shared in the windfall, because they *were* the shareholders. "Employees up and down the ladder, inside and outside the United States, got treated just like everyone else," Ursprung explains. "This system of ownership created a kind of social justice when it came to such a financial transaction."[9]

"ALL OF US ARE IN THE SAME GAME"—PERSONAL ACCOUNTABILITY, COLLECTIVE IDENTITY

My visits to Green Bay, Wisconsin, and Avon, Connecticut, offered glimpses of small-scale examples, outside the fever-pitch confines of Silicon Valley, of what could happen when rank-and-file employees get a piece of the action and a seat at the table. But it was not until I made two other visits, to two very different organizations, that I came to appreciate that there could be large-scale alternatives to the winner-take-all ethos that has defined and distorted the economy for so many decades.

The first visit was the time I spent in rural England with the John Lewis Partnership. This is an organization, it's worth remembering, that is a household name in Great Britain, with $15 billion in sales and close to 100,000 employees. And it is built not just on a culture of grassroots participation, or even on a generous stock-ownership plan, but on a written constitution with promises that everyone gets a voice, a vote, and a share of the prosperity they help to create. Those promises serve both to reinforce a sense of here-and-now humility among the organization's senior leaders and to

fuel a sense of ambition and contribution among frontline employees.

The constitution comes to life most vividly each March, when the partnership announces publicly, and with great fanfare, the size of the annual bonus that all employees receive. (The total pool is based on that year's operating profits, and each member gets the same percentage bonus to their annual salary.) Employees of Waitrose and John Lewis gather at the John Lewis flagship on Oxford Street, as the store manager counts down to the moment of truth and a company choir bursts into song. In 2014, the bonus came in at 11 percent of salary, close to six weeks of additional pay. It was, truth be told, a disappointing result, dragged down by margin pressures at Waitrose. (The choir "might not be quite in full voice," the *Times* of London warned before the announcement.) The year before, the bonus came in at a healthier 15 percent (a result celebrated with a spirited rendition of "Walking on Sunshine"), and it's been as high as 24 percent, or thirteen weeks of additional pay. Whether the bonus gives rise to jeers or cheers, sighs or songs, everyone understands how it's calculated, what it means for them, and what it says about the health of the business.[10]

But there's more to the sense of common cause at John Lewis than the bonus celebration. At the top level, the constitution sets strict limits on CEO compensation. Here's Principle 63: "The pay of the highest paid Partner will be no more than 75 times the average basic pay of non-management Partners, calculated on an hourly basis." In 2014, Sir Charlie Mayfield's salary was 66 times the average pay of nonmanagement partners—generous, to be sure, but a far cry from what many other CEOs in his position make. Among publicly

traded companies in the United States, for example, the average CEO makes more than *300 times* what average workers get paid.

At the entry level, John Lewis and Waitrose seem more interested in enhancing the compensation of frontline employees than in offering wages low enough to qualify for public assistance. On the week the Partnership Council met, for example, the British government was rolling out a modest increase in the national minimum wage. That was good news as far as it went, delegates at the Odney Club agreed, but some wondered aloud about the virtues of a "living wage" rather than just a minimum wage, or even a "London living wage" for people working in the punishingly expensive capital. "We have a constitutional responsibility to pay partners for their performance," one delegate reminded his colleagues, as the group discussed the importance of "breaking the cycle of low pay" and the power of lifelong learning to move entry-level employees up the pay scale.

At that same meeting, there was also a calm, thorough, and businesslike review of changes to the pension plan, which, like many defined-benefit plans, was showing signs of long-term strain. Pensions had been a hot-button topic on this council for two years, perhaps the most potentially divisive issue it had worked on. A plan to create a hybrid defined benefit/defined contribution plan had been proposed, debated, revised, brought back to the partners, and debated again. In January, a few months after the October gathering, final revisions were approved unanimously, after a 51–11 vote not to delay any further. The vote "was an important moment for our democratic process," the company's 2015 Annual Report declared, as it confirmed the council's willingness to make such a big decision "in the best interests of the Partnership." Those are the

kinds of difficult choices that can be made openly and constructively in an organization with a sense of shared fate and grassroots participation, where nobody wins unless everybody wins.

"The focus of most companies is to improve their financial capital," argues Jane Burgess, the Partners' Counsellor. "Our focus is on social capital. When people have a voice, when they feel like they have influence, when they believe that they are fairly rewarded for the contributions they make, it creates a sense of confidence in the organization, and therefore more reasons to care about the organization and its future. Of course we need financial capital. But what drives us forward is social capital."

The second visit that opened my eyes to the potential for big, powerful organizations to share prosperity more widely was my trip to Euclid, Ohio, on the south shore of Lake Erie. It was there, as I previewed in the prologue, that I saw the robust social system that sustains the competitive prowess of Lincoln Electric, a world-class manufacturer of welding equipment and cutting machines with annual sales of nearly $3 billion, some 10,000 employees, and roughly 50 manufacturing facilities in 19 countries. The company has been fiercely competitive, and consistently excellent, from the day it was founded in 1895 by John C. Lincoln, with $200 and a plan to build an electric motor he designed. Much of that excellence has focused on quality, reliability, and, in recent years, all sorts of digital innovations that shape how its products (and thus the business) perform. And it has performed. Lincoln Electric went public in 1995, one hundred years after it was established, and its stock has soared by roughly 1,000 percent since then—genuinely impressive results given the pressures and convulsions of the global markets in which it operates.

Just as important to all this marketplace success, though, has been the company's history of workplace innovations that shape how its people perform and what their performance gets them. In 1914, Lincoln Electric established an Employee Advisory Board to give elected representatives a voice with senior management. In 1925, it created an ESOP through which rank-and-file workers owned stock and sold it back when they retired. It began its signature profit-sharing system in 1934, and its formal no-layoff pledge took shape in 1958. Meanwhile, almost from the beginning, and continuing to the present day, work at its flagship production complex in suburban Cleveland has been organized around a pay-for-performance system that measures individual productivity in exacting detail, compares the output of each employee with that of a peer group, and rewards people based on their results. Individual ratings also determine how big a bonus each employee receives, so star performers have a chance to benefit twice, with higher pay during the year and a larger bonus at the end of the year.

All these policies (and more) are the organizational legacy of James F. Lincoln, who ran the company from 1914 until his death in 1965, and they make Lincoln Electric what it is today—a tough, no-frills, fair-minded alternative to the corrosive toll of winner-take-all economics. Indeed, James Lincoln was to Lincoln Electric what Spedan Lewis was to the John Lewis Partnership: not the literal founder, but the founding father of the ideas and worldview that animate the enterprise. In the early days, for example, Lincoln would begin employee meetings with the greeting "Fellow workers"—about as collective and nonhierarchical as it gets. At the same time, he was a fanatic about personal motivation, which explains the company's rigorous pay-for-performance system. The

result, more than one hundred years after he took charge, is that Lincoln Electric manages to foster both a fierce individual drive and a shared sense of purpose, to emphasize rigorous personal accountability, and to embrace a true shared identity.[11]

During our conversation at Lincoln Electric headquarters, I asked CEO Christopher Mapes whether James F. Lincoln would recognize the modern version of the company he built. "The social system would be very recognizable," Mapes assured me. "The Advisory Board, for example. I can't meet with the members every two weeks, like James Lincoln used to do, because a global business requires so much travel. But we meet every four or five weeks, the members are still elected by their peers, and we still post minutes for everyone to see. We have the same open-door policy, although employees are more likely to e-mail ahead of time to set up a meeting. So that culture of access is still here, it still resonates."

So too does the "culture of performance and productivity," Mapes continues, "because it's so foundational to what we do." Outside observers, he notes, often focus on the fact that the company puts thirty-two cents of every pretax dollar into a shared bonus pool. They also marvel at guaranteed employment, which Lincoln Electric maintained through the worst downturn since the Great Depression. "It sounds like 'We Are the World' stuff!" he jokes. "What people don't always see is that every day, you are measured on your performance. And every six months, you get a rating versus your peers. We are diligent about the ways we measure, analyze, and talk about individual performance. We ask everyone to give their best every day. But that only works if there's a mind-set that all of us are in the same game."

To be sure, Lincoln Electric is not a household name in the

United States in the way that John Lewis is in the United Kingdom. But it is, in its own way, an iconic organization. Its record of performance, fueled by its commitment to profit sharing and lifetime job security, has made it a subject of fascination for HR researchers, academics, and business-school students. In fact, a 1975 Harvard Business School case study, called, simply, "The Lincoln Electric Company," ranks among the bestselling HBS cases of all time. (Harvard has published at least six case studies and videos on the company since 1947, but the 1975 case has stayed at the top of the charts for forty years.)

Frank Koller, the former workplace correspondent for the Canadian Broadcasting Corporation, devoted an entire chapter to the case in his book *Spark*, a well-reported history of the company and its no-layoff pledge. The teaching note that accompanies the HBS case, Koller writes, reminds instructors that Lincoln Electric's model includes "significant obstacles" that other organizations might not be able to overcome. "But instructors are also reminded," he adds, "that the case is not about whether Lincoln's unusual approach '*might* work—it *has* worked, and very well.'"

"We ask everyone to give their best every day. But that only works if there's a mind-set that all of us are in the same game."

Norm Berg, the Harvard Business School professor who supervised the case study, reports that to this day, students have split reactions to the material. "The fundamental question about the

Lincoln Electric case study is to understand what induces or encourages people to work hard, both in their own interests and in the interests of the company, and to do this on a continuing basis," he told Koller. "Some students will always say, 'It's perfect capitalism where workers have control over exactly what they do and get rewards based on their own efforts,' while others will say, 'This is practically a form of communism, not putting the stockholders first.'"

In the spirit of a business-school classroom, here's the key lesson I take away from the history of Lincoln Electric, and what that history suggests for the future of business and society: There is no inherent conflict between the zest for creativity and productivity, the unbridled spirit of enterprise that drives success, and a sense of fair play about who shares in that success. Quite the opposite: It may be harder to do business the Lincoln Electric way, but it's also more rewarding and sustainable. Organizations win bigger when they create opportunities for everyone to win.

Consider, for example, Lincoln Electric's much-admired no-layoff pledge, which has held firm since 1958, and the pressures and choices the pledge imposes on senior management. Back in 2009, in the depths of the Great Recession, when Lincoln Electric saw 30 percent of its volume disappear in a single year, "We had discussions about whether or not we could maintain the guaranteed-employment policy," recalls CFO Vincent Petrella. "There was a lot of soul-searching. But we *had* to maintain it, it is such a part of who we are. This model requires much more management skill and expertise than hiring a thousand people when times are good, and whacking them when times get bad. It requires more active management."

It also requires, and creates, more engaged colleagues at every level. Doug Lance, senior vice president for North American operations, has spent twenty-five years with the company, all of them immersed in the inner workings of the plants. When I asked him what it takes for people to thrive in the Lincoln Electric social system, he replied, "a competitive fire; a will to win; do you have [the] drive to be the one on top?" But, he added, "competitive fire" has to be collective as well as personal. As a frontline worker, "I'm competing with everyone around me, I always want my individual performance to be better. At the same time we have to win as a team. The more the business achieves, the larger the profits. The larger the profits, the bigger the bonus pool."

It's hard to overestimate the impact of the annual bonus on what drives Lincoln Electric as an organization, and on the lives of its individual members. At John Lewis, the bonus is a nice way to end the year—in 2013, it represented a 15 percent boost to annual salaries. At Lincoln Electric, the bonus can be a make-or-break factor in people's financial well-being. In the boom year of 2013, the average bonus was a striking *70 percent* of annual base pay. For some highly rated employees, who, based on their peer rankings, receive far more than the average share of the pool, their end-of-year bonus payment was larger than their full-year base pay. (Lower-ranking employees, in turn, receive a smaller share of the bonus pool.) In the bust year of 2009, though, the bonus pool amounted to just 25 percent of total wages. Lean times, like good times, were shared by all.

That's why, every quarter, Vince Petrella posts a range of estimated outcomes for the so-called "bonus multiplier"—that is, high and low projections of how much the total bonus pool is expected

to add to average base pay. Employees track the estimates closely, in part to plan their finances, but more to get a sense of what they can do to reach the high end by the end of the year. "Workers have the same thought processes as managers," the CFO emphasizes. "How can I improve productivity? How can I get rid of scrap? How can I drive performance in my unit?"

Meanwhile, on the second Friday of every December, CEO Chris Mapes gathers employees to reveal the size of the bonus pool, how it compares with prior years, the major business issues that drove it, and how all that relates back to the average bonus for every employee. "It allows us to congratulate everyone for their work," Mapes says, "and it encourages an ownership mind-set throughout the company. Everyone thinks about the business, because they *are* the business. It allows people to be an integral part of the improvement of the enterprise. We're in this together."