

Lincoln electric essay

[Business](#), [Industries](#)



The key element to Lincoln Electric's success was its employees. They could not have achieved such a level of success without its incentives system. The system had four key components; wages for most factory jobs based solely on piecework output, a year-end bonus that could equal or exceed an individual's regular pay, guaranteed employment and limited benefits. James Lincoln strove to erase hierarchical distinctions and management's approachable style- all of these measures built a sense of ownership and trust amongst managers and employees. Lincoln Electric had an extensive product line that tapped the needs of the industry but although this was a strong differentiation in their business it's not what made them successful. The R&D was successful because people in the company were stimulated to invest their time and effort into it because they would reap monetary benefits from it.

For example the annual bonus was based on four factors; output, ideas, cooperation, dependability and quality. During the expansion process, most attention had been focused on the quality of the acquisition target's manufacturing facilities. Several of the newly acquired European companies had small market shares and weak sales organizations. A fragmented production line creates high costs and intra-company competition. Instead of concentrating manufacturing of each product in one factory to take advantage of the EC's elimination of the intra-European tariffs of 1992, each European factory had continued to manufacture a nearly full line of welding products.

Lincoln Electric's business model greatest strength had a fatal flaw when it came to global expansion. Its business model suited the US where workers

wanted to be entrepreneurs and salaries were highly valued. Many European managers and workers were philosophically opposed to piecework and seemed to value vacation time versus extra income from bonuses. These regulations presented additional obstacles in being successful. In Brazil any bonuses paid for two consecutive years became a legal entitlement and in Germany piecework was illegal. Therefore, their greatest strength in the US became their greatest weakness across the globe. The best way to tackle this obstacle is to create a joint-venture partnership with local welding companies in each country.

Once they expand, they must pay more attention to each market's needs. Their focus should not be on each manufacturing facilities' conditions but instead they should be able to analyze the company's sales force and clients. They also have to familiarize themselves with the cultural and legal aspects of each country and evaluate whether or not their business models fits their new scenario. When moving your factory operations to countries like China and India the company significantly reduces salary costs, which goes against their current Cleveland business model.

Instead of fragmenting their production line they should evaluate which products are going to be produced in each factory and specialize those factories for each product.