

ganization will not run as it should unless we offer the proper material incentives to the major executives of the business.

XIV. Trend toward the realization that a tremendous amount of education of executives is needed and that this is a continuous problem. You can never expect a perfect organization with the ideal man filling every position.

Production Incentives at the Curtis Publishing Company¹

By Walter D. Fuller²

DURING 1925 the Curtis Publishing Company paid to employees more than \$300,000 as their share of the economies which they created through production increases. For 1926 this figure will be larger. Of the 5,000 persons upon our payroll, about 3,500 have at the present time an opportunity to share in the economies which they create.

The financial gain to the company through the operation of these economy sharing plans was in excess of \$300,000 during 1925. This was in addition to the amount paid to employees.

The amounts paid to individuals are usually substantial—for example, during a recent week a Bindery Machine Operator drew in bonus \$11.73. There are 170 employees on these machines; 162 made bonus, averaging \$9.00 to \$10.00; 8 made no bonus. A Hand Slip Sheeter, for the same week, drew in bonus \$10.30. There are 73 employees on this work, 68 made a bonus averaging \$8.00 to \$9.00; 5 made no bonus. A Folder Operator, for the same week, drew \$9.80 in bonus. There are 299 employees on this work; 267 made bonus, averaging \$8.00 to \$9.00; 29 did not make bonus. A Phonograph Typist, for the same week, drew in bonus \$7.27. There are 32 employees on this work; 19 made bonus, averaging \$5.00, 13 made no bonus. These operators, however, are paid under a plan which provides for salary increases when production consistently stays above a certain point.

The relation of the bonus to the basic wage varies with the class of work and with the wage. Generally, we plan to pay in bonus to good producers an average of from 25 per cent to 33 per cent of their wages.

¹Abstract of an address at a meeting of the Philadelphia Section of the Taylor Society, November 18, 1925.

²Secretary, The Curtis Publishing Company, Philadelphia, Pa.

The methods by which this sharing of economies is handled is extremely simple. First we determine a unit of production and keep a record of production in the established unit. Then we determine what production we ought to expect as "standard" and what the maximum of production can probably be.

With this information and by a mixture of past record, time study, and a good deal of experience, and what we hope is common sense, we determine the "standard" and the rate of sharing of economies over the standard which we will offer to our employees. "Standards" must always be at a point which when achieved will yield a gain to the company; the rate of sharing must be determined on a basis fair both to employee and to the company. Standards once set and announced are never changed unless basic conditions change.

Requirements of Economy Sharing Plan

Any plan which looks to the mutual advantage of company and employee must be considered in view of certain basic principles, for example:

1. The plan must be defined in advance. This is a first principle, and one easy and practicable to develop.

2. Payments must be substantial. From our experience we know that under proper stimulus and with correct training, workers can materially increase their output. This is true upon widely different activities and it checks with the experience of other institutions. Any concern may take its present payroll and consider it as potential money for economy sharing. Discount this materially, remember that the size of the force eligible for such earnings will be reduced proportionately with increases in efficiency and it will be obvious that there is a very large, adequate and substantial item for economy sharing and for increased company profits.

3. The plan must be simple. Economy Sharing is the simplest and most elementary idea for the sharing of a common gain. It is an idea that the most ignorant worker can understand. There is no vagueness or indefiniteness.

4. It must promote individual efficiency. It is obvious that Economy Sharing does this efficiently and directly. Other plans secure this result only by association.

5. It must promote length of service. Economy Sharing does this and in doing so, it works to retain the truly efficient. Ordinary wage payment methods

result frequently in the loss of the best people and the retention of the mediocre. Economy Sharing overcomes this difficulty.

6. It should eliminate wastes and improve quality. Economy Sharing does this emphatically. It also does it directly while other plans secure the result only by association.

7. It must build goodwill. Intelligently handled, this is a certain result of Economy Sharing.

8. It must be timely. Economy Sharing possesses this further advantage which is very great and possesses it exclusively. With Economy Sharing it is possible to pay to each worker in his pay envelope his share of the savings he has made during the preceding week.

Curtis efforts along this line have been continuous for years. The clerical effort involved is combined with our Payroll and Statistical work and thus causes but slight extra expense. At present we maintain a staff group of four workers at salaries totaling about \$12,000 annually who give their entire time to devising new plans, extending and revising old ones and straightening out difficulties.

It should be noted that our present plans are based upon the factor of production which is the only true index of worth, rather than upon service, wage or position, all of which are merely indirect means of recognition. We employ individuals to produce goods, not necessarily to spend certain hours within our plant. Production and that alone (quality being considered) is the only sound basis for judging material services.

In installing such methods, we first devise the plans and set standards and rates. Then the whole matter is taken to the Department Manager and an attempt is made to "sell" him the idea.

Usually this is successful, but if not, the plan is revised and is again presented for acceptance. We must "sell" the manager before the plan can be made effective—no plan is ever forced on a manager by executive action.

MANAGEMENT week this year is scheduled for October 25 to 30. The subject is "Progress in Waste Elimination" W. H. Leffingwell, representing the Taylor Society, is Chairman of the national committee, and Ray M. Hudson, Chief of the Division of Simplified Practice, the U. S. Department of Commerce, is Secretary.

Balancing Manufacturing and Distribution¹

How Merchandising Managers Coordinate Factory and Sales Departments

By Henry S. Dennison²

THE outstanding thought of the discussion this evening is to be the relation of manufacturing to distribution. Unbalanced manufacturing and distribution relations are bad and the solution is the establishment of the proper balance.

The Dennison Company has worked out a method of balancing these relations and has carried it out in fairly finished form for about twelve years and in an elementary form since 1906. Previous to this we had all the gap between the selling and factory departments that anybody wanted. At that time the factory and sales department considered it quite a stunt to put something over on each other, but this internal conflict between these principal divisions was a serious matter as far as the progress of the business was concerned.

This gap is natural, however, because the work in these two departments centers upon two entirely different phases of the business and calls for different types of men. The lack of understanding is continuous and very real and is due to different processes of working. This great gap between the two is found in concern after concern. Considering, then, this natural lack of understanding, how can we expect policies of coordination to be worked out by just asking the two to get together? A basis of mutual understanding must be established before any real progress can be made. This must be better and higher than a compromise or than the domination of one department by the other.

Looking ahead into the future and correctly gauging what is to come is a vital part of management. Who is going to see to this, selling or factory? The powers of constructive imagination of both are practically used up in their daily work. Important steps come through occasional invention in the factory or the buying of some timely article to create new sales, but this does not take the place of systematic foresight. There must, therefore, be a third party to do this looking ahead. This third party is the merchandising manager.

¹Abstract of a talk at a meeting of the Eastern Massachusetts Section of the Taylor Society, Boston, December 12, 1925.

²President, Dennison Manufacturing Company, Framingham, Mass.