



Executive Book Summaries®

www.summary.com

Spark

How Old-Fashioned Values Drive a Twenty-First-Century Corporation: Lessons from Lincoln Electric's Unique Guaranteed Employment Program



by Frank Koller

THE SUMMARY IN BRIEF

The Cleveland-based arc welder manufacturer Lincoln Electric has survived two World Wars, the Great Depression, globalization, the decline of industrial America and the recent credit crash — and yielded impressive profits throughout.

In *Spark*, journalist Frank Koller investigates Lincoln Electric's inner workings and reveals surprising lessons about what happens when managers view their employees as valued assets rather than costs.

Lincoln Electric operates on a solid foundation of loyalty, trust, flexibility and a fair reward for a job well done. At Lincoln, any of the 3,300 employees can approach the CEO with a problem — or an idea. There are no designated parking spots; everyone enters and exits through the same front doors and eats in the same cafeteria. Any employee with more than three years of tenure, and who meets the firm's performance benchmarks, is part of Lincoln's "Guaranteed Continuous Employment" policy, a promise that the company will do everything it can to avoid layoffs.

Lincoln Electric draws strength from its most valuable resource: its employees. And the employees know that as long as they work hard for Lincoln Electric, their employer will work hard for them.

IN THIS SUMMARY, YOU WILL LEARN:

- How to succeed by treating employees the right way.
- How more equitable practices can rebuild trust in management.
- How compensation can grow in tandem with productivity and profits.
- How unusual policies can add value to your people, customers and society.

CONTENTS

Good Business

Page 2

The Lincoln Brothers

Page 3

The Merit-Based Bonus

Page 4

The Proper Step Forward

Page 5

A Formal Guarantee of Steady Work

Page 6

A Terribly Nonoptimal and Inefficient Policy

Page 7

This Is Not About Altruism

Page 8

THE COMPLETE SUMMARY: SPARK

by Frank Koller

The author: Frank Koller covers the workplace for the Canadian Broadcasting Corp. (CBC). During a 27-year career with CBC, he has worked and lived around the world as a foreign correspondent, including seven years in the United States. He holds a master's degree in engineering from the Massachusetts Institute of Technology.

Spark: How Old-Fashioned Values Drive a Twenty-First-Century Corporation: Lessons from Lincoln Electric's Unique Guaranteed Employment Program by Frank Koller. Copyright © 2010 by Frank Koller. Summarized by permission of the publisher, Public Affairs™, a member of the Perseus Books Group. 249 pages, \$25.95, ISBN 978-1-58648-795-9.

Summary copyright © 2010 by Soundview Executive Book Summaries, www.summary.com, 1-800-SUMMARY, 1-610-558-9495. For additional information on the author, go to <http://www.summary.com>.

Preface

Lincoln Electric was founded in Cleveland in 1895, at a time when the city was one of the most important industrial centers in the United States. But starting at the end of World War II, Cleveland's big manufacturing companies deserted this quintessential Rust Belt hub in a steady stream. Yet, Lincoln Electric stayed put, expanding its footprint in the community year after year by buying up the neighboring deserted properties of those who fled, as well as investing heavily in a new research center for robotic welding and expanding operations abroad.

At the end of 2008, none of the 3,300 American employees preparing to listen to the annual bonus announcement had any illusions that their company was immune from the economic chaos affecting the global economy. The global welding market was in trouble just like virtually every other part of the economy. But unlike millions of other American workers, those at Lincoln Electric could look back over their company's long history for reassurance that they could survive the hard times ahead. Two indisputable facts provided comfort. First, for more than 60 years, no permanent employee of the Lincoln Electric Co. in Cleveland who meets the firm's performance standards had ever been laid off due to lack of work. It's a promise, a company policy enshrined in the *Employee's Handbook*. Second, for 74 uninterrupted years starting in 1934, the company had paid out a profit-sharing bonus just before Christmas. Based on an annual merit-rating program, the bonus had almost always exceeded 60 percent of an employee's basic earnings. In a number of those years, it had exceeded 100 percent.

John Stropki

When John Stropki, the chairman, president and CEO of the company, took the stage at 3 p.m., the cafeteria was completely packed. Toward the end of the 30-minute presentation in which he reviewed the year just ending and then looked ahead to 2009, Stropki said, "No one is certain as to how long the current recession will last or how severe it will be. In anticipation of a long, deep recession, we will continue to look for ways to reduce our overall costs and do it in a way that protects our long-term financial viability and preserves our long-standing and very successful Guaranteed Employment Policy."

Then, before every employee in the cafeteria — and across the United States — was handed a personalized white envelope, Stropki announced that the check inside represented roughly 61 percent of each employee's base earnings: The average bonus being handed out was \$28,873. Furthermore, no permanent Lincoln Electric employees in the United States were laid off for economic reasons in 2008.

Good Business

The day before the 2008 bonus was announced, Stropki was asked why his firm had stuck for so long with a promise to place the interests of its employees on par with those of its customers and its shareholders.

"I don't think of this as a social responsibility," Stropki answered. "I think my philosophy and that of my predecessors is that we can perform in an economically challenging environment, and we can spread that pain in a way that long term will better represent our shareholders' interests without crucifying our employee base, and



1-800-SUMMARY
service@summary.com

Published by Soundview Executive Book Summaries (ISSN 0747-2196), P.O. Box 1053, Concordville, PA 19331 USA, a division of Concentrated Knowledge Corp. Published monthly. Subscriptions starting at \$99 per year. Copyright © 2010 by Soundview Executive Book Summaries.

Available formats: Summaries are available in several digital formats. To subscribe, call us at 1-800-SUMMARY (240-912-7513 outside the United States), or order online at www.summary.com. Multiple-subscription discounts and corporate site licenses are also available.

Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor in Chief; Andrew Clancy, Senior Editor; Edward O'Neill, Graphic Designer; Chris Lauer, Contributing Editor

we think it is good business, not bad business, to do that.”

For nearly a century, through thick and thin, Stropki, his predecessors and the company’s employees have been able to sustain their unusual and beneficial relationship. The company’s perennially robust profit margins (driven by consistently innovative technology), the dramatically heightened job security and quality of life enjoyed by its employees and the benefits that accrue to the local Cleveland economy should give the rest of the American business world pause. ●

The Lincoln Brothers

John C. Lincoln

In the summer of 1895, John C. Lincoln, a 29-year-old family man with a wife and two young children, was laid off from his job at a small Cleveland, Ohio, manufacturing company that made electric motors.

Rather than scramble to take the first job he could find by working for somebody else, John decided to gamble by striking out on his own: He opened up the Lincoln Electric Co., a business dedicated to designing and manufacturing electric motors.

Like any small-scale entrepreneur, John did everything and anything to grow his new business. He designed small custom-order electric motors, wrote and sold an instruction manual on the principles of electricity and even began experimenting with electric automobiles.

Well before World War I began in 1914, the electric car in the United States was already losing its battle against the gasoline engine. But as the electric automobile market withered away, John realized he was still holding a winning hand in a promising new field: The powerful electrical current produced by his motor-generator unit could do much more than charge a car battery — it could also create an arc of electricity hot enough to melt steel.

James F. Lincoln

John’s growing company, which, by 1907, had more than 30 paid employees, clearly needed a firm hand in the front office. John found the answer to his dilemma in his younger brother, James, who had agreed to join the company after dropping out of engineering at Ohio State. Almost instantly, it became clear to both men that James was much better suited to the day-to-day challenges of the business world.

Within two years, they had designed, built and sold their first welding machine, a behemoth that weighed

more than 1,500 pounds. Over the next few years, John was granted several groundbreaking patents that ensured Lincoln Electric’s early technological lead in the new industry.

In 1914, he appointed James, then 31, as general manager. The younger Lincoln brother was a natural in the business world, an inspiring and charismatic leader who, from the start, was determined to earn the loyalty of every employee. Under James’ leadership, Lincoln Electric commenced its steady ascent over the next few decades to its prominent position in the global welding industry.

A Four-Part Management System

James Lincoln recalled the challenge he faced when he took over the day-to-day management of Lincoln Electric: “I knew that if I could get the people in the company to want the company to succeed as badly as I did, there would be no problems we could not solve together.”

Within a few years of taking the helm of Lincoln Electric, James had introduced three of the four major components of the management system that has proved enduringly successful:

- 1. A company-wide “open-door” policy of internal communications.**
- 2. The use of piece rates to pay workers in the factory.**
- 3. An annual merit-based bonus system.**
- 4. The promise of guaranteed employment.**

The fourth took longer to become reality, but was part of his plan from the early days.

At his core, James believed every company had to earn the right to expect hard work from its employees, but at the same time he was absolutely convinced that no employer could expect to motivate its employees to work hard just by paying money. He would argue, passionately, that first and foremost employees wanted to be respected as human beings who were engaged in a process of creating a worthwhile product.

Once employees came to believe that they were truly valued as individuals — in other words, that respect was the everyday currency of the workplace — James was convinced working hard would become the norm, not a rarity. Respect also required employees to shoulder a sense of responsibility for the well-being of each employee in the firm, particularly to allay what James believed was the worst fear of every working man: “He has learned from bitter experience [that] when business was slack, he was tossed out on the street, often with no

more thought for his future than was given to any other worthless scrap.” ●

The Merit-Based Bonus

The dollar amount of Lincoln’s annual bonus — an average of \$28,873 in 2008 — has been an object of amazement and a subject for controversy from the day it was first paid out in 1934. Over the decades, the bonus has ranged from more than 120 percent of base pay to (exceedingly rare) as low as 25 percent; since 1955, it has averaged 77 percent.

Given that the company has paid its annual bonus for 75 years without interruption, Lincoln employees have become accustomed to receiving a large financial reward for working hard, although most try hard to guard against becoming complacent about it. Yet while the amazingly large dollar value of the publicly announced average bonus receives the bulk of attention outside the company, the merit rating is what drives intense interest inside the firm, because it is the merit rating that determines whether each individual employee receives a larger, or smaller, bonus than the average.

How the Merit Rating Works

A small example: In 2008, an *average* Lincoln employee (one who earned 100 merit points) received a bonus worth 61 percent of his or her base wage. For someone on the assembly line, a welding-lab technician or a junior engineer earning \$50,000 in basic wages last year, that meant a bonus of \$30,500, for a total pay of \$80,500. An employee who earned the same \$50,000 in base wages but received a higher merit rating of 120 points (perhaps because he or she was rated as more of a team player in the factory) would see his or her bonus increased by a further 20 percent: The bonus would be worth \$36,600, resulting in total pay of almost \$87,000. In similar fashion, a merit rating of just 80 points would result in lower overall earnings of just \$74,000.

The merit rating also identifies employees who are failing to meet the company’s demanding performance standards. Persistent merit ratings below 80 lead, first of all, to discussions between management and an employee about his or her future with Lincoln Electric and, ultimately, may be used in an evaluation process leading to dismissal.

In the early days of the bonus, Lincoln Electric was small enough and James was confident enough about his managerial judgment that he personally reviewed and compared the performance of every worker in the company. But after World War II, merit rating evolved into a much more sophisticated process. Yet, as with so

much at Lincoln, the merit-rating system of 2008 is remarkably similar to that in place a half-century ago.

Performance Attributes Ratings

Several times during a year, every employee on piecework is rated by his or her supervisors on five different performance attributes, each measured on a 20-point scale: overall *productivity*; overall *quality* of the work performed; the extent to which the worker demonstrates *adaptability* and *flexibility* on the job; his or her *dependability* and sense of *teamwork*; and, finally, the employee’s awareness and compliance with the company’s *environmental, health and safety* priorities. An employee can be awarded more than 20 points on a particular scale for clearly superior performance, but only if someone else in the same work group being evaluated by that supervisor receives less. In other words, there is a limited number of points to be distributed among any group of workers.

Lincoln Electric’s hourly and salaried employees are rated on a slightly different set of metrics. Obviously, the *quantity* or *quality* of work performed by a factory worker winding transformer coils is easier to measure than the work performed by a design engineer or an accounting technician. The “Performance Development System” used for these employees draws on a more modern management lexicon of *goals* and *core competencies*, designed to measure and rank attributes such as decision-making ability and judgment, customer focus and innovation. In the end, however, the overall evaluation structure and its financial implications for individuals are similar for every employee in the company. ●

Understanding What the End Game Is All About

As director of manufacturing for Lincoln Electric, Lee Seufer is responsible for overseeing production of the machines that have kept the company at the forefront of the global welding industry for more than 75 years. After nearly three decades, exercising caution and care with employees is as much a part of Seufer’s job as it is to ensure the quality of the company’s latest welding machines.

Seufer said, “I know we always have lots of good work under this roof for people to do, and my goal is always to take people and put them working on something more interesting that we can’t mechanize.” And in tough times? “We are not going to lay you off because things are slow, and you are not going to lose your job!”

But there is one absolute prerequisite for employees looking to benefit from Lincoln Electric’s guaranteed

employment program, stresses Seufer: “The guaranteed employment promise depends on everyone — from management to the employees — understanding what the end game is all about.”

Lincoln’s End Game

The “end game” is to ensure the continuous profitability of a technologically savvy manufacturing firm in an exceedingly competitive global marketplace. That was John’s goal in 1895, James’ goal when he took over in 1914 and it has remained the goal of every CEO ever since. It is also the game plan for every other private business in the country. But what sets Lincoln Electric apart is that the company has shown that it can achieve its goals while demonstrating a degree of respect for its workers that is exceedingly rare in the United States.

James Lincoln always said that only the firm’s satisfied customers, not its management, could really guarantee employment for its workers. But during the 1950s, once the idea of formalizing the guarantee had been raised at an Advisory Board meeting and James had agreed to make it a priority, senior executives began to analyze how a formal promise could survive the regular ups and downs of normal business cycles. (By that point in the company’s history, there had apparently been no layoffs for several decades, which must have been encouraging for everyone involved.)

Two recessions, in 1954 and again in 1957, tested management’s evolving strategies to keep people at work without threatening long-term growth. Gradually, James grew confident that a no-layoff policy could work, and in 1958, the board voted to adopt the Guaranteed Continuous Employment Plan. It remains in place, essentially unchanged, to this day.

Guaranteed employment, as people inside the company call it, is not about jobs for life. It is a contract that describes, in precise detail, the obligations of workers and management on a day-to-day basis and the penalties that ensue when the obligations aren’t met. New employees are introduced to the policy as soon as they are hired, and everyone understands the terms of the plan and what it means for them.

From its earliest days, Lincoln Electric has always relied on the flexibility of its workforce — in pay, hours and assignments — to act as a buffer against the unpredictable ups and downs of the business cycle. Being thinly staffed is almost a corporate virtue, said Gretchen Farrell, vice president of human relations, and essential to maintain the commitment to guaranteed employment. ●

Lincoln Electric’s Guaranteed Continuous Employment

- It is seen as a competitive advantage for the company.
- It provides covered workers with security against layoffs due to lack of work when the economy slows down.
- The plan covers permanent employees in Cleveland (95 percent of the company’s U.S. workforce) who have completed three years of service.
- Employees are guaranteed at least 30 hours of work per week.
- Employees are required to work overtime whenever scheduled.
- Workers are not guaranteed a particular job or rate of pay.
- Every employee must be willing to accept transfer from one job to another.
- The plan only covers workers who uphold Lincoln Electric’s well-defined performance standards.
- If the company’s survival is threatened by conditions beyond its control — from recessions to natural disasters — the guarantee does not hold.

The Proper Step Forward

Why did James ultimately offer his employees a guarantee of steady work? Why wasn’t he threatened, like so many employers at the time, by the idea of giving up one of the most powerful tools available to any CEO, the right to cut his workforce whenever it seemed necessary? In part, he was motivated by the religious values he was imbued with while growing up as the son of a deeply pious Congregationalist minister. He genuinely wanted to treat people well.

James was convinced that workers who feared for their jobs would never demonstrate much enthusiasm for their work, let alone any creativity. “There may even be no conscious effort to hold back progress,” he cautioned, but a worker will never try to put his mind to creatively solving a problem if in doing so “he is threatened with the loss of his job by a better way of producing.”

To some observers, a guaranteed employment promise sounds like charity, not sound business management. Not to James: “It is no part of management responsibility to be merely kind to workers,” he stressed in his

writings. “Managers are responsible for efficiency in their industry ... efficiency depends on human cooperation ... cooperation [demands that] the fear of losing income will be eliminated. ... This can only be done by guaranteeing continuous employment.”

A Formal Guarantee of Steady Work

Sometime around 1950, the idea of a formal guarantee of steady work was first raised at a meeting of the Advisory Board, and in January 1951, James began sharing his thoughts on the proposal with employees. Several memos speak of his conviction that a program that had already been in operation for roughly 25 years was probably worth taking to its logical conclusion, but he cautioned his employees that it could also bring hardships. James was trying to ensure that everyone would understand that while great shared gains were possible with guaranteed work, so too was shared pain in tough times.

“It is an experiment that poses many problems,” James wrote on Jan. 16, 1951. “Some of these must be answered, of course, by management, but some of them also must be answered by the producing worker. While continuous employment ... would undoubtedly increase the total income to all people, yet there is little doubt that in extreme conditions it would reduce the bonus. ... It is my belief that it is the proper step forward, but there are many problems which must be acknowledged if we are to succeed.”

James’ biggest challenge in implementing guaranteed employment — and it remains the biggest challenge for any employer — was to ensure that his employees trusted him to keep the promise. There would be many sacrifices required of employees in the short run to make the system work for everyone in the long term, and employees would never be willing to make those short-term sacrifices if they didn’t believe James would deliver in the long term.

The Challenge of Employee Trust

Trust is generally missing in a reading of the history of guaranteed employment over the past century or indeed of the history of many other issues involving management in the American economy. Over and over, senior managers seem to have started down the road to a no-layoff policy, only to quickly resort to layoffs when they were faced with a serious financial crisis. Lincoln Electric approached a guaranteed employment promise extremely cautiously, however. The idea had been part and parcel of the day-to-day management system for several decades before James suggested that it could formally

The Importance of Flexibility

If trust is the first overarching principle necessary in any workplace that hopes to thrive with a guaranteed employment promise such as Lincoln Electric’s, the second is surely flexibility. Everyone — from the bottom to the top of the company — must be willing to be flexible about virtually everything involved with doing a job and being paid for it.

become company policy.

Once implemented, the promise could never be broken; there would be no second chances for guaranteed employment. James was convinced it was a risk worth taking.

Layoffs Aren’t a Big Deal Anymore

Lincoln Electric has always operated under the assumption that an energetic pursuit of corporate profits is not inhibited by an equally determined commitment to raise the fortunes of its employees; in fact, the two are interdependent. As proof that Lincoln Electric’s business model can survive the rough-and-tumble of Wall Street, consider the company’s financial track record: an average growth rate of 19 percent per year from 2005 through 2009, an average annual return on investment of 16 percent during those years, a long-term debt-to-equity ratio of only 9 percent, a bank balance of \$406 million in cash and a larger global market share than any of its competitors.

The final verdict among researchers on layoffs is uniformly negative: In other words, layoffs consistently fail to achieve what executives who call for them expect and that, in fact, layoffs hurt everyone involved, from the workers who are let go to those who remain at the firms themselves.

Layoffs are sometimes unavoidable in the real world. Those researchers have no illusions about how our market economy operates. They understand that a corporation’s future must be precisely plotted out with detailed strategies to ensure its survival, growth, the effective use of scarce resources (including employees, physical materials and finances), higher share prices and, ultimately, greater and greater profits.

Lincoln Electric is no different in that regard: Every employee knows that if abandoning guaranteed employment is the only option left to avoid a bankruptcy brought on by cataclysmic economic conditions, senior management will make that decision, albeit reluctantly.

Yet the latest research on layoffs and their aftereffects seems to raise serious doubts about the corporate and social wisdom of regarding this strategy as anything but an absolute last-ditch survival option. The decision to order a layoff seems to be a choice that is, on one hand, very risky for the firm and, on the other hand, almost always very costly in human terms for the workers let go and for society at large, which finds itself forced to deal with the aftereffects.

Layoffs Are Deadly

For example, in December 2007, economists Daniel Sullivan from the Federal Reserve Bank of Chicago and Till von Wachter of Columbia University published the astonishing result of their research into mass layoffs and mortality. Their verdict: Layoffs are deadly.

Their research revealed a disturbing fact: “Male workers who suffer a permanent layoff in the middle of their working lives suffer an increase of 15 to 20 percent in their probability of dying in the following 20 years. If you summarize what that means over a lifetime, it turns into a loss in life expectancy of one to two years.” The impact of the financial damage was so great that “it changed their whole lives ... and workers with the greatest losses have the greatest reduction in their life spans,” said von Wachter. “Losing your livelihood speeds up your mortality.” ●

A Terribly Nonoptimal and Inefficient Policy

Wharton’s Peter Cappelli argues that the majority of executives who order layoffs operate by “rules of thumb, and the most important one is ‘What is everyone else doing?’” The resulting herd behavior creates a perfect feedback loop of reinforcing causality, where everyone comes to believe that there is only one way to reach the destination of sustaining profitability and growth: Keep the layoff lever close at hand.

Economists actually have a name for this phenomenon — path dependency — which is often described as the problem where “you can’t get there from here because the road has been dug up.”

When distinguished economist George Baker was asked why so many of his intellectual colleagues share his skepticism about a guaranteed employment policy such as Lincoln Electric’s, even as they teach the case study that profiles what is arguably its most famous exemplar, he said, “Lincoln Electric is a special case, and by the way, it is not a panacea for them. When they go into tough times, it’s really expensive for the company,

and unless there is some other good reason for having it, as part of an incentive system like Lincoln’s, in my view, you would be wrong to recommend it. The reason that people are so in-their-guts opposed is that, most of the time, it is really a terribly nonoptimal and inefficient policy.”

Lincoln Electric’s embrace of a guaranteed employment policy grew out of the desire of its founders to build a successful commercial enterprise. The ultimate goal was to ensure long-term growth and a steady stream of profits. In order to do that, the founders believed it was necessary to run a financially solid company that avoided taking undue risks or going into debt, to provide their employees with steady work and to share a significant portion of the profits with them.

An Egalitarian Work Environment

Lincoln Electric — the company and its employees — benefits significantly from a much more egalitarian work environment, in terms of pay and working conditions, than is found in the vast proportion of other American corporations. While the current economic crisis has certainly re-energized a debate about the growing financial inequality of American society, the value system that has produced the bloated executive salaries in so many sectors of the economy will not be transformed quickly. In the meantime, it’s understandable that the vast majority of working Americans generally do not feel as if they are part of the same team as their company’s CEO.

The Institute for Policy Studies reports every year on the exorbitant annual compensation paid to corporate leaders in America. Its latest estimate, for 2008, is that the average CEO in the S&P 500 makes 344 times more than the average American worker (\$10.5 million versus \$30,617). According to Lincoln Electric’s annual report to the Security and Exchange Commission, CEO John Stropki made \$4.6 million in 2008; that’s just 150 times more than the average U.S. worker.

But consider this as well: At Lincoln Electric, the average worker made approximately \$70,000 in 2008, more than twice the national average. Using that as a basis of comparison, Stropki makes just 65 times more than the average worker in his company. In addition, Lincoln Electric’s executive ranks are relatively small for a company of its size, and in 2008 only four other senior executives earned more than \$1 million (and none more than \$2 million) in total compensation.

It’s not just the relatively low salaries of Lincoln’s senior executives that serve to dissuade others who might otherwise be interested in emulating the company’s management system in their own companies.

Summary: SPARK

“People do make different amounts of money at Lincoln, but the company tries hard to make you feel like you are part of a team,” said Harvard’s management and strategy expert Norman Berg. “The differential in symbols is enormous in most corporations, but Lincoln has always tried to minimize that — no preferred parking lots, no measurement of someone’s status by windows — and those things appeal to most people.”

No Status Symbols

Status symbols are almost nonexistent at Lincoln Electric. All of the employees at its Cleveland headquarters, from the CEO to the cleaners, enter the factory through one main door. There are no personalized executive parking spots. Only the CEO and a few vice presidents have offices with windows, while other senior executives work in windowless rooms that can best be described as bland, olive-green cells filled with a hodgepodge of mismatched office furniture. There is no executive dining room: Everyone eats in the basement-level cafeteria, where vice presidents line up with welders and engineers to receive trays of the hearty daily lunch specials. ●

This Is Not About Altruism

The business model that Lincoln Electric has built over the past 114 years has proven phenomenally successful, by any measure used to gauge success in the American economy.

Since the 1930s, the company has retained its position as the largest manufacturer of welding equipment in the world. The company now has production facilities in 20 countries and has been expanding its global footprint even during this punishing recession. Since becoming a publicly traded corporation in 1995, the company has earned an excellent reputation on Wall Street for consistently solid performance due to the skill of its senior management team.

It has kept open, and even expanded, its main production base in Cleveland while dozens of other large local employers have closed up shop and moved away, with devastating consequences.

And finally, for at least six decades, the company has honored a promise to its American employees never to lay them off for economic reasons.

Dismissing Lincoln Electric as an anomaly is nothing but an easy rationalization for continuing business — and layoffs — as usual. If Lincoln Electric can make guaranteed employment work, while achieving steady

profits for the company and its shareholders and sustaining the otherwise decimated local community tax base, don’t other employers have a social responsibility at least to try to understand how the policy operates and then to try in their own fashion to travel the same road?

After 100 years as a private business, Lincoln Electric was able to make the transition to become a public corporation, issuing shares and coping with all the complexities of external scrutiny while, to this point in time, still largely living up to the principles of its founders and its employees.

A Symbol of Hope

Lincoln Electric’s success can serve as a symbol of hope at a time when the American economy doesn’t seem to be working well for many citizens and their communities.

CEOs chanting “I have no option” as they announce layoff after layoff is really an admission of failure. With millions of Americans forced out of their jobs over the past several years, there is no excuse for continuing to accept failure as normal. It doesn’t have to be that way.

Lincoln Electric offers proof that if a company truly values its employees, works to instill trust in the workplace and commits itself to ensuring the long-term financial stability of those workers, then that company can still thrive, innovate and survive the perpetual boom and bust cycles of a capitalist economy. It may even do so better than its competitors.

Embracing flexibility and trust in the workplace is difficult work, not only for management but also for employees, and the way toward a brighter, more secure economic future is not easy. The long and particular road that Lincoln Electric has traveled is not for everyone. But it is one that must be considered.

This country desperately needs more businesses to decisively set foot on a similar journey if it is ever to aspire to rebuild the social stability and widespread prosperity that have made America great. ●

RECOMMENDED READING LIST

If you liked *Spark*, you’ll also like:

1. ***Driving Change* by Mike Brewster and Frederick Dalzell.** Businesses everywhere rely on UPS and its fleet of brown trucks to deliver their parcels. This summary lets you in on the secrets to the company’s success.
2. ***Firms of Endearment* by Rajendra Sisodia, David B. Wolfe and Jagdish Sheth.** From Costco to Wegmans, the best companies connect with customers and employees alike. This book shares the keys to connect.
3. ***The Soul of the Corporation* by Hamid Bouchikhi and John R. Kimberly.** Discover how your firm’s identity is related to — and different from — its organizational culture, brand positioning and reputation.