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Ten Dollars

Transforming Bureaucrats

How $1,250 turned me into an entrepreneur.

By Larry Farrell

If you're ever working in a foreign country and get trapped in the middle of a revolution, who would you want to be working for? I'd take someone like H. Ross Perot, that quintessential Texas entrepreneur who wouldn't think twice about sending commandos to rescue you. I know. I've been there.

I had a hell of a time getting out of Iran in 1979 and might still be there were it not for an Air France employee who helped me escape in the middle of the night with no exit visa, no ticket, and no money. But the big Iranian escape story came two months later. As I was watching the evening news with my wife, Perot popped up on the screen and began explaining why he had just sent a team of ex-Green Berets, with a lot of guns and money, to a prison in Tehran to rescue two of his managers. And I was stunned that a CEO would put so much on the line to save a couple of employees. I remember turning to my wife and musing, "Do you think my company was going to send commandos to rescue me?" We both knew the answer, of course.

Perot is a controversial character, but as the founder of two great companies, EDS and Perot Systems, his record as an entrepreneur is simply brilliant. He is a classic example of self-inspiration—the defining characteristic separating entrepreneurial and bureaucratic behavior. But what does self-inspired behavior mean in practical terms?

When I think of legends like Ross Perot, or William Lever, or Soichiro Honda, a couple of images always come to mind. First, they love what they do. They are highly committed to their work. Second, they constantly try to get better at what they do. Their performance is high. These two ideas—high commitment and high performance—are the backbone of an entrepreneurial approach to work.

Interestingly, while Perot, Lever, and Honda set great personal examples of commitment and performance, they also demanded nothing less from their employees. Lever was a nineteenth-century revolutionary in personnel practices, being the first to provide employee ownership, companywide training, and pension plans. He was also a teetotaling, Bible-thumping perfectionist who would not tolerate sloppy or lazy workers. Honda was idolized by his employees for being a real automobile man (he started as a mechanic and race car-driver) who was never part of Japan's industrial establishment. He was also famous inside the company for his booming temper when employees didn't get things right. And no company leader could be more respected—and more demanding—than Perot, who has said: "I'm looking for people who love to win. If I run out of those, I want people who hate to lose."

All three of these great entrepreneurs, representing three different continents and spanning three centuries of business, understood the single most important idea in the people-managing business: People tend to

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behave in their own self-interest. They do things that bring positive consequences and avoid doing things that bring negative ones. Everybody wants an answer to those eternal questions: What's in it for me if I do? And what happens to me if I don't? It's pretty basic, and it all boils down to one word—*consequences*. Entrepreneurs face the consequences of their behavior every night when they open the cash box. If it's full, they're ecstatic. If it's empty, their kids don't eat. These are the kind of immediate and powerful consequences you'll almost never find in a big company.

> The company was screaming at me: "It really doesn't matter what you do!"

I learned an important lesson about consequences at my very first job many years ago at a Fortune 100 company in New York. My pay was $1,250 a month, a princely sum to me at the time. One month I worked very, very hard and brought in several big, new clients—a spectacular performance, really—and, at the end of that month, opened my pay envelope to find exactly $1,250. During the next month, I took it a little easier, did nothing special, and had a fairly average month, and when I opened my pay envelope I found another $1,250. For the third month, I decided to do absolutely nothing at all—I basically just showed up and stayed awake at meetings (another amazing thing I learned at this job was that some people in big companies can actually sleep with their eyes wide open). At the end of the month, I got—you guessed it—exactly $1,250. The message was loud and clear. The company was practically screaming at me: "It really doesn't matter what you do!"

"Now read that back to me."

The truth is, if you want to transform bureaucrats into self-inspired enterprisers, forget all the personnel mumbo-jumbo you've heard and create a real entrepreneurial-performance system in the company. Here's how it works at the most entrepreneurial big company in America.

Lincoln Electric is located in Cleveland, ground zero of the Rust Belt. It's the world's largest maker of welding equipment, and it stands conventional people-management wisdom on its head. When I saw the company's story on *60 Minutes* in 1992, I couldn't believe it. So I personally checked it out and met with the president, Fred Mackenbach. He opened with a blunt declaration: "The company only gets paid by making good welding equipment, and we don't see any reason for paying employees for anything other than making that welding equipment. We don't pay for holidays, sick leave, coffee breaks, trips to the toilet, or for poor-quality product that no one will buy."

Then with a twinkle in his eye, Mackenbach let slip that the employees didn't really seem to mind, since Lincoln Electric's piece-rate compensation system had made them the world's highest-paid factory workers. "Our people know, like entrepreneurs, that the more good welding equipment they produce, the more money they will make," Mackenbach said. "Also like entrepreneurs, they know they don't get paid for down time or rejects, so they've all become self-managing—which means we don't need to hire five hundred supervisors to stand around and watch them work. They all work damn hard because there's a lot of profit to be shared in that welding equipment."

And share they do. In a good year, the average worker's bonus is over $20,000, an unheard-of figure in American factories. Further, the company guarantees continuous employment to its workers and hasn't had a layoff since 1948. Mackenbach concluded: "People are amazed when I tell them that some Lincoln factory workers earn in excess of $100,000 a year. The point is, when workers are treated like entrepreneurs, they behave like entrepreneurs, and Lincoln Electric employees will do anything it takes to produce more welding equipment. It's just amazing."

Mackenbach retired in 1996, but Lincoln's most recent financial results seem to prove that this entrepreneurial approach continues to work its magic: In what was another bad year for industrial manufacturers, Lincoln's sales, profits, and earnings were all up. So why aren't you using the almighty power of consequences to create self-inspired employees? ♦