Power struggles and political gamesmanship put the blight on one company's gainsharing plan. Understanding what really happened provides some potent lessons.

Death of a Gainsharing Plan: Power Politics and Participatory Management

DENIS COLLINS

You want to know if I'm happier working 60-hour weeks in 100 degree temperatures fixing little broken pieces [simply] because I hand in suggestions, evaluate them, and get a little extra money for it? Don't play games with me!

—Worker in a smelting plant

We are receiving conflicting reports from the front lines of the "democratic revolution" underway in the American workplace. Indeed, organizations are increasingly empowering employees by allowing them to participate in decision making and financial improvements. At the same time, scholarly articles on employee involvement often report ambiguous empirical findings. According to the analysis on this research, many of the expected improvements in productivity, satisfaction, commitment, and trust experienced at Scanlon-type gainsharing facilities (suggestion teams and a group bonus) are quite modest. Despite these findings, many companies are adopting participatory mechanisms, and, according to the anecdotal evidence, some have had tremendous success.

Why the mixed results? One explanation is that employee participation simply does not have much of an effect on employee attitudes (satisfaction and personal fulfillment), despite the best intentions of consultants, managers, employees, and academics who advocate such programs. Thus, managers try employee involvement and are greatly disappointed when the workers appear no more satisfied than before.

If we take a more probing look at such situations, we find a different set of dynamics at work. A further conversation with the smelter, whose acerbic comments (quoted above) set the keynote for this article, reveals a surprising discovery. Like many other workers performing a variety of job tasks, the smelter actually hoped gainsharing would
last forever, but these sentiments were not linked to feelings of personal satisfaction or fulfillment.

How should managers think about gain-sharing other than in terms of employee satisfaction and fulfillment? Organizations consist of many interest groups, and it is essential for managers to consider how different interest groups react to participation programs such as gainsharing. With the aid of political theory, we can reframe our understanding of such programs by examining interest group reactions. This article takes such an approach by using political theory to examine the events that led to the abandonment of a six-year Scanlon-type gainsharing plan at a union manufacturing facility, despite many beneficial organizational, group, and individual outcomes.

Conceptualizing organizations as political systems, where management-labor relations are interpreted in terms of conflicts of interests and power differentials, makes it easier to understand why individuals, groups, and institutions fail to reach agreed-upon goals—such as improving company performance through gainsharing. Companies that implement a suggestion system, department teams where nonmanagement employees elect representatives who analyze and implement suggestions, and review boards on which both management and nonmanagement employees discuss production changes are becoming more democratic. As a result, a better understanding of what happens at gainsharing companies can be gained by studying what happens when political systems attempt to become more democratic.

This approach uncovers an essential unstated factor that lurks in the background of research on gainsharing successes and failures—organizational politics. All attempts to decentralize organizations entail changes in power relationships. Gainsharing is a threat to management power and traditional management-nonmanagement relationships. Blindness toward the political dimension of gainsharing results in managers’ abandoning gainsharing rather than fixing the problems, as our case study will demonstrate.

**TRANSITIONS TO DEMOCRACY**

A rich political science literature is developing to describe what happens when authoritarian right- or left-wing governments adopt democratic principles. This transition often resembles a multilevel chess game between the former authoritarian rulers and the emerging political leaders who claim to represent the interests of the formerly oppressed populace. Although each country’s particular transition is unique, three common patterns have emerged from these transitional experiences.

First, the former authoritarian rulers manipulate the transitional process to safeguard their already entrenched self-interests. They want some pluralism, but they don’t want to lose their current power status.

Second, power struggles arise among the former authoritarian rulers, among the new political leaders, and between the authoritarian rulers and the new political leaders. Thus, both the former authoritarian rulers and the new political leaders experience factional infighting during the transitional process due to different interests and expectations. Some people, referred to as “opportunists,” make many compromises because they fear that the democratic process could collapse at any moment. Other people, referred to as “maximalists,” reject compromises and demand that all their interests be met. Still others, referred to as “recalcitrants,” confront and compromise with the other groups at key points.

Third, hidden and suppressed social and economic problems surface, and the former authoritarian rulers and the new political leaders must respond to these problems appropriately for the transitional process to continue. For instance, democratization in Russia has forced suppressed social and economic problems, such as crime, pollution, prostitution, and poverty, onto the political agenda. Thus the crafted, rather than imposed, transitional outcomes greatly depend on how the subgroups within both the former authoritarian rulers and the new political leaders respond to the uncertainty that dominates each stage of the transitional process.
At any point, one of the players can withdraw from the multilevel chess game.

GAINSHARING GO-GETTERS, FENCE-SITTERS, AND OPPONENTS

As shown in Exhibit 1, the patterns of political behaviors that occur when political dictatorships are transformed into democracies are likely to occur in organizations that adopt gainsharing. Most organizations consist of a range of management and nonmanagement employees who support, oppose, or are neutral toward organizational change—"go-getters," "opponents," and "fence-sitters," respectively—whose attitudes and behaviors parallel those of the political opportunists, maximalists, and recalcitrants, respectively.

Management and nonmanagement go-getters are those employees who regard gainsharing as a positive change that is beneficial to the organization and/or themselves. They actively support gainsharing activities and participate in decision-making processes aimed at company operations. Similar to political opportunists, they are likely to give each other the benefit of the doubt on sensitive or highly contentious issues. Researchers have found that the supportive gainsharing behaviors of go-getters typically include being cooperative and helpful with others, promoting the plan when around others, contributing suggestions, and displaying a positive attitude about work. Nonetheless, because of existing power differentials, both parties—management and nonmanagement go-getters—will try to manipulate the gainsharing process to guarantee that their interests are met.

Management and nonmanagement opponents are those employees who take an actively skeptical approach to gainsharing and may sabotage the system. Adversarial managers regard employee involvement as a threat to their power and fear that gainsharing will increase the power of some nonmanagement employees whom they believe are untrustworthy or unqualified for this added responsibility. Adversarial nonmanagement employees are highly skeptical of managerial intentions because of their past negative experiences with managers. Researchers have found that the destructive gainsharing behaviors of opponents typically include opposing the plan when around others, discouraging employees from contributing suggestions by criticizing other employees who are involved in the plan, hindering the investigation and implementation of gainsharing suggestions, hindering the performance of gainsharing teams, and generally exhibiting negative attitudes toward the plan, management, and the company. Both management and nonmanagement opponents perceive gainsharing as a threat to the previously agreed upon boundaries between the duties of management and the duties of labor.

Management and nonmanagement fence-sitters are those employees who take a wait-and-see approach toward gainsharing. They do not intentionally undermine the change, nor do they try to make the change work. If the system is beneficial to them and the organization, they support it; if it is not, they let the system fail on its own accord. Fence-sitters may occasionally offer a suggestion that makes their job easier to perform.

Go-getters and opponents compete for the fence-sitters' allegiance. Go-getters emphasize the positive aspects of gainsharing and encourage the fence-sitters to become more involved and join their coalition; opponents emphasize the negative aspects of gainsharing and discourage the fence-sitters from participating in gainsharing activities. Assuming that it is highly desirable to involve all company employees in decision-making processes and share the financial gains of their improved production performance with them, then it is also highly desirable that the management and nonmanagement fence-sitters join forces with the go-getters rather than with the opponents.

The long-term stability of the gainsharing intervention depends on whether management and nonmanagement go-getters, fence-sitters, and opponents believe that the intervention fulfills their sometimes conflicting interests. For instance, although some non-
EXHIBIT 1
DEMOCRATIZING THE WORKPLACE

Packaged Gainsharing Plan
1. Suggestion System
2. Department Teams
3. Review Board
4. Group Bonus

Management Employees

Gainsharing Plan
1. Suggestion System
2. Department Teams
3. Review Board
4. Group Bonus

Nonmanagement Employees

Management
1. Go-Getters
2. Fence-Sitters
3. Opponents

Nonmanagement
1. Go-Getters
2. Fence-Sitters
3. Opponents

Organizational Outcomes

Individual Outcomes
management employees must receive gain-sharing bonuses to ensure their participation, other nonmanagement employees will continue to participate because they feel empowered by the gainsharing system or because they believe that improvements in health and safety conditions are due to the gainsharing system’s suggestion and team processes. The tension that results from these separate agendas cannot last forever. Employees who support gainsharing because of the bonus component will demand payouts that reflect their improved performance, as promised by management at the time of gainsharing implementation.

POLITICAL GAMES AT A GAINSHARING FACILITY

Armed with the insights just described, fourteen semistructured interviews were conducted with key management and nonmanagement employees of a unionized manufacturing facility that had abandoned a six-year gainsharing plan despite the many beneficial organizational, group, and individual outcomes generated by employee involvement. During the six-year period, gainsharing teams accepted 8,084 suggestions from nonmanagement employees, approximately 6.7 suggestions per employee per year. The first 42 suggestions submitted saved the company $96,500. The 8,084 accepted suggestions resulted in significant cost savings from better organized production processes, improved energy efficiency and recycling, improved tools and machinery, reduced scrap, reduced product returns, improved product quality, less employee resistance to change, health and safety improvements, enhanced channels of communication, and other improvements.

The company is a leading manufacturer in the highly competitive end-packaging equipment industry. In 1985, it had 246 employees: 70 percent were hourly union employees organized under the International Association of Machinists, 15 percent were management staff and sales personnel, 8 percent were nonunion engineers, and 7 percent...
were managers. The company had average yearly net sales for 1982-1984 of $17 million, with an average yearly profit of $695,000. It implemented gainsharing on July 17, 1985, and abandoned it in April 1991. The political events surrounding the evolution of the company's gainsharing experience are presented in terms of four overlapping issues: (1) the group-based financial bonus, (2) the department teams, (3) the suggestion system and the gainsharing coordinators, and (4) the Review Board.

Group-Based Financial Bonus
An eight-member management and nonmanagement Steering Committee was created to come up with a "fair" gainsharing bonus calculation. Both the company president, who dominated the Steering Committee decisions, and the union engaged in a significant amount of political activity regarding the bonus. The company president ignored or discounted three important calculation recommendations made by the gainsharing consultant. The consultant recommended that (1) the calculation include only items that the production employees had a direct impact on, (2) any bonus pool deficits be eliminated at the end of the fiscal year, and (3) the union and engineers be active participants in determining the bonus calculation.

The Steering Committee accepted the company president's proposal that employees earn a bonus when total costs as a percentage of net sales were less than the average facility ratio for 1982-1984 (95.92 percent). The employee bonus would increase as actual costs, as a percentage of net sales, decreased. The gainsharing consultant was against the president's total cost ratio bonus plan because it contained too many factors (such as advertising, equipment depreciation, and sales commissions) that were beyond the control of the production employees and engineers. The president maintained that paying employees a bonus when other costs were rising was not a financially sound decision.

Next, the Steering Committee agreed to carry over a year-end negative reserve pool to the following year. The company president argued that if people "dig themselves into a hole," they should "dig themselves out of it" rather than simply start over every twelve months.

Finally, union and engineer representatives on the Steering Committee refused to debate any of the company president's recommendations. The union did not want to be "bribed" into participating by the promise of a bonus. The union agreed to support, on a trial basis, whatever bonus management developed as long as it did not interfere with their collective bargaining contract. For example, the union knew that most gainsharing companies eliminated year-end reserve pool deficits but did not argue the point. The union also knew that bonus calculations should begin as soon as gainsharing was implemented, but it agreed to start gainsharing in July 1985 even though no agreement would be reached on the financial bonus for another five months. The one proactive stance that the local union took was to agree to change the name of the employee involvement program from "gainsharing" to "Quality Plus" because the international union was opposed to implementing gainsharing plans. The engineers decided to accept whatever the union and management agreed on because they believed that gainsharing was primarily a new financial incentive for the lower-paid, "nonprofessional" union employees.

The company president felt paying out a bonus for Christmas 1985 was essential to the success of gainsharing even though the bonus calculation approved by the Steering Committee would not be implemented until January 1986. The Steering Committee agreed on a $75 bonus per employee. However, the gainsharing bonus calculation numbers that management provided for this field study showed that the employees should have earned $270 for their work efforts during the first five months of gainsharing.

January 1986, the first month under the new bonus calculation system, yielded no bonus. Immediately disputes arose. Opponents complained that union members had
improved some of their work behaviors and yet received no bonus. Team representatives’ and managers’ explanations of the intricacies of the bonus calculation were met with skepticism. The opponents felt that they had worked hard and a lot of product had left the facility. This lent credence to their belief that there were “two sets of books,” one private and one public, and that management was manipulating the public one. The opponents maintained that it did not make sense for union members earning an average of $10 an hour to reduce overtime in order to earn a gainsharing bonus, because no bonuses were forthcoming. This sentiment was particularly strong among the electricians, who historically received the most overtime.

The company established a Recognition Awards Committee to complement the gainsharing bonus. The company’s new recognition and reward events had the biggest effect on the fence-sitters, providing them with an extra reason to submit a suggestion. Many of the fence-sitters had been hesitant to submit a suggestion because they feared that managers and co-workers might laugh at the suggestion, criticize a spelling mistake, or think the suggestion was obvious. Although disappointed about not receiving bonuses, the fence-sitters were benefiting from the many production process improvements initiated by the go-getters.

Throughout the company’s six years of gainsharing, the bonuses were seldom and small. The average monthly bonus per employee was $18 in 1986, $17 in 1987, $22 in 1988, $25 in 1989, and $25 in 1990. Thus the financial incentive to work overtime more than offset the financial incentive to cut costs in order to earn a gainsharing bonus. For example, although some managers believed the $4,000 gainsharing bonus payout for November 1987 was too large for the company to incur in the midst of a recession, it still was just $20 per employee, the equivalent of two hours’ pay. In April 1988, the Steering Committee eliminated the negative year-end carry-over factor and created a new bonus calculation that compared a rotating three-month average with the historical 95.92 percent cost-to-net sales figure. This resulted in a minor increase in monthly bonus payouts.

**Department Teams**

The initial group of gainsharing team leaders were mostly outspoken and knowledgeable leadmen (nonmanagement employees with some formal responsibility for group performance) with cross-sectional training. Gainsharing gave them a chance to address issues that management had previously set aside, was not really interested in, or otherwise lost sight of. Other employees wanted these highly qualified workers to run for the team leader positions and win.

The company had two nonfunctioning teams—the engineers and the electricians. The engineers refused to submit suggestions because it was their professional duty to solve problems. Submitting suggestions was demeaning. This led union members to question the engineers’ commitment to the program.

The most oppositional team was the electricians. During the first year and a half of gainsharing, the electrician team never met and none of its nine members submitted a suggestion. This was very problematic on two counts. First, it was a symbolic “thorn in the side” of the founders and supporters of the gainsharing program. Every month, newsletters, meetings, and bulletin boards provided information tracking gainsharing suggestions; there was always a zero for the electricians, continually reminding everyone about the problem.

Second, the union vice president, an electrician, was elected union president in 1987. He was well known for his adversarial views regarding both management and gainsharing. Near retirement age, he strongly believed in the old confrontational ways of union-management relationships. Although the electricians boycotted all gainsharing meetings, he grudgingly attended the Review Board meetings in his new role as union president.

According to a 1987 gainsharing employee feedback survey, the most often stated complaint was the lack of managerial
commitment to gainsharing teams. Some managers did not attend gainsharing meetings and did not respect union members who were active gainsharing participants. Several managers complained to the company president that gainsharing gave union employees too much control over them. The president told these managers not to “confuse participation with permissiveness,” and that poor work performers had to be disciplined by management. He also put supervisors and foremen through additional participatory management training at a local college.

Beginning in 1987, layoffs due to the recession took a toll on gainsharing, because many go-getters and team leaders were younger employees; they were the first ones let go because of the seniority system. The result of the layoffs was an older, more bitter workforce. The fence-sitters were particularly disheartened by the layoffs, some of them maintaining, “I give suggestions, then I see fifteen people laid off. To hell with giving suggestions.”

Suggestion System and Gainsharing Coordinators

For the key position of gainsharing coordinator, the company president chose a manager who was trusted by union members. With strong encouragement from the gainsharing coordinator and team leaders, 144 suggestions were accepted during the first five months of gainsharing. The abundance of suggestions on correcting design problems led to a backlog in engineering. Many of the engineers saw the suggestions as critical of their work. Some engineers purposely delayed responding to the problems. Their sentiment was, “How dare production workers tell me that what I designed isn’t the best!”

The number of gainsharing suggestions submitted received a big boost in December 1988 with the initiation of a “Quality Plus buck” program. The author of an accepted suggestion was awarded a Quality Plus buck, regardless of the value of the accepted suggestion. Employees could collect the Quality Plus bucks and exchange them for a gift certificate of equal value to a local store. Accepted suggestions increased dramatically from an average of five per employee in 1988 to fifteen per employee in 1989. Three teams increased accepted suggestions per team member per year from six to forty-five. However, these suggestions did not result in a corresponding increase in monthly gainsharing bonuses—which made the opponents more adversarial. They argued that management was “playing with the books.” Opponents teased the fence-sitters and go-getters that their suggestions were now worth only one dollar.

The opponents and a few fence-sitters responded to the lack of gainsharing bonus payouts by manipulating the Quality Plus buck game. Two teams that shared common work processes formed a coalition wherein both teams would offer contradictory suggestions and accept them. For instance, team A would accept a suggestion to move item X into team B’s work area and team B would accept a suggestion to move item Y into team A’s area. The following month they would reverse their suggestions.

This type of game playing soured the other fence-sitters and the go-getters. They told the gainsharing coordinator that suggestions should not all be rewarded equally. Some accepted suggestions should be rewarded several Quality Plus bucks while others should receive none. The gainsharing coordinator argued that even though all suggestions weren’t of equal value, even bogus suggestions had to be rewarded because some day the people submitting them would feel guilty and be compelled to offer a legitimate suggestion.

In August 1989, the company president transferred the gainsharing coordinator to a small, but essential, tumultuous department with problematic union employees. The president chose a very loyal service manager to be the new gainsharing coordinator. It soon became evident that he was the wrong person for the job. He did not have the respect of union employees, and he lacked the previous
coordinator's interpersonal communication skills and finesse. His field service expertise also kept him away from the facility for significant periods of time. Because gainsharing coordination was added to his other responsibilities, he tended to neglect his gainsharing duties when emergencies arose, which was often. It was obvious to the nonmanagement employees that the new coordinator had too many responsibilities; even the go-getters began to question the company president's commitment to gainsharing.

An electrician was able to get the new gainsharing coordinator's attention by flagrantly manipulating the Quality Plus buck game. The electrician, who up to this point had boycotted all gainsharing meetings, sought "revenge" on an engineer he didn't like by taking a blueprint and highlighting 280 legitimate, though minor and irrelevant, errors. He showed the corrected drawing to his foreman and demanded 280 Quality Plus bucks. When the foreman told him to "get lost," the electrician threatened to spend the entire day writing up 280 separate suggestions. The foreman asked the new coordinator to intervene. The coordinator disbursed a few inflammatory words at the electrician and went on to other pressing business.

As a result of these manipulations, the new coordinator decided it was necessary to evaluate the quality of all accepted suggestions. He refused to give a Quality Plus buck for minor router changes, "human comfort" suggestions (for example, to change tires on in-plant trucks from steel to rubber in order to reduce noise levels), and "grievance" types of suggestions. The former coordinator argued—that it was essential to reward all types of suggestions because it encouraged people to submit better ones and because it was good for team members to formally "air their gripes." When their complaints were addressed, employees could go on to other issues.

The new coordinator disagreed with this approach and drastically reduced the Quality Plus buck program in late 1990. This decision swayed many fence-sitters to the side of the opponents, who told others, "See, now the company wants something for nothing again. It's bad enough that the bonuses are pitiful, now our suggestions aren't even worth a buck any more."

Review Board

The initial Review Board meetings were quite interesting for all the participants. Union employees asked challenging questions and learned a lot about company performance. They quizzed each other and managers about the actual costs and cost savings associated with suggestions. If they believed a team was exaggerating these figures, they said so. Management treated the Review Board meetings as a forum to educate employees about company problems. For example, one meeting reviewed a major customer problem step-by-step to point out everything that had gone wrong in the process and discussed how each mistake cost a significant amount of money.

Beginning with the 1987 election of the adversarial electrician to the union presidency, the relationship between the union and the company president soured on many labor issues and the union increasingly used gainsharing as a "weapon" to either get the attention of or get even with the company president. The electricians had been boycotting gainsharing team meetings since gainsharing had begun; so when an electrician became union president, it became standard operating policy to encourage other union members to boycott their department team meetings in order to get even for some injustice, real or perceived.

Until October 1990, the union president had always attended Review Board meetings but never a department team meeting, because his role as president superseded his job as an electrician. At the September 1990 Review Board meeting, the company president made a "flippant" derogatory remark about union employees, and the union president stated that he would not attend another Review Board meeting until the company president publicly apologized. When the company president refused to apologize, the union
president and some union Review Board members boycotted the October meeting. The following month, fence-sitters and some go-getters boycotted both the department team meetings and Review Board meetings in support of the union president.

Soon Review Board meetings became a matter of “embarrassment” for the company president. Managers attended the regularly scheduled Review Board meetings, although some of them didn’t want to be there; the union employees didn’t attend; and the company president became increasingly frustrated. The meetings evolved into what was jokingly called the company president’s “State of the Union” address: The president opened the meeting with a monthly performance appraisal and then complained about the union.

The result of new restrictions on Quality Plus buck suggestions and the union boycott was a drastic reduction in gainsharing suggestions, from approximately 245 per month from January to November 1990 to 23 in December 1990 and 14 in January 1991. Some go-getters continued to hold their team meetings and to attend the Review Board meeting because they believed it was wrong for the union to take out its hostilities on gainsharing. Nonetheless, they did not try to stop the growing boycott and would not speak out against the union, which protected their interests in many other areas of worklife.

At the January 1991 Review Board meeting, the company president announced that gainsharing would no longer be a high priority. The opponents argued that the real reason the company president had withdrawn his support was because the bonus was finally going to pay out big. Gainsharing was officially suspended in April 1991. According to the company president, gainsharing had “stopped the bleeding” and it was time to try something new. During the field study, the company president described his experience in terms of a “divorce.”

In 1985, he and the union had joined hands around the concept of gainsharing. At the time, he believed that gainsharing would last forever. It was a “win-win situation” for everybody. There were “bickerings” over the years, but they were similar to the “occasional quarrels that all married couples have.” Then, the union “slapped” him in the face by encouraging others who were not electricians to boycott gainsharing. Worse yet, the fence-sitters and some go-getters went along. That was “the last straw,” his emotions were drained, it was “time to call the marriage off.” According to the company president, “I wanted to treat the workers like adults and it didn’t work well. Union relations were just too hostile, so we are now back to a more traditional relationship. I don’t like it, but that’s all we can do.”

COMMON POLITICAL GAMES

Politics is a fact of life. As Aristotle noted over two thousand years ago, human beings are political animals. We live in relationship with others; no one is an island. The world in which we live has always been, and will always be, hierarchical. The existence of hierarchy fosters political games because only a few can make it to the top. In the early 1500s, Machiavelli got in trouble because he classified the morality of political games on the basis of outcomes rather than on the process itself. Whatever contributed to amassing power was right. From a Machiavellian perspective, Bill Clinton, Donald Trump, and Si Newhouse are good political players because they have advanced to the top of their professions. But for the moralist, these individuals are not necessarily good political players because the methods they used to make it to the top are morally suspect—they exploited others and lied to the public at various points in their ascent.

As mentioned earlier, gainsharing implementation typically reduces power differentials between management and labor—management becomes more accountable to labor and vice versa. The political battles begin with the process of determining the initial set of rules for the structure of the group-based bonus calculation, department teams, the Review Board, and the suggestion system. The
political science literature on transforming dictatorships into democracies suggests that the former authoritarian rulers will manipulate the transitional process to safeguard their already entrenched self-interests. This certainly happened in the gainsharing failure described here. The company president purposely chose a broad calculation and carried over negative reserve pools at the end of the fiscal year in order to minimize the bonus payouts. The union had not wanted to take responsibility for the bonus calculation because it might have conflicted with their collective bargaining role. The engineers were content with their professional status and did not want to change their role in the organization.

Many other detrimental political games could have been played but weren’t. In this particular case, there were no attempts to manipulate the structure of the department teams, the Review Board, or the suggestion system. Nonetheless, this has occurred in other companies implementing gainsharing. These types of political games are temptations that require immediate restraint, and both management and nonmanagement employees should challenge them immediately. Gainsharing can be extremely beneficial to both management and employees if these political games are managed appropriately.

The following list of detrimental power games that have been played during the implementation stage is based on interviews I conducted at ten gainsharing facilities.

**Calculation Games**

By far the most common implementation games interviewees noted pertain to managerial manipulation of the bonus calculation to minimize payouts.

1. Managers choose a bonus calculation that is linked only indirectly to improved performance, thus giving them flexibility to manipulate accounting numbers to minimize the bonus earned.
2. Managers choose a historical standard based on a year of high productivity and profitability, rather than a three-year standard that would allow for peaks and valleys.
3. Managers choose a 10/90 bonus split—10 percent for the employees and 90 percent for the company—instead of the typically recommended 50/50 split.
4. Managers choose to roll over negative reserve pool amounts to the following fiscal year instead of eliminating them.
5. Managers choose only compliant nonmanagement employees to be members of the Steering Committee.
6. Union leaders support a bonus calculation that is linked only indirectly to improved performance because it contains an important financial factor that they can use to aid their collective bargaining efforts.
7. Nonmanagement employees refuse to contribute to calculation discussions so that they can blame management for manipulating the bonus calculation if bonuses are not earned.
8. Engineers or other professional staff refuse to contribute to calculation discussions because it is “beneath” them.

**Department Team Games**

Managers who want to keep costs down or to preserve their power base may play any of a number of department team games. Oppositional nonmanagement employees have a few games at their disposal as well.

1. In order to minimize costs, managers create one team for the entire facility, with one member per department on the team, rather than a team for every department.
2. Managers assign a management employee, rather than a nonmanagement employee, to manage the department team meeting.
3. Managers provide an insufficient budget for the team to make necessary, minor production changes.
4. Managers discourage nonmanagement employees from attending department team meetings by scheduling them to work when their team meets.
5. Oppositional nonmanagement em-
ployees elect an unqualified team representa-
tive (one who may have difficulty reading or
writing).

6. Oppositional nonmanagement em-
ployees chastise team representatives for act-
ing like managers.

7. Oppositional nonmanagement em-
ployees interrupt team meetings.

**Review Board Games**

Managers and nonmanagers play out power
struggles in games that interfere with the
functioning of the Review Board.

1. Managers develop a Review Board
with more management than nonmanage-
ment employees so they can be certain to win
any votes on contentious issues.

2. Managers dominate the agenda and
discussions.

3. Nonmanagement employees raise con-
tentious nongainsharing-related issues.

**Suggestion System/Gainsharing Coordinator Games**

Managers and nonmanagers can undermine
the suggestion system in a number of ways.

1. Managers do not allocate sufficient
time or money to implement suggestions.

2. Managers choose a gainsharing coordi-
nator without obtaining input from nonman-
agement employees.

3. Management adds the new gainshar-
ing coordination responsibilities to the em-
ployee’s full-time work duties rather than
subtracting them from these duties.

4. Team representatives reject sugges-
tions or delay accepting suggestions for polit-
cial reasons—for example, they do not like the
employee or the department making the sug-
gestion.

5. A key organizational interest group
that is responsible for implementing many of
the suggestions (e.g., engineers or mainte-
nance employees) purposely delays imple-
mentation.

6. Nonmanagement employees choose a
gainsharing coordinator who is detrimentally
oppositional toward management.

**MANAGING DETERIMENTAL POLITICAL GAMES**

The multiple interest group perspective taken
in this article complements the current promi-
nent explanations for gainsharing failures. The
amount of financial bonuses, the number of sugges-
tions, the degree of satisfaction, the
level of trust, and the opportunity for personal-
development present unique aspects of the
gainsharing mosaic. However, no factor, by it-
self, is likely to be a strong predictor of gain-
sharing success or failure. Rather, the manner
in which each factor affects the evolution of
workplace interest groups is likely to provide
deeper insight into the gainsharing phenom-
enon. The reactions of various workplace in-
terest groups to prominent gainsharing issues
experienced at this union facility are summa-
rized in Exhibit 2.

Employee participation must be man-
aged. The gainsharing failure discussed here
highlights several key problems that arise
when participation is not managed appropri-
ately. Here are descriptions of interest group
behaviors that need to be managed.

• **Management.** Gainsharing will be very
tentative if the management team is dominat-
ed by the company president and most man-
agers fear the president’s unpredictable
wrath. Those managers who oppose gain-
sharing will not voice their concerns publicly.
Instead, they may sabotage the gainsharing
system in discreet ways. Under these condi-
tions, management opponents and fence-sit-
ters will act like go-getters whenever the com-
pany president pressures them to be more
active, but they will be silent when it is obvi-
ous that the president has made a wrong de-
cision, such as choosing the wrong person to
be gainsharing coordinator.

• **Engineers.** Engineers tend not to partic-
ipate because they believe that writing sug-
gestions and earning a financial bonus are
contrary to their “professional” duty to im-
plement improvements and reduce costs.
EXHIBIT 2
REACTIONS OF NONMANAGEMENT INTEREST GROUPS TO KEY EVENTS

<table>
<thead>
<tr>
<th>Events</th>
<th>Engineer Fence-Sitters</th>
<th>Union Go-Getters</th>
<th>Union Fence-Sitters</th>
<th>Union Opponents</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/85 Gainsharing teams begin</td>
<td>Neutral</td>
<td>Positive</td>
<td>Neutral</td>
<td>Negative</td>
</tr>
<tr>
<td>12/85 Unexpected bonus payout</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>1/86 First month, no bonus</td>
<td>Neutral</td>
<td>Neutral</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>3/86 Recognition awards</td>
<td>Neutral</td>
<td>Positive</td>
<td>Positive</td>
<td>Negative</td>
</tr>
<tr>
<td>7/86 Suggestion boycott by one team continues</td>
<td>Negative</td>
<td>Negative</td>
<td>Neutral</td>
<td>Positive</td>
</tr>
<tr>
<td>3/87 Opponent elected union president</td>
<td>Neutral</td>
<td>Negative</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>8/87 Go-getters laid off</td>
<td>Neutral</td>
<td>Negative</td>
<td>Negative</td>
<td>Neutral</td>
</tr>
<tr>
<td>3/88 Change in bonus</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>12/88 Q+ buck program begins</td>
<td>Neutral</td>
<td>Positive</td>
<td>Positive</td>
<td>Negative</td>
</tr>
<tr>
<td>9/89 New coordinator</td>
<td>Neutral</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>8/90 Opponent demands $280 Q+ buck bonus</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>9/90 Rule changes in Q+ buck incentive program</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive &amp; Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>10/90 Union president boycotts Review Board</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
<td>Positive</td>
</tr>
<tr>
<td>1/91 President gives up on gainsharing</td>
<td>Neutral</td>
<td>Negative</td>
<td>Negative</td>
<td>Positive</td>
</tr>
</tbody>
</table>

From their perspective, gainsharing is an incentive aimed at motivating the nonprofessional work force. In addition, engineers sometimes take offense when nonmanagement employees correct their mistakes or suggest a better way to construct something. Other interest groups, particularly the opponents, will blame the engineers for low gainsharing payouts or suggestion implementation backlogs, whether or not the engineers are responsible for the gainsharing problems.

• Go-getters. Go-getters tend not to complain about management’s obvious calculation manipulations because the bonus is not a high-priority item for them. They are attracted to gainsharing because it provides them with a voice in workplace decisions and formal authority to make changes in the production process. Go-getters want both employee participation and the gainsharing bonus, but they are often willing to sacrifice the bonus for employee involvement. Importantly, the go-getters’ sentiments are foremost on the side of laborers, not management. For instance, given a choice between union or management allegiance on a highly contentious gainsharing issue, the go-getters will choose union allegiance.

• Fence-sitters. Fence-sitters tend to lose faith in go-getters when managers are obviously manipulating gainsharing activities. In this particular case, the fence-sitters concluded that the go-getters had acquiesced to management manipulation of the bonus. When the employees did not earn a bonus during the first official bonus month despite obvious production improvements, the fence-sitters agreed with the opponents that management
must be manipulating the books. Also, fence-sitters tend to be quite sensitive to human comfort and grievance suggestions that make their workday more endurable. Eliminating these suggestions from consideration will likely sway fence-sitters toward the oppositional camp.

- **Opponents.** Opponents tend to care much more about the gainsharing bonus than do either the fence-sitters or the go-getters. Opponents do not trust managers and do not want to participate on teams because this means acting like a manager. They judge management’s gainsharing sincerity by whether management distributes a bonus when the go-getters and the fence-sitters do improve company operations. For instance, if employees do not receive bonuses after making major production changes, improving quality, or meeting shipment dates, the opponents conclude that gainsharing is simply another management trick to get something for nothing. Why work less overtime when, at the end of a month, there is no bonus for working more efficiently? Once it is clear that managers are somehow manipulating the gainsharing system, opponents can obtain hero status for causing problems.

**WHAT TO DO?**

There are many things companies can do to avoid the political pitfalls that could lead to the failure of a Scanlon-type gainsharing plan.

First, the responsibility for gainsharing success should rest with a team of managers, not just with the CEO or the facility manager. The members of the management team must have the freedom to be critical about the gainsharing plan, and their criticisms must be addressed.

Second, gainsharing go-getters must challenge detrimental political games, particularly in facilities where there is a history of adversarial management-nonmanagement relations. If these games are not addressed, the ill will that they foster will accumulate until a major issue arises that makes very public everything people thought they were getting away with.

Third, opponents, fence-sitters, and go-getters must play an active role in determining the gainsharing bonus calculation. The bonus must be clearly linked to performance improvements that employees have a direct impact on. If production employees improve their performance and more and better quality products are shipped every month, a bonus should be forthcoming. Otherwise, the employees will view bonus distribution as very subjective.

Fourth, managers need to be reminded that the bonus is not a gift to undeserving employees. The employees earn a bonus because many of the changes they made would not have been offered to management if the gainsharing system were not in place. The need for some of the changes will appear to be very obvious after the fact. Managers should remember that before gainsharing, these obvious changes were not being made.

Fifth, management and nonmanagement employees should have a voice in choosing the gainsharing coordinator. The gainsharing coordinator needs the trust of both groups.

Sixth, the gainsharing coordinator must be relieved of a comparable amount of duties. Gainsharing duties should not just be added to the employee’s already full-time duties.

Seventh, it is necessary to create a social network of gainsharing supporters at the beginning of gainsharing implementation that can be appealed to in difficult times.

Eighth, engineers and other professionals must be included in the discussion of how they can best serve gainsharing. It is important to increase the amount of social interaction between professional and nonprofessional employees. For instance, distributing engineers among production teams can help eradicate some prejudices held by both groups.

Ninth, a wide range of incentives for gainsharing participation should be offered because different groups of employees are sensitive to different incentives. Participation opportunities, monetary rewards, and recog-
nition rewards are all essential motivators.

Tenth, managers should develop special work contracts that protect the jobs of gainsharing go-getters with low seniority, even in union settings. Layoff protection should be a function of both seniority and certain performance attributes.

Eleventh, managers should recognize that gainsharing does not fulfill all employee needs. Some managers believe that gainsharing can prevent unionization or decertify a union. As demonstrated in this case study, gainsharing does not break nonmanagement employee bonds with the union. Gainsharing fulfills the need of some employees to become active participants in the company’s decision-making process, but even these employees recognize that the union provides them with a wide range of benefits.

Twelfth, any discussions that result in changing the rules of gainsharing should include nonmanagement employees. It is important to meet with key go-getters, fence-sitters, and opponents to determine the best way to implement necessary changes in the gainsharing system.

Thirteenth, human comfort and grievance-type suggestions should be permitted. These are salient issues for nonmanagement employees, particularly for fence-sitters. Allowing nonmanagement employees to raise these suggestions through gainsharing enables employees to focus more, not less, on gainsharing issues.

Fourteenth, managers and nonmanagement employees must develop strategies to integrate opponents into the gainsharing system. Leaving them alone increases their opposition.

Fifteenth, managers should expect the gainsharing system to have opponents, even after many years. The presence of opponents does not mean gainsharing is failing. It is important to keep their presence in perspective—to balance their negativity with the positive changes that go-getters and fence-sitters generate.

Finally, managers should think of gainsharing as part of a company’s evolutionary process; it is not the final goal. There are many other ways to give additional responsibilities to go-getters and fence-sitters. As in all evolving democracies, paradise will always be several steps away in gainsharing organizations.
SELECTED BIBLIOGRAPHY

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