two things, however, which I think are not so easily seen are these: In the first place, if the worker in his job cannot have the source of satisfaction which is desired, his chance for happiness is going to be rather remote. After all, generally speaking, all of us spend a very large part of our waking hours on our jobs, and if we cannot from those jobs get the satisfaction we crave, our chance for happiness will be very remote indeed.

It seems to me, therefore, after we get this result of people wanting to do the best they can, they immediately have an opportunity to do something, to have a skill, to have an ability of which they are proud; because of this they can rightfully feel that they are a "man among men," which, after all, is the thing we all strive for most.

The second thing, and perhaps the one most difficult to explain, is the fact that what a man is at any time is not what he was born. What a man is at any time is what he has developed himself into. If you will go back over your lives you will find that you are today an entirely different individual from what you were 10, 20, or 30 years ago. You are that entirely different individual because of the problems which you had to meet and solve; because of the crises in your lives which you had to meet. If that experience, if those crises, if those incentives had been different, you would certainly be an entirely different individual from what you are at the present time. If you had to meet none of these crises, you would be a very weak and wishy-washy kind of person. What you have met in the line of necessity is the thing which determined the kind of individual you are.

On the other hand, as is frequently the case in union-dominated shops, if you are doing a job which is something you want to get away from and which means nothing more to you than something you have to do because it is the only way in which you can make a living, you can get no satisfaction from your job and the chance for growth in your own case is going to be

RESTRICTED

1616

very remote. Therefore, under those circumstances the kind of individual that you are is going to be radically different from the kind of individual you would like to be.

When you have a job, however, which is something that you are trying your best to do in an outstanding way, in which you are trying to increase your skill, in which your imagination is always challenged because of the possibilities of that job and the possibilities of that job making you a bigger and more important individual, then your attitude and growth are going to be entirely different and also tremendously more important.

Perhaps you would hesitate, to some extent, to believe what I have said about this matter of our development of latent abilities being the thing which makes a man what he is. But if you will take your own life and go back over it and see the crises which you have met, see the incentives which you have responded to, and see the results which those experiences have made on you, I do not believe there would be any doubt in your own mind as to the truth of the statement.

If, however, you would like to go one step further and take people who are outstanding examples of this kind of thing, it would not be difficult. Take a man like Abraham Lincoln, who in 1855 was a rather lazy, fun-loving lawyer, but who in 1865 had to face the crisis of the Civil War, which was one of the great crises of this country; he had to lead the country through it. Because of this crisis Lincoln became one of the greatest men this country has ever produced.

If you would compare the experience of George Washington before and after his leadership through the American Revolution, I wonder if you would not have another case. Without the experience he had in the American Revolution, I think he would have been a very nice, very enjoyable farmer whom his neighbors all liked. But so far as his being a leader of the world--which he certainly was--that would have been entirely out of the question.

Fundamentally, that same thing is in every one of us. It is the difference between a man of great ability and a man of limited ability. The psychologists tell us that no man develops as much as 50 percent of the latent ability with which he is born. It is perfectly obvious therefore that a great many people develop not at all, or very little.

Now, if only 50 percent of an individual's latent ability is developed, and we have the geniuses we now have, how different things would be if they had developed in some other direction. I wonder, for instance, if Edison had been more interested, we'll say, in atomic power than he had been in the electric light if perhaps our method of producing power at the present time might not be entirely different.

RESTRICTED

RESTRICTED

1617

I wonder if you would take any of the geniuses that have lived and the results which they have had on the human race because of that genius, if it had been directed in some other direction--but circumstances were the things which controlled--if we would not have an entirely different world from what we have at the present time.

The great opportunity that you will have as leaders, in my humble estimation, is, first of all, to recognize the fact that there is that tremendous growth right at your hands. Remember, the man who is the leader is the man who, to a very large extent, determines what kinds of reactions those whom he leads will have. Therefore, you have in your hands the making perhaps of very great progress in any organization which, if you have the inspirational leadership, would make that organization tremendously more important to both you and the economy generally.

Few who have the responsibility of leadership ever realize what a tremendous effect they can have on the people they lead if they have the inspiration, the point of view and the desire to develop those people as they can be developed. A leader has one of the greatest opportunities man ever had.

After all, the reason the United States is great is because of that opportunity. Remember, only a few generations back no one was an American; our ancestors were in some other country. Yet the people who stayed in those countries, mainly in Europe, have not made the progress that we have in America. We cannot say it is because they did not have the wherewithal to make that progress. Nor can we say they did not have the ability because their sons, daughters, and other relations who came here did do it.

The reason progress was made here, that the United States is at the present time the leader of the world, is that here was the opportunity, the inspiration, the incentive for any individual to rise on his own ability; the opportunity for him to develop to any point to which he had the nerve and the determination to go. That has made our Nation the greatest the world has ever seen.

And remember this, had those people remained in Europe or in other parts of the world, they would be the same kind of people that are now in those other parts of the world. It is only because of the development of their latent abilities, only because of the development of their powers of growth that we have such great nation. After all, people make a nation. It is not natural resources or anything else. It is the development of people that has made this Nation the great organization it is.

RESTRICTED

RESTRICTED

1618

So it would seem to me that you, with your capacities, will have, as time goes on, a greater and greater opportunity to contribute toward that development, contribute toward that leadership, contribute toward that making of bigger, greater, and better men on which the future of this country depends. Remember, when that greatness of the individual disappears, we haven't much left. We have 150 million people in this country, plus certain natural resources. China has 400 million people and probably greater natural resources. Russia has 200 million people and certainly greater natural resources. India now has 400 million people and greater natural resources than we have. The only difference between those countries and ourselves, and the only reason we are dominant compared to them, is because the 150 million people have developed themselves into leaders, into people of ability beyond what they have anywhere else, and because of that they have made themselves the greatest nation the world has ever seen.

It seems to me we also have facing us another very great problem. Freedom is the one thing on which any progress such as we have seen in this country depends. I do not believe that any American can see the direction in which we have come over the last 20 years without feeling the great possibilities of danger; that is, that freedom of opportunity, on which this country depended so much for its greatness, is in danger of being washed out. We are more and more finding the individual not put on his own; not responsible for his future. More and more he is being forced to seek other sources of security, which may be government or something else.

Now, the great danger in this is, if it becomes universal here, and even in as far as it has already gone, the thing which has made this country great will be eliminated along with that greatness. The development of the individual must be a continuous thing if we are going to have the same continuous growth, the same development on which we have depended so far for our greatness.

I do not believe that any American can help but consider so very carefully just what direction we are going in this regard. Remember, we are about the last free nation in the world today and if we are not able to maintain that freedom, if we continue to undercut it as we have, we can before long, take our place along with the other nations that have willingly or enthusiastically given up their freedom for what they thought was going to be something more important to them, namely, security. Unfortunately, gentlemen, the two cannot go together.

Thank you.

RESTRICTED

GENERAL VANAMAN: Mr. Lincoln, I know that your personal modesty has kept you from explaining to us just exactly how you, in your company, have carried out these ideas. Would you give us some of the details of the incentive that you have given to the employees in Lincoln Electric?

MR. LINCOLN: I want to say first of all that I do not believe the details of the plan are too important. There is just one thing that makes any incentive scheme work and that is the desire of all the people in the organization to make it work. It is a good deal like a football team--they all want to work together toward one common goal and that is to win the game. If they did not, I do not believe anybody would want to go to a football game, nor do I think anybody would want to play football. It is this desire for cooperation that makes football or any other athletic game what it is.

The fundamental thing about a successful incentive system, if I am right, is that you must get that desire on the part of all people from top to bottom to want to make the thing succeed. In our own case we pay primarily the normal wages for the same sort of work that are generally paid in the Cleveland district. That is true of salaries and wages.

Now, at the end of the year we, first of all, pay a 6 percent dividend on the actual valuation of the stock of the company. Then we set aside an amount of money that the directors feel should be set aside in order to follow out the program that the company has. All the rest is divided up among the people in the organization from top to bottom on the basis of their contribution to the success of the company for that year.

The way that is arrived at is this: Three times a year every wage earner, that is, the man who works with his hands largely, is rated by his superiors. He is rated by his foreman, by his time-study man, by his inspector, and by the production department. In other words, that means his cooperation, his imagination in getting better methods for doing the work, his accuracy in doing it, and his total production.

Three times a year he is given that rating and is told, if he wants to ask the question, how that rating can be improved. At the end of the year the summation of those ratings is the foundation on which his cut in this bonus is determined. Over the last 10 or 12 years the bonus has averaged better than 100 percent of wages and salaries.

I might point out that the prices of our products today are less than the prewar prices, that is, before 1940. It is true that because of the increase in prices of materials, largely, they are higher now than they were some few years ago. But they are still lower now than they were prior to 1940.

Therefore, as I say, the man gets more than double the wages that other people receive. But remember he is producing more than four times as much, on the average, as is done by other manufacturers of electrical products in this country. I think it is a safe thing to say that our productivity per man per year, if you take the total number of people in the organization and divide that into the total dollars of output, is higher than any other organization in the United States--or in the world, for that matter. But its whole foundation is that one thing, namely, a desire on the part of the entire organization to work together for a common end.

Now, the reason the man is not actually given four times the normal wages is because of the policy which I outlined to you before, that we believe a very considerable part of this money shall go to the customer in the form of lower prices. The men accept that idea as a fundamental policy, which they believe and concur in completely.

QUESTION: Mr. Lincoln, I am completely in accord with your ideas. However, this morning I saw in the paper where the University of Michigan Institute of Social Research claimed that people who gripe at their manager, at their job, at their surroundings, and what not, usually do a better job than do people who are happy and go whistling about their work.

Would you care to comment on that, sir?

MR. LINCOLN: I have not gone into this subject completely, but I wonder if perhaps what they meant there was this: That the man of outstanding skill and imagination is the man who is never satisfied with things as they are. Obviously, that is the ideal individual. You cannot remain where you are now. The good worker, the good engineer, the good manager, the good person of any kind, I think, is a person who is continually striving for better conditions, better results, better products than exist at the present time.

We find in our Advisory Board--a board elected by the people in the factory--that meets with me to discuss all the various details of our operations, that the fellow who is most critical, the fellow with the most ideas, the fellow who is all the time trying to do his job in a better way is also usually the best operator. He is the most imaginative the most skillful, and the most progressive; I think that is generally true of people. The fellow who just wants to have everything remain as it is certainly is not the fellow on whom the world depends in order to make progress. In fact--and I, perhaps, hesitate to say this--the man who probably had the great effect of all times on the human race was a philosopher who lived some 2,000 years ago. And they crucified Him.

He was not satisfied with anything at that time. His whole philosophy was completely different from what the world had. Yet, He has been the most influential individual who has ever lived.

QUESTION: I am wondering if you would mind my going into a sort of hypothetical case. People do not all have the same amount of ability and since your rewards, or the extra rewards over and above the normal compensation, depend upon the marks of these various people doing the next rating, I am wondering how you would approach a situation like this:

You have one man in the company who, because of the various marks he has received in these different departments, ends up with a bonus of, say, \$50, when John Doe down the street, who lives close to him and whose wife runs around with his wife, receives \$500. That naturally creates a situation. I am wondering what you would do about that?

MR. LINCOLN: I think that is very much the point. However, I want to correct just one statement which, I am sure, was not intended. We do not have any \$50 or \$500 bonuses in our company.

QUESTIONER: Oh, that was simply hypothetical.

MR. LINCOLN: Do not forget this: That the greatest incentive in the world is competition. We all want to be outstanding in some way. That is the reason why athletes will work their hearts out to make a successful football team. After all, what difference does it make who wins a football game compared to a lot of other things which are tremendously more important? But still there is no job in which a fellow will work harder than to win a football game.

Now, I have often told the story, which happens to be true, of an all-American halfback who came down the summer before his last year to be a maintenance man in one of the automobile plants. I posed this question to his boss: "How fast is he at getting down to a breakdown?" He said, "Oh, he gets there as slowly as he can." But when he got the kickoff the following fall, he just about broke his neck to carry the ball across the goal line. However, when he had to work on a breakdown, he didn't care.

After all, wasn't the operation in the automobile plant much more important to the country than was his winning a football game? Yet, all his strength and enthusiasm was for the football game rather than the other. Why? Because in football he was an outstanding individual. He was recognized as an all-American, the greatest halfback in the country or in the world. That is the thing we all want.

1622

Now then, you pose the question: How about the fellow that cannot do as well as the other fellow? Well, obviously he is going to win or lose on what he does. He is going to get one-tenth as much, if that is going to be true, as the other fellow. What happens under those conditions? In the first place, he is going to put a lot more pressure on himself than he ever did before. He is going to try to be a better man. He is going to try to be a better operator. He does not like to have Bill down the street beat him. So long as he feels the game is one in which he can be rewarded in accordance with his ability, he is going to try to increase that ability.

The remarkable thing about all this is the amount of increase that he can make is simply stupendous when he wants to put the pressure on himself. That, after all, is the fundamental principle on which any incentive system must be based--this matter of competition between individuals and competition between organizations. That is the foundation on which the whole thing is based. If you should come to us and say, "Let's pay everybody the same amount," you would have the whole organization--not only in our own case but I think I could safely say in any other organization--down on your ears immediately. They want to have this matter of competition in there so that the better man will get a better chance.

QUESTION: Mr. Lincoln, at various times I have had some experience in supervising personnel in maintenance shops. I have always found that it took about 66 to 70 percent of my time supervising the personnel and the remaining percentage of my time was devoted to production, and so forth

Do you run into the same problem?

MR. LINCOLN: I think this is true, that when you have a group of people who want to do the best they can that a tremendous number of the problems which you have in the normal "don't care" place are eliminated. I am not trying to say that you do not have a "don't care" attitude in your organization. I am merely saying that when the people in an organization are anxious to do the best they possibly can, a host of difficulties disappear.

In other words, take in our own case, the matter of inspection becomes extremely small. I read somewhere that one company says one-tenth of all the people they have in their organization are inspectors. I would say that one one-hundredth of all the people in our organization, or one in a hundred, would be inspectors. The difference is the fact that the man wants to do the best he can. He is the expert on the job because he is doing that job. Obviously, he knows better than anybody else how accurately it has been made in the past. If he wants to make it accurate he is going to do it better than if someone is standing over him and watching him.

The same thing is true in any other job that a man would be doing. If he wants to do the best he can, he will overcome the weaknesses which he had because he wants to do it. I think an organization under those conditions--at least that is our experience--would overcome so many of those things automatically.

I don't know whether that covers the point or not.

QUESTIONER: Not entirely, sir. We do not have in the Air Force or in the Government the incentive by pay except in the way of small increases in wages.

MR. LINCOLN: Obviously.

QUESTIONER: We have to use, as a matter of fact, a tremendous amount of psychology. It requires considerable schooling of supervisors. There is really no reward for the individual employee in the Government other than probably when the civil service man ahead of him dies or gets sick he gets promoted to that particular place. The other workers down below, who work with their hands, receive an incentive pay, but one which is very nominal. We have that kind of a problem to face in our line of work. We will say, "Well, at the end of the year our profit will be divided with you people. If you do not work we will get less profit; therefore, you will get less in return."

What can we do to improve ourselves in that regard?

MR. LINCOLN: There is really only one suggestion I could make on that--and please do not for one moment think that this suggestion is any more than my guess at it because your conditions are so radically different from those prevailing in industry.

But the thing you would have to do, in my estimation, would be to analyze the ability of the individual on something that he does better than anything else. If you could do it by making his next step up dependent upon--oh well, anything. If you could make him feel it is a game in which he can put forth his best efforts, that will answer your problem.

Now, how that can be done in the particular situation you have is something I am not sure I can answer. I could perhaps come somewhat closer to answering it if I could see some records. But if you can make him desirous of being a better man on the job, you have your answer. If you cannot do that, I do not believe you will make much difference in the man.

RESTRICTED

1624

COLONEL CAVE: Mr. Lincoln, with the beginning of wage controls, what were some of your problems in so far as the bonus incentive was concerned?

MR. LINCOLN: In the first place, we have our wages set on a cost-of-living basis. We have been doing that now for over 15 years. The second thing is we have had this bonus plan for the last 17 years. We went through the last war, during the last wage freeze on the basis of what we had done before. We feel this wage freeze will be the same sort of thing; therefore, we believe we would be able to go ahead as we did during the last war.

QUESTION: I would like for you, if you would, to discuss two points: First, how much evolution went into the development of the incentive plan as it now exists? In other words, how many failures did you have? What is the thing we should watch for? Second, what influence does this incentive plan have on your recruitment policy for the recruiting of people? Upon what basis do you select them?

MR. LINCOLN: Answering your second question first, I can say this: We have never, at any time, had anything else but a long line of people who were anxious to come with us. The personnel is selected by an employment manager. We also do one other thing--we do a great deal of it, as a matter of fact. We take the recommendations of our own people on the people they know. We have a great many fathers, sons, uncles, cousins, and so forth, because the people that we had in there before recommended them to us, saying, "There's a good fellow. I think it would be a good thing to take him on."

QUESTION: Do you conduct any special adaptability tests, or anything of that sort?

MR. LINCOLN: No, we do not; however, we do this: In case a man fail in a particular job, we try to find some other place where he can be put. If he cannot work out anywhere, we drop him off, of course. But, in general, we do try to find a place that will fit the man to the best advantage.

We also do this: We switch our foremen from department to department in order to keep them "on their toes," which we think is a good thing for any organization. It helps keep people from getting into a rut, which they are very apt to do. We do find it rather helpful.

In answer to your other question about the experience we had in developing this plan--how many mistakes were made in developing it and what are some of the things you should watch for --you won't be very proud of me; but I am going to tell you the truth about it.

RESTRICTED

I took over the management of this company in 1914; at that time they were broke. Up to that time they had never paid a dividend. The company was started in 1896. In 1918 we had made enough progress so that we could pay our first dividend.

Well, I had been very much enthused over this idea of some kind of a profit-sharing or incentive plan. At that time there was no prior experience on that sort of thing that I was able to get hold of. I thought it was a good idea. So I split this first dividend and gave one-half to the stockholders and the rest of it to the men.

Well, the stockholders were simply tickled to death because they never had seen a dividend before. But the amount of this "bonus," if you want to call it that, to the men was relatively small. If you will remember 1918 was a silk-shirt era, when people were pretty prosperous and money did not mean very much to them. Well, the reaction from it wasn't good-- I mean, it wasn't bad, but still it wasn't good. I thought I had made a mistake.

In 1932, as you remember, there was quite a slump; we were affected very materially. At that time, we did two things which, I know now, were good policy. In the first place, we did not drop off a man. We did not reduce wages; however, we did have to reduce hours. That meant in 1932 and 1933 a great many of the people were working shorter hours. It was pretty tough going for them. They could not live the way they wanted to live.

So, in 1933, our Advisory Board was asked, "How are we doing?" I said, "Well, we're getting along fairly well"--and that was true. Then they said, "Isn't there a possibility of having some kind of bonus or something of that kind? A lot of our people are up against it pretty badly." I said, "all right. If you think that we can work together for a common end"--and this got into the very thing I always was enthused about, namely, working together as a group--"I think we can do something about it." So, there was a verbal agreement made at that time.

Well, all through the year 1934--that was when the bonus was to have been paid--they kept asking, "How much is it going to be?" I did no more than say, "I guarantee that it'll be at least \$10."

We did pretty well in 1934. Also, the cooperation of the organization was very great. There was a real step forward. The bonuses amounted to something over 20 percent of the year's wages of the people. They had been expecting this very small amount. I never was so affected in all my life by the reaction from any organization. There was a lot of enthusiasm,

a lot of tears, and a lot of emotion. There was never any doubt in my mind from that time on about the success of a bonus plan. It has continued to grow on that same basis--if we work together for a common end, do a better job for the customer, a better job for all concerned, we can do a lot better for everybody. The plan has been getting progressively better.

We paid 20 percent in 1934. It went up in 1935, 1936, and in 1937 was about 70 percent. The year 1938 was a slump year for us; it went down to a little more than it was in 1934 and 1938. The next year 1939 was about the same as 1937. From then on it has gone on up continually so that it averages, as I say, over 100 percent.

Now, I would like to say a word or two about this matter of rating the people in the organization three times a year, which is relatively recent--I would say within the last five years. I was afraid of that from the very beginning because I was afraid favoritism might be shown. After all, it is so easy for a man to judge an individual by whether he likes him or not rather than by what he does. But I had four people rating each person. I thought that would provide a check by the other side I have not seen, nor have I had reported to me by any of the people in the organization, any evidence of favoritism being shown. But it has been a tremendously helpful means of getting this competition between people and competition between parts of the organization.

Does that answer your question?

QUESTIONER: Yes, sir; it helps a lot.

There is one other question I would like to ask with regard to your recruitment policy. Do you have any age limit for the people you recruit?

MR. LINCOLN: There is one point I do want to bring out. The people who come into our company must come in at the bottom. Every better job is advanced from within. Under no condition would any job better than a steering job be given to anybody from the outside. We feel that is essential. There is continuous competition between all the people in our organization; the best man wins. In my estimation, that is important.

QUESTION: Mr. Lincoln, how have the unions reacted to your incentive plan?

MR. LINCOLN: Well, I have no way of knowing because we have no unions and I doubt very much if any union would attempt to unionize our plant even if it could. In other words, in our organization we are paying our people about double the normal income. Obviously, they could not come to us if they should negotiate a union contract and expect us to pay any more than people in that area would be paying for doing the same sort of thing.

RESTRICTED

1627

QUESTION: Sir, how would you think this could be patterned to other industries? Take the automobile industry as an example. Could it possibly work in that type of work?

MR. LINCOLN: Why, of course. People are the same, fundamentally, whether they are union or nonunion people. We are all alike. All of us are the same, fundamentally. We have the same desires, the same incentives.

Now, obviously, an automobile plant would be a place where the desire to work together for a better result for all concerned would be exactly the same as it would be in a plant such as our own. Therefore, I think the plan would really work anywhere.

As to inspectors, we do not need even one percent of our personnel. The only thing we have inspectors for is to be able to go to the fellow who is starting on something about which he is not too certain and having the inspector tell him where the difficulties are and what the net result is that he has to get. But so far as accuracy is concerned, that is taken care of almost entirely by the man doing the job.

The number of foremen we have for a certain number of people, the number of time-study men, all those things are tremendously reduced because of the fact that the workman himself does not need watching. You do not have to see whether he is doing his job the way he ought to or not.

So, I would say the same results could be obtained in an automotive plant or any other kind of a plant. The same idea of the desire to work together for a common end would make a tremendous increase in the productivity of any organization.

QUESTION: Mr. Lincoln, recently there have been steps taken in our government agencies looking to the elimination of efficiency ratings among civilian employees. I wonder if you think this elimination, or practical elimination, is a trend toward better management, or more of a trend toward unionism or communism in its broader sense?

MR. LINCOLN: Of course, it is obviously a tendency toward lack of progress. You know the whole attitude we have had over the last 20 years is that work is something to be shunned; something you ought to get away from. Work is something that you make laws against so that people cannot do it. If you work over a certain length of time, you are penalized for it. You cannot work a person who is less than 18 years old. For goodness sake, what in the world should a kid of 15, 16, or 17 be doing? Are you going to have them run the streets, or are you going to give them some responsibility where they can do something worth while?

RESTRICTED

RESTRICTED

1628

I think the whole philosophy of the Government on this matter of work is as cockeyed as anything could possibly be. I believe any such move would be tremendously harmful. After all, work must be the thing at which we express our individuality, our worth, and our abilities. It must be the thing we are proud of, if we are ever going to amount to anything. To deprecate that by law or by custom is sheer suicide.

QUESTION: Mr. Lincoln, I have followed your talk closely down to the very closing statement in which you discounted the security incentive; or at least that was the impression I got. I have always thought that security was one of the greatest incentives of workers. I was wondering if you would elaborate a little further on that to include what type of retirement program your company has?

MR. LINCOLN: Well, answering your last question first, we believe that in a retirement arrangement whereby a man when he comes to the end of his useful life--I do not care what the age is--there is one thing which should be done; that is, to have a plan whereby he is going to live successfully from then on because he has earned it.

We do, in our company, have such a retirement arrangement. A man can be retired at any age the management and the man agree upon. Sometimes that has been as low as 50 years and sometimes as high as 78. In other words, a man can stay on as long as he can hold up his end. That, I believe, is completely sound because it gives the man the security which he earns. It also makes him feel that he can put forth his best efforts during the time he is there.

Now then, I talked about security, which is, I think, something which should be earned. I do not think it is something that should be given. I think the best illustration of that is this: Who are the people who become great citizens? Are they the sons of security, or are they the sons of lack of security? Are they the sons of poor people, or are they the sons of rich people? Are they the people that had to go ahead and worry about where their next meal was coming from, or are they the people that did not have to worry? Well, you know perfectly well that they are the people that had to get down and dig in order to get along, illustrating the one fundamental fact that what you are is determined by what you have to develop yourself into.

Now, no man develops automatically. If a person is left without the threat of insecurity or without the threat of having to meet competition of some kind or other, we are going to have a softie who is going to be of no importance to anybody. Therefore, I think that security which is earned is very much the point. Security that is given, I think, is plain suicide and any nation that does that is starting for destruction. We cannot possibly develop a nation in that way.

RESTRICTED

I believe the best illustration of that is the fact that 102 people came over here in 1620, leaving security. One-half of them died during the first year. More than half of them died from starvation and exposure. Did the rest of them go back to security? No, they did not. That was the reason why we made a great country. Security was not the thing they wanted. They wanted freedom, and freedom was what they got and they would pay any price for it. The mere fact that half of them died was entirely beside the point. I admit that some of them perhaps were not as tough as they might have been, but that was what started this great Nation.

QUESTION: Mr. Lincoln, in your incentive plan, particularly on your employee-rating plan, what minimum extra compensation--minimum bonuses--do you find necessary, relative to the highest extra compensation, to maintain the morale of all the employees?

MR. LINCOLN: Well, that would depend upon what their rating is, compared to the other people in the company. I might say we have had bonuses going from a few dollars for a person who had been there for only a few days up to, say, \$50,000 for a person who has done an outstanding job. Those are the ratios, between those two.

QUESTIONER: In other words, say an employee with a number of years' service would make a 100 percent bonus. Another employee in the company would have to get what percentage of the cut in order to maintain his morale?

MR. LINCOLN: I think I answered that same question before; at least I attempted to do so.

Do not forget that competition, the desire for the individual to rise on his ability, is the greatest incentive in the world. We are not disturbed at all about the differences between the bonuses that these people get, if they are justified. We think that is the greatest incentive we have, not the money. We think that the competition, the ability of the man to rise on his own ability, the opportunity for him to rise on his own ability, is a greater incentive than the money itself.

You know, after all, we will spend any amount of money for personal standing. I have used this illustration before; I think it is a good one. You take two young fellows that are, we'll say, just out of school. They have their two best girls out with them. They perhaps have made arrangements to have dinner together. Neither one of them is making much money at that time--at least most people do not. But what do they do? The first thing they do is pick out a restaurant which is going to charge them more than they really ought to pay. Well, they order a very fine dinner. After

RESTRICTED

1630

the dinner is over, the check comes in and both of them grab for it. Now, why do they grab for it? Certainly they do not want to get rid of their money. They want, more than that, to show these girls that money to them doesn't mean anything. The reason they go ahead and grab the check is to show that money doesn't mean a thing to them.

Now take for example over in England. A man will pay, as they do, hundreds of thousands of pounds in order to become a knight. They have political aspirations to become "sirs." After all, that does not change anything, but they will spend great sums of money in order to do that. Well, if they wanted money, if money was the main thing they had in mind and individual standing was not, you would not have that at all. But that is the one thing in life they want. They want to be better than the other fellow. They want to be recognized as being above the other fellow. That, to them, is the greatest incentive in all the world.

Now, I think competition is the one thing which we all strive for. It is the competition between people, between companies, between everything that you can have that makes people develop and grow.

QUESTION: Mr. Lincoln, I was particularly concerned about the amount of bonus which these employees receive. Do you have a committee made up of the employees and management, and if so what is the make-up of that committee? And further, if an employee is not satisfied, if he feels he has been discriminated against, do you have some kind of appeal board?

MR. LINCOLN: I will answer your second question first. Any man in our organization can appeal to anyone any time he wants to do so. I might say, however, that in the last 17 years I, as the president of the company, have had perhaps a half-dozen people come to me with a gripe on what they got in the way of a bonus. In every case the same thing happened. They always come in and say to me, "Mr. Lincoln, I want you to know that the bonus I got was fine, but Joe got more than I did. I think I am a better man than Joe." The only answer that I know is, "Well, if you demonstrate that to the people who are rating you, then certainly you are going to get more than Joe. That's entirely up to you." That answer seems to be satisfactory to them. But really there is very little griping.

Now we tell the people very frankly that it is impossible to rate people exactly accurately. I have used this for an illustration, which I think is a good one. Supposing that your wife every Monday morning should rate you. She knows you very well. Suppose she rates you every Monday morning for 52 weeks. Do you think the rating would be the same? Then, supposing that you rated your wife every Monday morning, would your rating be same for her for 52 weeks? The same thing is obviously going to be true with people in an organization.

RESTRICTED

Now then, that rating is done, in the case of an hourly worker, in this way: His foreman, his time-study man, his inspector, and the production department each rate him three times a year. The summation of those ratings will be the percentage of split that he will get in the way of a bonus. The people who are above that, such as the department heads, would be rated by their immediate superiors. I would be rated by myself. I am the only one in the organization who has never had a bonus. This places me in the position where I am obviously not caring one way or the other. I mean I have no personal interest in it.

But that means of rating has been satisfactory and seemingly enthusiastically received. I will admit that in the beginning I was afraid of it. I thought possibly favoritism might be shown. But it has worked out very well. It does introduce that one thing that is so important--competition between people. Every man wants to rise above the other individual.

QUESTION: I was wondering about this committee. Do you have a committee made up of employees and the management to iron the thing out in determining how much bonus they are going to get?

MR. LINCOLN: The bonus is determined by means of this rating. This rating comes through as a percentage. That percentage determines what the man is worth. That is a committee, to some extent, because each man is rated by four people.

QUESTIONER: And those four people are management?

MR. LINCOLN: Yes, they would be management. They would be the man's foreman, the time-study man, the inspector, and the production department. That would be cooperation, imagination, accuracy, and total production, which we think are the four fundamental things upon which the man's value depends.

COLONEL CAVE: Mr. Lincoln, on behalf of the College and students, thank you very much for a stimulating lecture.

MR. LINCOLN: I was delighted to be here.

(18 May 1951--350)S

1632