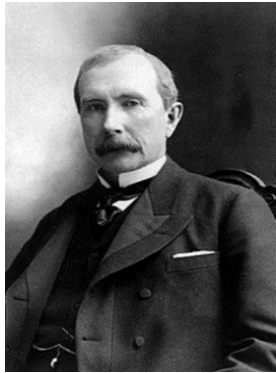


The Industrialists

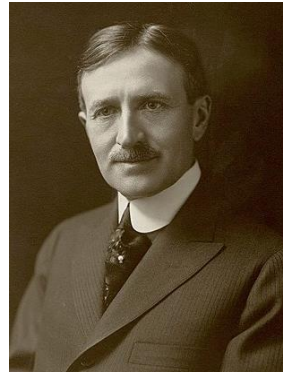
Charlie Munger contends that the best way to learn is through a multi-disciplinary system of breadth, depth, and synthesis. In an effort to follow this guideline and become a better writer and thinker, I am attempting to do more synthesizing. In that vein, this essay discusses some deep threads which I've found stitch together several world-changing industrialists including [John D. Rockefeller](#), [John H. Patterson](#), [Harvey S. Firestone](#), and [Henry Ford](#).¹



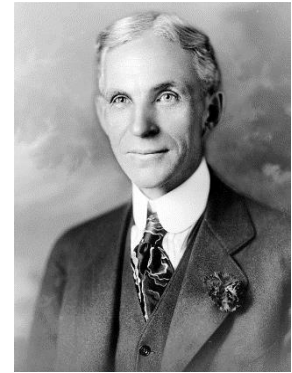
John D. Rockefeller



John H. Patterson



Harvey S. Firestone



Henry Ford

While these men drastically improved the world in their own ways, they also had serious character flaws. However, we shouldn't let their failings preclude us from learning from them. We must be able to learn from their strengths without adopting their accompanying weaknesses.²

Absorb what is useful.
Reject what is useless.
Add what is essentially
your own.

– Bruce Lee

Below are the key threads I've come across from studying these Industrialists:

- Positioning, Not Prediction
- Service Over Profit
- Embracing Simplicity
- Taking a Long-Term View
- Honoring The Red Queen Effect
- Touching the Medium
- Velocity Over Scale
- Making Time to Think
- Seeking Feedback
- Treating Employees Well

¹ Pictures from Wikipedia – [JDR](#), [JHP](#), [HSE](#), [HF](#)

² All Rockefeller quotes taken from *Titan*, Patterson quotes from *Pioneer in Industrial Welfare*, Firestone quotes from *Men and Rubber*, and Ford quotes from *My Life and Work*.

Positioning, Not Prediction

After reading these men's biographies, it became abundantly clear that they never spent much time on forecasts, on predicting where the market or their business might go. However, they had an uncanny understanding of business cycles and that downturns inevitably follow upturns. They were conservatively positioned in good times, knowing that the bad times always come, ready to take advantage when there was blood in the streets. Patterson always made preparations for bad times:

Prediction is very difficult, especially about the future.

– Niels Bohr

Whenever he found that the junk men were eagerly buying scrap iron, he made ready for an advance in business. He was ready for every panic before it started and he met each one in exactly the same fashion. He would always hold a meeting long before anyone else thought that a panic was conceivable. He would



explain that there was going to be a panic. He would make a big "V" on the blackboard and say something like this: "Here we have a valley of depression. Business is going to drop right down to the bottom and then come up the other side. We can drop right down to the bottom and then come up the other side. We can drop with business or we can build a bridge and go across. Let's build a bridge." His way of building a bridge was to intensify every sales effort. He did not draw in for a panic. He put on extra effort, and each panic marked a substantial

*advance by the NCR Company. **The company really grew up in the Panic of 1893. He also used panics to revise his business methods and to press business the more furiously. He not only had a nose for panics but he also had an antidote for them. "We take pains to be ready. We cannot know everything; we cannot always be certain that developments of business will follow the lines that we map out. But no matter what the situation, we have something in hand to meet it or adapt to it. We work on the plan: the secret of success in life is for a man to be ready for opportunity when it comes.***

In a similar fashion, the Civil War was a huge boost to Rockefeller's new company as inflation rose the price of all the commodities he was selling, giving him the capital he needed to get into the oil – where he would truly make his fortune. He began in the refining business and chose his location wisely so that he could ship his oil by land or water. The oil industry at first was like the Wild West – rules had not been written yet.

He was successful because he was able to control himself during these wild times. Rockefeller again took advantage during down times by using the 1873 recession to grow his business tremendously, buying out oil refinery competitors when they were weakest. When others panicked, he would be the most level-headed.

When pushed he would stand his ground.

These men, and countless other examples, have proven that true wealth and success is made during the down times. This is when you can differentiate and distance yourself from your competition. By being well-positioned, you advance and invest in your future when others are cutting costs and retreating.

It doesn't cost, it pays, to be well-positioned. This is an aggressive, offensive mindset, not a defensive one.



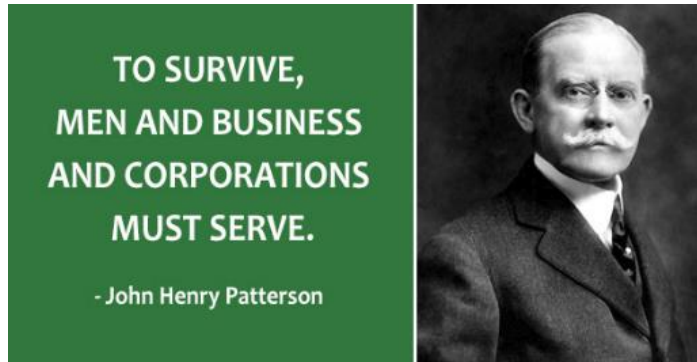
The test of a businessman is not whether he can make money in one or two boom years, or can make money through the luck of getting into the field first, but whether in a highly competitive field, without having any initial advantage over his competitors, he can outdistance them in a perfectly honorable way and keep the respect of himself and of his community. **My father was an amazing businessman and I think this was due to the fact that he always had some money on the side and was therefore able to use his best judgement under the circumstances, instead of being forced into a decision by financial pressure. Having a surplus is the greatest aid to business judgement that I know** – and I bitterly know what I am talking about, for I went through years of upbuilding without being able to accumulate a surplus. Then, when I gained one, I saw it completely wiped out and turned into a deficit overnight. A man with a surplus can control circumstances, but a man without a surplus is controlled by them and often he has no opportunity to exercise judgment. If the business is to be successful, this surplus will have to be accumulated, not out of the moneys which should go for improvement and extension, but out of the profits.

– Harvey S. Firestone

Service Over Profit

Great operators have an obsessive focus on providing great service to the customer. As Ford makes clear, it is important to put service before profit for, *“Without a profit, business cannot extend. There is nothing inherently wrong about making a profit. Well-conducted business enterprise cannot fail to return a profit, but profit must and inevitably will come as a reward for good service. It cannot be the basis – it must be the result of service.”*

Profit inevitably and naturally comes as a result of service but putting profit first is putting the cart before the horse (poor pun, sorry...). Money is vital and necessary but, as Ford says, *“the end of money is not ease, but the opportunity to perform more service.”* If you don’t love and believe in what you’re doing, this long-term gratification mindset is incredibly hard to keep in check, especially when (not if) tough times come. It is too tempting to stop investing in service in order to reap the benefits today. However, this simply diminishes the business over time as, Ford says, *“It is one of nature’s compensations to withdraw prosperity from the business which does not serve.”*



First secure excellence,
then set your price; the
world will pay it.

- John H. Patterson

Firestone compares how both Ford and Thomas Edison had an intense focus on service:

The commercial instinct has been overrated. The service instinct is more important. Neither Mr. Ford nor Mr. Edison is a trader. A mere trader does not get very far these days. The man who looks first to service does not have to be a trader – he cannot be a trader – and only those who look first to service can now succeed. None of them cared about money excepting as it helps them to carry out their plans for larger and better service.

Although these Industrialists were in different industries – oil, cars, tires, and cash registers – they all understood the value of treating customers one step up, and organized their businesses in order to accomplish this.

Embracing Simplicity

Simplicity is the end result of long, hard work; not the starting point.
- Frederick Maitland

A focus on simplicity – both in using and in manufacturing the product – was a common thread between these men. They understood that making something simple is incredibly difficult but the payoffs are tremendous. As Ford said, “*The less complex an article, the easier it is to make, the cheaper it may be sold, and therefore the greater number may be sold.*” They were all looking to sell their product at massive volumes and understood that the average citizen is no mechanic. They

had to make their products intuitive and easy to use. Again, from Ford:

My effort is in the direction of simplicity. Real simplicity means that which gives the best service and is the most convenient in use. Start with an article that suits and then study to find some way of eliminating all the useless parts. This applies to everything – a shoe, a dress, a house, a piece of machinery, a railroad, a steamship, an airplane. As we cut out useless parts and simplify necessary ones we also cut down the cost of making. This is simple logic, but oddly enough the ordinary process starts with a cheapening of the manufacturing instead of with a simplifying of the article. The start ought to be with the article. First we ought to find whether it is as well made as it should be – does it give the best possible service? Then – are the materials the best or merely the most expensive? Then – can its complexity and weight be cut down? And so on.

It’s worth trying very, very hard to make technology easy to use. A 10% improvement in ease of use doesn’t just increase your sales 10%. It’s more likely to double your sales.

- Paul Graham

Firestone also writes beautifully about simplicity. For example, he always asked himself if something was necessary and then, if it could be simplified. These were the first questions he always asked himself when looking at any operation – whether in the shops or in the office.

Very often it is not necessary at all, but merely a tradition. For instance, it was a tradition that rubber had to age in the warehouse a long time before it could be used. Rubber is expensive and aging cost a lot of money – for we had to keep a deal of money in idle rubber. Everyone told me that this aging was absolutely necessary, but no one could tell me why it was necessary. I suggested that we try going ahead without aging and see what happened. We did go ahead – and nothing happened. The tires stood up just as well as they ever had, and we saved millions. Someone back in the past must have laid down that rule that rubber had to age, and everyone else had followed without question. That is the way with a lot of things. If I do find a

I didn't have time to write a short letter, so I wrote a long one instead.

- Mark Twain

process or operation necessary, then I ask: can it be simplified? By pressing these two questions, it has come about that we are making tires with fewer men than ever we did, that we are making tires cheaper than ever we did (disregarding, of course, the cost of rubber), and that we are making them better.

This importance of not making assumptions, of questioning conventional wisdom, cannot be overstated. Take the time to understand and think from first principles – just because “that is how it’s always been done” doesn’t make it right. In fact, this answer is likely the canary in the coal mine signaling you to dig further ...

Firestone also had a rule for himself where he would only focus on one urgent thing at a time until he resolved that issue.

One thing at a time is a pretty good rule – a rule that I never break.

...

I keep my own duties from being formal. I am not in direct charge of anything, but also I am in direct charge of everything. The only firm rule I have is to take up one thing at a time and to take up nothing else until my mind is free. I do not believe in quick decisions unless in an emergency. I would rather take my time about making up my mind, and I nearly always manage to do so. Indeed, anything that can be decided in an instant is something that ought not to come to me.

It is incredibly difficult to make things simple. The easier but disastrous route is to scatter your energies on collateral projects – diluting your focus and effectiveness. You must not make the marginal the core, nor the core marginal. Keep the most important thing, the most important thing. Keep things simple.

Take a simple idea and
take it seriously.

- Warren Buffet

Taking a Long-Term View

Thinking long-term has become cliché, especially in the investing world. Everyone understands the benefits of compounding, but living this out is exceedingly difficult to do. As Ford said,

The habit of acting shortsightedly is a hard one to break. What can be done? Nothing. No rules or laws will affect the changes. But enlightened self-interest will. It takes a little while for enlightenment to spread. But spread it must, for the concern in which both employer and employees work to the same end of service is bound to forge ahead in business.

Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it.

- Albert Einstein

One of my favorite examples of long-term thinking comes from Patterson. He built his factories on the hill above Dayton, Ohio. Why not in Dayton where logistics, people, and other services were clustered and more convenient? Because he understood that Dayton lay on low ground in a valley and that when the Miami River overflowed, Dayton would flood. The city built dikes and other flood protection, but Patterson never believed in them. He built his factories on the hill far above the highest flood point – this is master-level positioning!

When he knew the flood would be imminent, he declared the NCR out of commission and proclaimed the Citizens' Relief Association was now up and running. He knew the flood was imminent because he had studied the lay of the land for years and didn't see how the city could escape being someday caught in a big overflow of the Miami River. The river's banks were low; drainage of land above the city was poor; the easiest way for an extra amount of water to escape was through the town; and the country that the stream tapped was such that it would someday inevitably provide more water than the river could hold. That is why



*he built the plan on high ground. **There was nothing lucky or accidental about that – nothing to marvel about, though people did marvel at our forethought.***

When the big flood came we did not rise to an emergency, because there was nothing unexpected so far as I was concerned. I had always looked for just what then happened. We had 'kept ahead of the market' and were ready once the city was flooded.

Many people take this idea the wrong way and try to plan out so far ahead that they handcuff themselves, ending up blindly following their plan rather than adapting to the dynamic circumstances at hand. Firestone makes an excellent point about how important it is to balance long-term planning with flexibility, running the business rather than the business plan:

The biggest thing in business is to be working and planning ahead – planning ahead for production, for sales, for new developments in the art, for money, for sources of supply. The business of the day is, of course,

*highly important, for unless today's business be looked after, there will be no tomorrow's business to bother about. But unless one can see and plan for a year or two ahead, one's business will not grow evenly and naturally. It will pass through a series of emergencies, and one of those emergencies will wreck it. Emergencies will come about in any business, but they will be few and not hard to meet if the future has been mapped. This is so self-evident that I wonder why it is so much neglected. **The only danger in mapping the future lies in making the plans inflexible. No one can know exactly what will happen next month, let alone next year, but reasonable plans can always be made, and then they can be changed as circumstances require. A too rigid plan may be worse than no plan at all.***

Never let your plan run you. It is merely a guide and if the guide is wrong or outdated, ignore it. Balancing this long-term mindset with the ability to adapt on a dime if needed is difficult to master and so important.

Honoring The Red Queen Effect

The Red Queen Effect comes from Lewis Carroll's *Through the Looking-Glass and What Alice Found There*. The Red Queen is a fictional character and her interaction with Alice is what gave name to this principle which has been adapted to evolutionary biology:

*"Well, in our country," said Alice, still panting a little, "you'd generally get to somewhere else—if you run very fast for a long time, as we've been doing."*¹⁶

*"A slow sort of country!" said the Queen. "Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!"*¹⁷



In biology, The Red Queen Effect is an evolutionary hypothesis which states that organisms must constantly adapt and evolve merely to survive. If your competition is sprinting and you're merely walking, you're moving backwards, relatively. These industrialists honored The Red Queen Effect. From Ford:

It could almost be written down as a formula that when a man begins to think that he has at last found his method he had better begin a most searching examination of himself to see whether some part of his brain has not gone to sleep. There is a subtle danger in a man thinking that he is "fixed" for life. It indicates that the next jolt of the wheel of progress is going to fling him off.

...

The temptation to stop and hang on to what one has is quite natural. I can entirely sympathize with the desire to quite a life of activity and retire to a life of ease. I have never felt the urge myself but I can comprehend what it is – although I think that a man who retires ought entirely to get out of business. There is a disposition to retire and retain control. It was, however, no part of my plan to do anything of that sort. I regarded our progress merely as an invitation to do more – as an indication that we had reached a place where we might begin to perform a real service.

Patterson also took great pains to ensure that there would never be, what he called, "static contentment"

⁴ As depicted by John Tenniel in Chapter Two – The Garden of Live Flowers

He always wanted to do everything more expeditiously than anyone else could do it. Therefore he kept his business in flux – he was always working on a program extending at least five years ahead. Every idea that seemed to have merit was tested. It was axiomatic that everything being done by his company was to the end of preparing to do it better. He went incessantly from one end of the world to the other hunting for new ideas. He read everything related to his business and sent hundreds of copies to his executives. He was always learning and he expected everyone about him to be learning.

...

*He had it firmly fixed in his mind that the product must be ever improved, and gradually this became an integral part of the business. **The business that is satisfied with itself – with its product, with its sales, which looks upon itself as having accomplished its purpose – is dead. The actual burial may be postponed but it is dead because it is not going forward.** To my mind, nothing can ever be good enough; I am always dissatisfied; I preach dissatisfaction. I can always see where something might be better; and therefore our business is never at rest – and I never want it to be. The throbbing heart of business is the intense desire to do better. When that desire ceases, the heart stops beating. My idea of a successful business is this: fill not only every known want of your customers but also have in ready reserve that which you calculate they are going to need next year or the year after. That is, do not merely keep up with the market but preferably a few paces ahead in what you are actually offering and about a mile ahead in your reserve offerings. However, you cannot go too far ahead. There is only one way that I know to determine the exact lead to be taken, and that is by thoroughly knowing the whole market and its trends. We devote a great deal of attention to finding out, not only what the public wants and what it may need, but also just how ready it is to absorb new ideas.*

We achieve our results: first, by keeping our eyes wide open all the time and putting down all the information that comes to hand; and, second, by never considering that we are marketing a fixed product. There is no magic about it, no second sight, nor do I think it is a gift; it is simply a matter of not plodding along with blindfolded eyes and, when you have seen, of reasoning out the meaning so definitely that you can write it into a chart and hang it on the wall.

It is human nature to want to coast past a certain point, to relax and take it easy. That's totally fine and understandable but, if you're in any sort of competitive arena, know that maintenance is regression.

Touching the Medium

What separated these men is that although their attention spread to different endeavors – from philanthropy to politics and investing – they all kept a firm pulse on their business.⁵ Unlike many, these Industrialists didn't drift away into their ivory towers, distancing themselves from the businesses they built. They were down on the floor, engaging with their entry-level people. They had an incredible desire for raw information and a great attention to detail. Rockefeller, the wealthiest man in the world, kept a ledger with all his expenses and later proclaimed that this was one of his prized possessions.

Although Rockefeller was impressive in this way, Patterson seemed to have been on a different level altogether, habitually walking through the factory, and going from bench to bench, talking to the workmen. This allowed him to *earn* his people's confidence.

A boss whom the workers can see daily toiling away harder than any of them is certainly the one who will get the most work from his men.

Firestone also took pride and wrote about the importance of intimately knowing every detail about his company.⁶



I think it is absolutely necessary that a man should know how his goods are made, and although I have never set up as a rubber or tire expert, I do know how most operations ought to be carried through. This knowledge has stood me in good stead, for it very frequently happens that the best technical men have not in them the instinct of management, and if the man at the top is not a practical manager, then the benefits of technique will be lost. I have made it a point never to allow myself to be a curiosity in the shops. Nowadays, of course, I have nothing to do with the active shop management, but I get out through every department often enough to know pretty well what is going on, and what is more, I do not recall ever having made a trip through the shops without picking up something. I find that a working foreman usually has a better control over his men than a non-worker, because he has to be continually on his mettle to demonstrate that he is a better workman than any of them, and also he does not ask them to do the unreasonable things which some foremen will insist on.

...

⁵ Frederick Gates was in charge of Rockefeller's investments outside Standard Oil and JDR claimed he was the best businessman he had ever met. Read [Chapters in My Life](#) for more color. Gates was an amazing man, an incredible allocator of capital, and the father of philanthropy, yet is rarely even mentioned today.

⁶ https://www.shutterstock.com/image-vector/stylized-sherlock-holmes-profile-logo-classic-785790223?src=DyYcHkXE1tCRVKCQ_fYx-w-1-2

I know of only one first-class policy. It runs: "Use what common sense you can under the circumstances." I said that I did not believe in delegation. Let me explain. It soon became obvious to me that if I tried to follow every detail of the business through every minute of the day, I should not have time to think and plan. That was one point. The other was that no men would be developed to run the business – they would wait for all order. And so I began gradually to work out some method by which I could know the details – for any business is made of details – and still not be swamped by them. Success is the sum of detail. It might perhaps be pleasing to imagine one's self beyond detail and engaged only in great things. But, as I have often observed, if one attends only to great things and lets the little things pass, the great things become little – that is, the business shrinks.

It may not be the norm, nor the easy path, but staying in touch with your people, customers, and operations in order to maintain deep fluency, is the only way to sustain a successful enterprise.

Velocity Over Scale

I have learned firsthand the value of product velocity and love how Ford and Patterson verbalized this. From Ford:



*The law of diminishing returns begins to operate at the point where strength becomes weight. Weight may be desirable in a steam roller but nowhere else. Strength has nothing to do with weight. **The mentality of the man who does things in the world is agile, light, and strong. The most beautiful things in the world are those from which all excess weight has been eliminated.** Strength is never just weight – either in men or in things. Whenever anyone suggests to me that I might increase weight or add a part, I took into decreasing weight and eliminating a part! The car that I have designed was lighter than any car that had*

yet been made. It would have been lighter if I had known how to make it so – later I got the materials to make the lighter car.⁷

And, Patterson was:

...constantly speeding up everybody; frequently making business moves that were primarily expensive for the sake of the speeding-up on the organization.

While many leaders aim for scale, typically for ego-driven reasons, these great Industrialists honored the fact that nature seems to favor velocity over scale. Aim for fast product realization, fast response times, anything which speeds up the organization so that it reaches the *correct* destination that much faster.

⁷ <https://www.hemmings.com/blog/2013/06/20/cars-of-futures-past-ford-model-t/>

Making Time to Think

Finding chunks of time to truly think through difficult problems is one of the most challenging things you can do. It is amazing how cleaning up your house becomes of central importance only when you've scheduled time to think, write, or do anything difficult.

These men were purposeful and mindful in setting aside huge chunks of time to think and make decisions.⁸

Patterson had to do all his thinking in solitude.

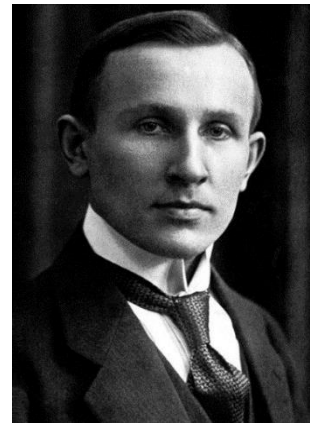
Later, when his affairs became large he worked out most of his important plans in the middle of the night in bed.

However, it took him some painful experiences to understand that people don't do well when they're simply told what to do – they have to understand the why.

He had yet to learn that a plan cannot go into full operation without the help of convinced human beings. He learned he had to walk his people through his reasoning and, if he was shown wrong, he would immediately change his mind.

This helped develop his people and eventually he became a huge proponent of what he dubbed as “deliberate delegation.” Giving up control through training and delegation is of utmost importance. If you try to do everything, you end up doing nothing well.

Early on in the founding of NCR, Patterson was controlling but he later discovered the power of what he called “deliberate delegation” – an executive should do only what he could not delegate as the chief business of an executive is to think and to plan. Never do anything if you can get someone else to do it.



Braun's 5 Rule for Communication

You must tell who was going to do what, where, when and why. If you wrote a letter or directive in the Braun Company telling somebody to do something, and you didn't tell him why, you could get fired. In fact, you would get fired if you did it twice. You might ask why is that so important? Well, again, that's a rule of psychology. Just as you think better if you array knowledge on a bunch of models that are basically answers to the question, why, why, why, if you always tell people why, they'll understand it better, they'll consider it more important, and they'll be more likely to comply. Even if they don't understand your reason, they'll be more likely to comply.

- *Poor Charlie's Almanack*, Page 171)

⁸ <https://www.pinterest.com/pin/405042560222290177/?lp=true>

This is why Patterson was able to spend so little time in Dayton and the reason why the more important executives have always been able to spend more of their time out holding conventions through the country or in Europe than at their desks in the office. Any executive worth his salt would be more useful gathering ideas than administering details. They were still expected to know every detail – it was simply that they were not expected to administer the details

Firestone also deeply understood and wrote about how difficult it is to get yourself and others thinking:

Almost every man tries to avoid deep thought at any cost. Too many details distract from hard problems. Early on it was a time for quick thinking, but above all for thorough thinking, and in the excitement, everything made for taking action instead of taking thought...A business is not a business until it has been hardened by fire and water. What we lost in the boom – what everyone lost – was the appraisal of values. It does not require any thought to do business in a period of rising prices, and we had gotten out of the way of thinking. Instead of comparing values, the continued rise in prices covered up our mistakes. And it took a great shock to bring us to our senses and make us again appraise values. Much of the thinking in business has to be along the lines of comparing values. If we make a change in manufacturing or in selling methods, will the added return pay the cost? This appraising operation in business is continuous.

...

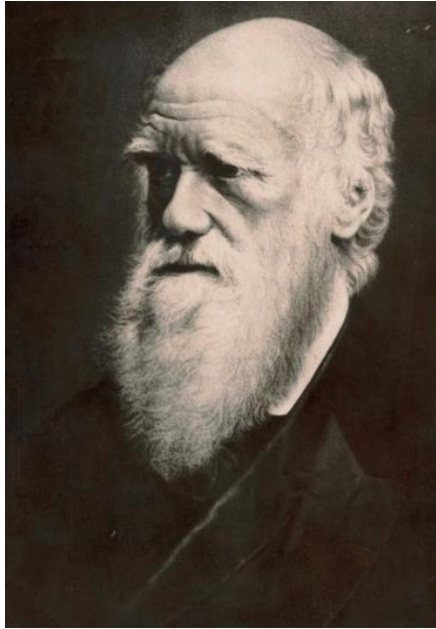
You cannot dismiss the details and you must take regular time to think deeply.

...

Quick decisions that have not behind them a long train of thought are exceedingly dangerous. Personally, I do not want to have around me the kind of man who can give me an instant decision on anything I may bring up, for, if he has not had the opportunity to give the question serious thought, then he is only guessing. And I can do my own guessing! In order to do any good-sized work, one has to build an organization of executives and of employees and, as a business grows, the task is to discover how many of the men will think and how many will just execute orders. There is plenty of room for both kinds of men; the man who only executes is extremely valuable, unless he happens to get into a position where thought is required. The army recognizes this; it not only does not expect the private to think, but actually punishes him for any thought that causes him not to obey orders to the letter – be they right or wrong.⁹

...

⁹ <https://www.dkfindout.com/uk/science/famous-scientists/charles-darwin/>



My mind seems to have become a kind of machine for grinding general laws out of large collections of facts.

– Charles Darwin,
“Autobiography”

*The man with absolute authority should not really be called an executive but more of a strategist and deep thinker. **Delegate all you can so that you can think deeply, quietly, slowly. Business is founded on thought. Optimism and enthusiasm are valuable in keeping up the morale of an organization – they are lubricants which help to overcome friction – but they cannot be the driving power, and they cannot substitute for well-thought-out business principles, any more than a machine will run just because it is well oiled.** Power has to be transmitted before a wheel will turn. We give various names to the thought which has the power to turn the wheels. Sometimes we call it management. But there is another kind of management which is not based on thought and which is not management at all; for instance, there is the kind of management which operates solely on records. Records will guide thought, but they will not substitute for thought. Good management – that is, management with real thought behind it, does not bother trying to make its way by trickery, for it knows that fundamental honesty is the keystone of the arch of business. It knows that you will fail if you think more of matching competitors than of giving service; that you will fail if you put money or profits ahead of work, and that there is no reason why you should succeed if what you do does not benefit others. This is not idealistic philosophy; it is the hardest kind of common sense. If you ask yourself why you are in business and can find no answer other than, “I want to make money,” you will save money by getting out of business and going to work for someone, for you are in business without sufficient reason. A business which exists without a reason is due for an early death. The single reason for the existence of any business must be that it supplies a human need or want, and, if my experience is worth anything, a business which has this reason for its existence will be found in the end to prosper if thought be put into it. Thought, not money, is the real business capital, and if you know absolutely that what you are doing is right, then you are bound to accomplish it in due season. A man is not truly in his business unless he has his all in it.*

When everyone is calling for action, for a rash decision, step back and find the time to think and reflect. Make this a routine part of your schedule, and you may even find these emergencies diminish.

Seeking Feedback

A common byproduct of success is becoming increasingly closed-minded, shut off from others and their suggestions. You think that because you've had some success that you know best. But, in fact, great ideas and suggestions can come from anywhere. Patterson made it a mandatory policy to send in employee's and customer's complaints to headquarters and to take the time to respond. This created an environment of trust and abundance. Patterson did this purposefully as he knew that an environment of scarcity leads to employees who *"hoard their knowledge as a miser hoards gold."* He took the opposite tack.

You do not get full value out of the wages and salaries that you pay unless there is a return in addition to the number of hours spent in actual labor at specific tasks. I might almost say that full value is not received unless each employee is in that critical and yet appreciative frame of mind which makes for close observation of defects and which leads him to think what he would do if he were a manager, a head of a department, or even the president of the company. You must have that employee's ideas as well as his time. You should get to know your men intimately for then you can more readily get their ideas and learn to size them up. Remove any walls that exist between the men and you and the department heads.

One of the primary ways these men sought feedback was through suggestion boxes. Patterson and Firestone installed suggestion boxes all over their organization, encouraging every employee to enter their ideas on how to improve and their complaints. They both echoed the same thought that the suggestion box is a great help, getting employees to constantly be on the watch for improvements, not only for the reward but also for the pride of having made the suggestions.¹⁰ From Patterson:



*We have an anonymous system today to protect employees and give them more comfort. When a suggestion is not adopted a note is sent to the employee telling him why it was not good. If it was good, it is put into effect as soon as practicable, and if an employee thinks that his idea was not given the proper attention he may ask for a re-investigation and one is always made. Practically every one of our present factory executives and foremen reached his position through making suggestions. And in addition to that, the morale of the organization is strengthened and the enthusiasm kept up. **The employee is encouraged to observe, think, and suggest, and that alone makes a better man of him.** Although I regard the financial gain from these suggestions as highly important, I do not think that it is anything like as important as that other gain which we cannot measure in money – the bringing of men with ideas to top positions in our organization. In all the important offices we want men with ideas rather than routine experts, because you can pick up a routine man almost anywhere and practically any one can be trained to handle routine. But with ideas it is different. The man with the most active mind will not necessarily be the most expert with his hands. Indeed,*

¹⁰ <https://www.indiamart.com/proddetail/suggestion-box-14513132512.html>

the best idea men are not commonly the most expert workmen. I have found that the very active brain does not as a rule seem to go with the super-skilled hand.

Treating Employees Well

Treating employees well perhaps seems obvious today but, in these men's times, employees were often thought of as replaceable, simply cogs in the machine. However, our Industrialists took a different perspective. Ford called it "enlightened self-interest" and understood that by treating and paying his employees very well, he could attract, retain, and inspire the best, and they would do right by the company.

First, they paid high wages. They saw these high wages as an investment in the future, as partnership distributions which should be gladly given out, and not to be thought of as a cost. This was in fact is the most profitable way of doing business. This removes instability out of the employee's lives, calming people down and allowing them to do a better job than they otherwise might have. Patterson approached wages never with the thought of how little he could pay, but first to see how much he could pay, and then to find what he could give in addition to the wages:

Every job that can be so arranged is on piece-work basis; we encourage the making of the highest possible wages. Does it pay? All through the shops are scattered signs with the two words "It Pays". There is no charity in anything we do. Isn't it just good business to lose three cents on a girls' lunch and get back five cents' worth of work? And so throughout the whole. It is not possible to reduce it all to a profit-and-loss account; there cannot be an exact balance sheet. But I do know that our labor turnover is trivial when compared with most concerns of our size, and that careless work is very rare. These are two of the most important elements in the success of the business and they are not capable of exact measurement. Indeed I am so thoroughly convinced that it pays that I would recommend changes to keep labor happy no matter what might be the immediate effect upon our business, for it is only the ultimate effect that counts. It all comes down to this: in our farmhouse my mother nursed the hired man and cared for them just as though they had belonged to her; she felt that they did. They came to feel so, too. The factory has now taken the place of the old farm, but the methods that were a success on the farm are just as good today in the factory. Times have changed but human nature has not. Those registers are kept today, behind glass, locked up as an object lesson for all time. They called me 'crazy'; it has been my privilege to be called 'crazy' many times during my life. It is an epithet which I prize highly, for I take it as a compliment to a vision that is denied to many unfortunates. There are advantages to being crazy.

Besides higher quality work, there is an added bonus – employees begin policing themselves. From Ford:

The people, once paid enough and incited in the right way, make supervision unnecessary.

You make it their idea to produce high quality work and not slack off if they understand that the better work they put out and the better the business does overall, the better they each do individually. This is enlightened self-interest – you act in the best interest of the company as a whole because it is also the best for you individually.

Patterson also put this leadership keystone brilliantly:

Leadership is the art of getting someone else to do something you want done because he wants to do it.

- Dwight D. Eisenhower

To succeed in business it is necessary to make the other man see things as you see them. I say 'as you see them' – which means that you yourself must first see and believe before you can tell another. I have been trying all of my life, first to see for myself, and then to get other people to see with me. The measure in which I have succeeded is the measure of the progress of my company.

Firestone echoes a similar sentiment:

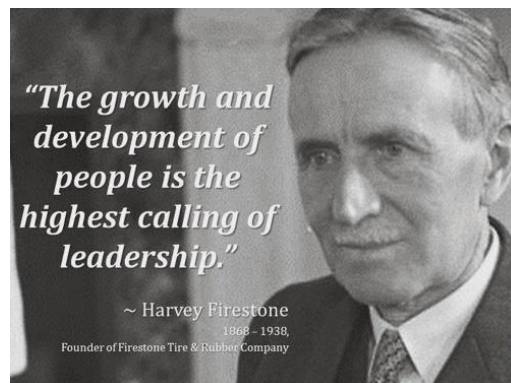
What we are trying to accomplish is to let each man discover what an important link he is in the chain of development to the finished tire. It is one of our most important developments.

Part of Ford's brilliance was also that he understood the ripple effects of paying his people high wages and being able to produce an affordable car.

If we can distribute high wages, then that money is going to be spent and it will serve to make storekeepers and distributors and manufacturers and workers in other lines more prosperous and their prosperity will be reflected in our sales. Country-wide high wages spell country-wide prosperity, provided, however, the higher wages are paid for higher production. Paying high wages and lowering production is starting down the incline toward dull business.

Besides high pay, these men took great pains and made great investments in developing their people, understanding that overworking and burning them out is a poor business strategy. They saw that the more they gave, the more they got in return. Firestone said:

It is poor and shortsighted business practice to work men too hard. It is my policy to have good labor policies to pay above average wages, provide rewards and compensation above what any other company provides, foreman and managers must treat all employees as trusting human beings.



Patterson learned that “kindness pays in dollars as well as in disposition. The more he did for the happiness of those around him the more fun he got out of it.” It was his mantra when it came to keeping labor happy was, “It Pays!” He did everything he could to stimulate his people, creating pride in workmanship and enthusiasm for their job.

Enthusiasm is the biggest asset in any man or enterprise. It is the one thing that you have to work eternally to keep up. It is to the stimulation of enthusiasm that most of our work is directed, for it is impossible for

anyone not to do his work well if he takes a joy in its doing. Therefore, we have solved the labor problem if we can infuse enthusiasm into all the various kinds of people who go to make up a working force. It is a give-and-take proposition of mutual benefit and mutual responsibility. I have no solution to propose – there are no solutions as yet. But I have learned these big points

1. *Treat people well and they will treat you well. They will not instantly respond but they will in the long run. Be square with them*
2. *Do not try to take any advantage and do not try to get the last cent's worth of energy out of them. They will give you their best if they think you are giving them your best; they will not work the better for being forced*
3. *It pays to do good; it pays to help them to help themselves in every moral and physical way and also to give them every possible opportunity for advancing to higher positions and more money*
4. *The basis of a good product is labor – workers who go forward loyally and enthusiastically as a team. Hence it is necessary to let the workers know what you are trying to do by bringing them together frequently in meetings in which the ideas and ideals of the business can be explained*
5. *Let every worker have the opportunity to make complaints and suggestions for betterments, reward them adequately, and make it impossible for a man to be fired on account of a personal dispute with the foreman or other subordinate*
6. *Extend your personal acquaintance with the men by every means possible.*

Even more unusual for their time, these men went out of their way to make the working environment as safe and comfortable as possible. From Patterson:

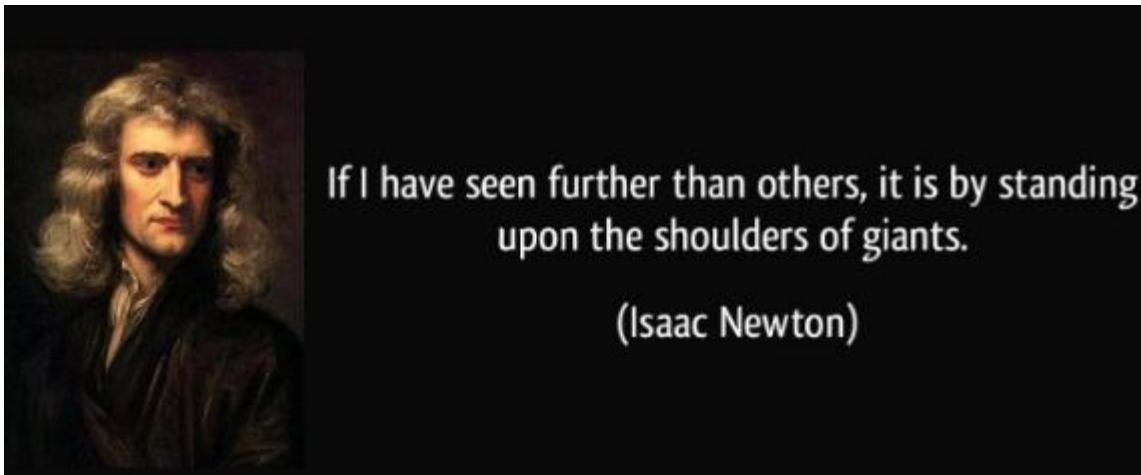
As Mr. Patterson conceived it, he believed that an employee is entitled to a good environment, a happy home, and an incentive to advance; and that given these things he will produce more and better work. These policies are being scrupulously maintained, with the result that a remarkable spirit of goodwill and cooperation exists throughout the organization. Their goal, to be the world's model factory, seems to be holding true. Workers want mainly 3 things – contentment, opportunity, security. Everything that is done to improve the worker's environment, earnings, consciousness of square treatment, makes for present satisfaction – a contented worker. Everything that is done to bring out the best that is in him, to assure him that his ambitions will find an open road to advancement, encourages him to stick and strive for opportunities that lie ahead. Everything that is done to keep him regularly employed, to assure him that his job will provide a livelihood today, tomorrow – as long as he does his part – everything that provides for his future, brings a sense of security that he will not lightly forsake.

...

Men and women work better when they have self-respect; the first step toward self-respect is decent living and working conditions. He will be still more efficient if, added to self-respect, is the knowledge that he is on the

way to a better job, if he has something to stimulate ambition. The best stimulation is knowledge, not merely knowledge of work, but general knowledge of what is going on in the world and what people outside of his own little group are thinking about. We added a dining hall where the workers can get subsidized food. Of course we lose money on this as well as on the dining room in the office building but we get the loss back in the better work done. We love when our men travel too. It is really surprising how much more efficient a man is for having seen something outside of his own home town. So, instead of a dirty factory in a dirty town where there was nothing to do but work, we now have, I have been told by many people, the largest opportunities for clean, healthy work, education, and physical exercise that are to be found anywhere in the world. Only time will show men that you say what you want and mean what you say.

These men's biographies are so rich that I could ever only capture a portion of it in this essay. I highly recommend spending the time learning from these exemplars. But, to reiterate, these men also had severe character flaws and this should not be ignored nor forgotten. They were not perfect but, in many ways, they were ahead of their times. It is important to recognize their faults but this should not preclude us from benefitting from them. We must be able to incorporate their positive attributes without taking on their negative ones.



11

¹¹ <http://www.injoewetrust.com.au/2015/09/14/standing-on-the-shoulders-of-giants/>