Employee Involvement and the Perils of Democracy: Are Management's Fears Warranted?

Many managers fear that employee-involvement programs threaten their organizations. A gainsharing case study is examined to test their concerns.

Timothy L. Ross and Denis Collins

In recent years, many managerial theorists, economists, psychologists, and others have encouraged companies to install employee-involvement systems. Literature on corporate culture has pinpointed a lack of participation at the work place as one of the reasons for the recent productivity slowdown. Yet a 1984 study found that only 14 percent of all American businesses with over 100 employees have some form of human-resource management program.[1]

This discrepancy is almost certainly due at least in part to managers' fears of employee involvement. Surveys have shown that managers are considerably more conservative than the general population, and many of them fear that democracy in the work place will cripple their organizations. More specifically, their objections to employee involvement appear to be very similar to the philosophical objections to democracy raised by Aristotle, who argued that democratic principles encourage the following undesirable characteristics:

1. *Mediocrity*. Since all opinions matter in a

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democratic discourse, the decision-making process is slow moving and generates low-quality policy initiatives because of the many compromises necessary to gain the support of all self-interested parties.

2. *Rule by the uneducated and unskilled.* Skilled and knowledgeable individuals are always a minority, and they will be consistently overruled by the poorly trained and unintelligent majority.

3. *Flattery, thus discouraging virtues.* Charismatic flatterers rise to the top of democratic organizations and accumulate power by appealing to the base nature of the majority.

4. *Bureaucracy.* Since the unqualified have equal access to power, the number of offices must be maximized in order to prevent uninformed decisions from taking effect.

5. *Instability.* By their very nature, democracies require large turnovers of officeholders. This organizational discontinuity creates an unstable environment.

6. *Lack of accountability.* When everyone shares power, nobody is held personally responsible.

This article will employ a case study to test the legitimacy of such concerns as they apply to employee involvement in contemporary corporations. The implementation of a gainsharing system with a strong participative component will be examined to determine if the deficiencies cited above actually occurred.

Gainsharing and the democratic model

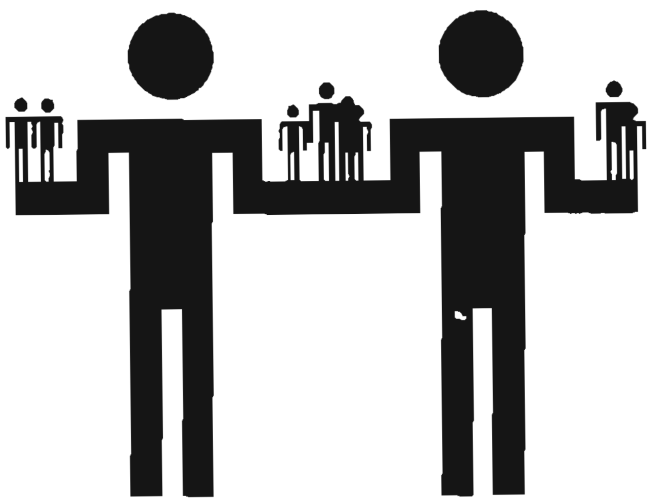
Gainsharing links worker performance with corporate performance. Organizationally, this entails creating a channel of two-way communication, often a forum where workers contribute, review, and then implement suggestions on how to run the production process or other processes more efficiently and to improve other performance-related activities. If costs are decreased or productivity is increased, the resulting monetary gains are proportionately divided first between the company and workers, and then as a monthly bonus among the employees as a group. Many firms proceed beyond this level of involvement by including employees in goal-setting and other major change processes, such as developing new work procedures or providing input on product design.

Generically, gainsharing systems are group incentive plans that differ according to bonus calculation and employee participation. The three major traditional plans are Improshare™, Rucker™, and Scanlon, although the trend today is toward more flexible plans tailored for a particular organization. The three plans can be briefly described as follows:

- Improshare determines the employee bonus by comparing expected productivity of units per hour for an entire production area or plant with actual productivity of units per hour. When actual productivity exceeds expected productivity, the gains are divided evenly between the company and the workers. No employee participation systems are required under Improshare.

- The Rucker Plan determines the employee bonus by focusing on costs. If the ratio of variable payroll costs to production value decreases over time, the workers share a bonus. Committees of employee and management representatives are formed to discuss improvement possibilities.

- The Scanlon Plan often calculates its bonus by comparing the ratio of labor and other costs to the sales value of production. A decrease in this ratio earns the workers a bonus. Many other calculations



have been employed by Scanlon-oriented firms over the years to handle problems caused by variations in product mix and objectives. Scanlon Plans require management to elicit, and workers to contribute, suggestions pertaining to the production process or service areas. These suggestions, as well as other work-related issues, are discussed at meetings of area teams and a higher-level Review Board of management and nonmanagement employees from each area team. The information shared at these meetings is passed down to all company employees.

Over the years, the Scanlon Plan has often been misinterpreted as a simple calculation based solely on labor costs. To dispel this false image and to emphasize the flexibility of the system, we have often invoked the term Performance Gainsharing. For example, a company with a special need to reduce scrap may include scrap costs in the calculation. The same is done for other pertinent costs. The bonus calculation may result from producing a better quality product or an improved return on investment. Because of its flexibility, Performance Gainsharing will probably be the most commonly used form of gainsharing in the future.

Gainsharing can be a philosophy of management, embracing such notions as respect for employees, sharing information, and dividing proportionately the results of improved performance. Technically, individual incentive plans and employee stock ownership plans (ESOPs) are not classified as gainsharing plans. Individual incentive plans are omitted because they are not group-based, and ESOPS are excluded because the market price of a stock involves too many factors beyond the workers' control. Also, the bonus that results from ESOPs is not redeemable until after the employee leaves the company or retires.

Of all the gainsharing plans, Performance Gainsharing is the most analogous to the American democratic model. Structurally, performance gainsharing plans maximize communication between management and employees. Management educates the workers as to the economics of the company, and employees inform management as to the efficiency of their performance. The establishment of multidimensional communication within a facility has a direct relationship to other democratic values. Employee participation and cooperation are encouraged, responsibilities are clarified, organizational goals are identified, knowledge is shared, equity between effort and wages is established, and, most important, trust between workers and management is enhanced.

Organizations install gainsharing for a variety of reasons. Typically, three reasons stand out: (1) helping a troubled company survive, (2) motivating an already successful system to even higher levels of performance, and (3) substituting what has been called contingent or variable compensation (either fully or partially) for "automatic" wage increases. The last reason has probably been the most important to the recent growth in gainsharing.

Can the numerous benefits derived from this type of plan be achieved without turning the whole organization upside down? Is it possible to accomplish the dramatic changes in work-place attitudes and effort promoted by these plans in a way that does not confirm managers' fears about the impact of organizational democracy? The following case study represents an effort to answer these questions.

Implementing Performance Gainsharing at TFI

In 1984 Tech Form Industries (TFI) in Shelby, Ohio, was struggling to minimize lost customers and avoid bankruptcy. A producer of exhaust systems with over 400 employees and sales of $30 million, TFI had been hampered by the recession and a decline in the quality of its production. One of its key customers, Ford, had decided to use a single supplier, and a competitor won the major contracts. Meanwhile, its quality ratings with other customers had steadily declined. The future looked bleak for the unionized employees of this midwestern company.

In autumn 1984, TFI was purchased in a leveraged buyout by a private investor who decided that TFI's individual piece-rate incentive plan was outmoded and counterproductive. Disputes between union employees and the company about the fairness of the piece rates were common, and the piece-rate system seemed inappropriate in light of the new automation that the company needed and was planning to introduce. Furthermore, the piece-rate system emphasized production quantity and not quality. With

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the deterioration of quality (40 percent of product in some departments required rework), 25 percent of labor costs was spent on repairs.

The time was right for change: the union contract was due to expire at the end of March 1985. The negotiating committee, consisting of four management representatives and five union employees, began contract deliberations in January 1985.

The new management sought to combat TFI's production and quality problems with a two-step process: (1) buy out the existing individual incentive plan for union production employees, and (2) institute a companywide Performance Gainsharing system for all employees, hourly and salaried. Management insisted that these two steps should not be linked with one another: the buyout would be inevitable, regardless of whether gainsharing was instituted. A plantwide historical average of the union production incentive bonus was used to develop a day-work pay system, and the variety of bonus systems for all other employees was eliminated. Integrating all employees—union and nonunion, hourly and salaried—into one bonus system made the change process even more complex.

The implementation process began when seven managers were surveyed for their views on the applicability of Performance Gainsharing at TFI. They favored the change. The concept of gainsharing was then introduced during the company's contract negotiations with the United Steelworkers Union. Both the local and international union representatives played, from the start, an extremely important role in the plan's development and successful operation.

Company officials invited a gainsharing consultant from the BG Productivity and Gainsharing Institute at Bowling Green State University to speak with the negotiating committee. Afterwards, the committee decided to attend a one-day meeting of gainsharing facilitators at a nearby unionized company that had experienced a dramatic turnaround through its Performance Gainsharing system. Attendance by both management and union officials from TFI was the first step in developing trust so that each group would equally support the new system. With contract negotiations still under way, a Steering Committee consisting of three company representatives (the president, vice-president, and controller) and three union representatives (the president, vice-president and financial secretary) was formed. The Steering Committee visited other industrial plants operating under Performance Gainsharing.

A major problem arose in deciding who should be the company's gainsharing coordinator. Most companies have one coordinator, but the Steering Committee decided to have two, one appointed by management, the other appointed by the union. Management chose a supervisor who was a lifelong employee of the company. The union chose its financial secretary, who worked in the Tool and Die Department at TFI. The new union contract was ratified, and July 1, 1985 was set for the date that Performance Gainsharing would be implemented.

Other company employees were now introduced to the gainsharing concept. Extensive interviews were conducted of management and nonmanagement employees to evaluate company attitudes and to foresee possible future problems. The Steering Committee developed a loose draft of a Performance Gainsharing plan. A twenty-seven-member Developmental Task Force was created, consisting of thirteen management representatives and fourteen hourly employees elected by their peers. The Task Force, meeting once a week for two months, was responsible for refining the gainsharing plan and advising the Steering Committee. The Task Force also served the pur-

The team representatives would be responsible for encouraging suggestions from their fellow employees and for initiating problem-solving ideas.

poses of initiating the group decision-making process and keeping the employees informed about changing developments. To demonstrate management's desire for employee input, workers were asked to suggest names for TFI's gainsharing plan; the winner was chosen by the Task Force.

During the spring of 1985, three key ingredients for the implementation of Performance Gainsharing were put into place:

- *A companywide attitude survey was administered.* All employees were asked to evaluate the company's organizational climate in areas such as job satisfaction, communication, cooperation, trust, identification with company goals, and the handling of employee complaints. The survey results highlighted significant organizational problems, and this information was shared with all company employees. By making the survey results available to the employees, management was formally demonstrating its willingness to make its own shortcomings public. This step further developed trust between management and the employees.

- *Departmental teams were formed.* Fourteen departmental teams were established, each having from three to seven members. The number of team members was determined by a 13:1 ratio, or one representative for every thirteen employees in the department. Each of the company's three shifts was assigned one representative per team. Half of the team members would be elected to a one-year term, the other half to a six-month term. When the latter's term of office expired, newly elected members would serve for one year. This established a staggered system of team membership for the purpose of continuity. Employees could not be reelected to the team unless no one else wanted the position; however, they could run again for the position six months later. The teams would be led by a supervisor appointed by management. Team members would vote on all suggestions and determine cost and savings estimates. They could accept and implement suggestions costing less than $200. They could also reject a suggestion or hold it for further investigation. Only suggestions receiving unanimous support could be implemented. The team representatives also would be responsible for encouraging suggestions from their fellow employees and for initiating problem-solving ideas. Management was still solely responsible for making decisions on such key issues as pay, promotion, pricing, staffing, scheduling, shutdowns, and layoffs.

- *A Review Board was established.* The Review Board consisted of twenty-six employees: the company president and vice-president, the union president, seven department managers, one representative from each of the fourteen departmental teams (elected by the team members), and the two gainsharing coordinators. Review Board members would meet once a month to vote on suggestions estimated to cost between $200 and $2,000, hear reports from each team representative about suggestions either accepted, declined, or held for further investigation, and vote on departmental team decisions lacking unanimous support. Any suggestion with estimated costs over $2,000 had to be approved by the company president.

The Steering Committee agreed to a 60/40 split between company and employees of gains from implemented suggestions and improved productivity. For calculation purposes, a historical base period of eight years was established. This base period would float over time. At the end of every monthly period the controller would summarize the overall cost savings, comparing actual costs to the historical costs. If the former was lower, 40 percent of the total savings would be allocated to the employees. Fifty percent of the employees' share was to be distributed immediately, as a separate check, based on a percentage of wages that would be the same for all employees. The remaining 50 percent of the employees' share would enter a reserve pool. This reserve would fluctuate on a monthly basis, reflecting the company's monthly performance. (See Table 1.) At the end of the fiscal year, any bonus reserve would be divided among all employees, also as a percent of wages.

Gainsharing went into effect at TFI one month before its July 1 implementation deadline. A summary of events through the beginning of implementation is shown in Figure 1.

The Performance Gainsharing experience

The first week of June 1985 was a pivotal time for Performance Gainsharing implementation. Be-

Table 1
Example of Bonus Calculation over Two Months

	Month 1	Month 2
Net Sales	$3 000 000	$2 700 000
Allowed Cost (92 46%)	2 773 800	2.496 420
Actual Cost	2 719 800	2.505 420
Bonus Pool	$ 54.000	($ 9 000)
Company Portion (60%)	32 400	(5 400)
Employee Portion (40%)	21 600	(3.600)
50% to Reserve	10 800	(3 600)
50% Distribution	10 800	0
Labor Base	$ 800 000	$ 800.000
Payout %	1.35%	0%
Reserve Balance	$ 10.800	$ 7 200

cause of previously lost customers and a slump in American car sales, management informed the employees that it forecast a 12.5 percent decline in sales for fiscal year 1985–86. Therefore, it sought means of lowering the break-even point by 10 percent in one year and an additional 5 percent the following year. A piece-rate incentive system could no longer be used to motivate union employees, so other goals were moved to the forefront: higher quality ratings from TFI's customers, an 8 percent reduction in variable manufacturing costs, and a 5 percent reduction in fixed costs. Also, yearly goals of 510 suggestions fostering $380,000 in cost savings were established.

Plantwide meetings were held to convey this information as well as to provide the employees with greater knowledge of the gainsharing system. On June 7, nonmanagement employees voted for departmental team representatives. The fourteen teams met individually to discuss involvement aspects under Performance Gainsharing. A suggestion feedback system was created, and bulletin boards were placed in heavily frequented areas of the plant so that employees could be informed about the progress of the company. Though it may sometimes take several months from the start of a gainsharing system before the first bonus is earned, TFI employees earned a 0.2 percent bonus (about $3 per person) during the first month. The employees joked about the amount.

Figure 1
Events Leading to Implementation of Gainsharing at TFI

January 1985

- Union negotiations begin
- Management states desire to buy out individual incentive plan
- Seven managers surveyed about gainsharing applicability at TFI

February 1985

- Gainsharing consultant speaks with negotiating committee
- Negotiating committee visits a unionized gainsharing company
- Steering Committee is established
- Steering Committee visits a unionized gainsharing company
- Steering Committee decides to have two gainsharing coordinators
- Deadline of July 1, 1985 is set for implementation of gainsharing
- New three-year union contract is ratified
- Extensive interviews of management and nonmanagement employees assess their knowledge of gainsharing and general worker attitudes

March 1985

- Developmental Task Force is established

April 1985

- Review Board established
- Department Teams formed
- Significant educational efforts begun

May 1985

- Attitude survey administered companywide; results shared with all employees

June 1985

- Gainsharing goes into effect June 3

Every month one meeting is held to inform workers about the bonus and other relevant business information.

The small size of the employee bonus led to a change in the already agreed-upon performance gainsharing plan. At the first Review Board meeting in July, the panel agreed that all payouts of less than one percent would be included in the employee's regular paycheck; as initially planned, all larger bonuses would be issued in a separate check. Although the Review Board reported a reduction in scrap, from 9 percent to 7 percent, no bonus was earned in July because of low summer sales; the reserve pool had a negative sum.

Minutes of the Review Board meetings were posted on the departmental bulletin boards. Charts showing company sales, purchases of new equipment, and other relevant information were displayed in the company lunchroom. A "Direct-Line" box allowed workers to address questions directly to any member of management. If the question was signed, the appropriate manager would personally give the worker a written response in a sealed envelope. If the question was anonymous, a written response would be posted on the bulletin boards.

Many of the first suggestions dealt with workplace environment or "creature comfort" issues. Several of these had been offered before gainsharing was implemented, but nothing had come of them. This time management responded. One suggestion, offered as a joke by one of the workers, was thoroughly researched, and a reply was given directly to the worker. Through this process, trust was created.

Several months after Performance Gainsharing was implemented, a team of eight TFI employees visited another gainsharing company and spoke with its employees. This team consisted of production employees with very strong views, some negative, some positive, about implementing a group-based incentive program. The individual incentive plan buyout hurt the highest earning workers financially, since it was based on a plantwide average buyout. Convincing the negative employees was considered instrumental to a successful implementation because these employees tended to be informal leaders and were most likely to talk about what they saw and thought. This visit was helpful in convincing them.

The dissemination of information has played a vital role in TFI's gainsharing operation. Every month one meeting is held to inform workers about the bonus and other relevant business information. One month all employees are divided into two groups and the vice-president chairs the meeting. The following month the employees are divided according to their departmental assignment and the meeting is chaired by the supervisor.

As predicted, sales did decline during the 1985–1986 fiscal year and this, coupled with declining car sales, necessitated layoffs. However, the gainsharing structure created an atmosphere in which the reasons for the layoffs were well-known to the employees, and worker morale remained high in anticipation of new business due to the high quality ratings that the company was achieving and by the fact that substantial employee bonuses were being earned by early 1986.

Results of Performance Gainsharing implementation

TFI has benefited from its decision to implement a plantwide gainsharing system. Though the American automobile industry has not grown significantly in recent years, both management and production employees are optimistic about the company's future.

Suggestions relating to production were quite practical. Those accepted and implemented during the first two months included turning off the machines during break time and whenever they were not in use, moving the welders to a different location in the plant, shortening the length to which pipes were initially cut, and parking the fork lift trucks in a special area. Suggestions that were rejected ranged from removing all the air conditioners in management offices to painting the rest rooms and reducing the Saturday shift to only five hours. By the end of the first quarter, 171 suggestions had been received, of which 89 were accepted and implemented, 30 rejected, 2 withdrawn, and 50 investigated further. By May 1986, TFI had saved over $750,000 from Performance Gainsharing suggestions.

The first bonus of over one percent was earned in November 1985, six months after implementation, and a positive reserve pool was achieved in March 1986. The quality of TFI's product had increased drastically, and the company received praise and new

As two-way channels of communication opened up, employees were more willing to accept managerial direction.

contracts from some of its old customers. A SPEAR II rating (preferred supplier) from General Motors enabled the company to offer price quotes for new business. TFI became the first tubing supplier to be Source Certified by AC Spark Plug. This meant that the quality of TFI's product had reached a point— less than one percent rejections—at which AC Spark Plug could bypass its own inspectors and have the tubes available for installation immediately by its own assembly line workers.

These and other improvements from June 1985 to June 1986 include the following:

1. Product quality ratings from TFI's customers have improved dramatically.
2. Over 500 suggestions were offered in the first year of implementation, resulting in savings of more than $750,000, double the company's goal of $380,000 annual savings.
3. Direct labor for repair decreased from 22 percent to 11 percent.
4. Absenteeism was reduced from 4 percent to 2.9 percent.
5. Employees are more accountable for the finished product.
6. Teamwork was enhanced.
7. Channels of communications were opened.
8. Non-rate-related employee grievances declined by 33 percent.
9. Employee knowledge of the company's performance rose.
10. Scrap decreased by over 30 percent.
11. Employees took greater care of the machines they utilize.
12. The production area's appearance changed from dingy to excellent.
13. Long-term job security was enhanced.
14. Management became more willing to share, and employees more willing to believe, financial information about the company.
15. The financial savings enabled the company to purchase over $1 million of new equipment.

The great majority of the changes are the result of improved worker morale. Employees are now more sensitive toward corporate profits, and they are more aware of how their effort is associated with the overall well-being of the company. An employee survey administered one year after Performance Gainsharing implementation measured a positive change in attitudes of over 15 percent. (See Table 2.) Employees believe their opinions are respected by management and, as the number of suggestions indicates, are seeking new ways of cutting costs and increasing production. The cost of this to the company is an average monthly bonus of one percent and a first year total bonus of roughly $400 per employee.

Assessing the objections to participatory management

These beneficial changes were achieved with hardly any of the forecasted problems of participatory management. Managerial risk was minimal. The company avoided bankruptcy and generated optimistic forecasts by utilizing worker involvement. As noted earlier in this article, Aristotle formulated six basic philosophical objections to the democratic process. These objections, with minor modifications, have reappeared in the current arguments being espoused in opposition to participatory management. Some explanation should be given as to why the anticipated problems did not materialize.

Fear: Mediocrity. Decisions will be made slowly and will be of poor quality because too many self-interested parties must be pleased.

Actual experience: Well-informed decisions quickly implemented. The large volume of worker suggestions has led to well-informed decisions. Because of the bleak status of TFI's business in 1984, the employees were aware that a mediocre effort would mean their plant would close down and they would be out of a job.

Fear: Rule by the uneducated and unskilled. The unknowledgeable majority will overrule the expert minority.

Actual experience: Increased managerial influence. As two-way channels of communication opened up, employees were more willing to accept

Table 2
Evaluation of Employee Attitude Change under Performance Gainsharing[1]

Factor Measure	May 1985	July 1986
Overall satisfaction	3.2	3.6[2]
Communication between work units	2.4	2.8[3]
Communication across management levels	2.4	2.8
Cooperation between work units	2.8	3.1
Trust in management	2.1	2.5
Identification with company goals	3.3	3.9
Handling of employee complaints	3.6	3.9

1 The employee attitude survey consists of over 100 statements which the employees rate on a 1–5 scale

2 Overall satisfaction was measured on a 5-point scale:
1. Very dissatisfied
2. Dissatisfied
3. Undecided
4. Satisfied
5. Very satisfied

3 All other factors were measured according to the following 5-point scale
1. Strongly disagree
2. Disagree
3. Undecided
4. Agree
5. Strongly agree

managerial direction. With cooperation and trust increasing, the employees focused mostly on providing production suggestions and did not attempt to interfere with general managerial policy initiatives.

Fear: Encourages flattery, discourages virtues. Leadership will be based on charisma, not merit.

Actual experience: Rewards based on group performance. The hero at TFI is not the flatterer, it is the individual who provides a suggestion that decreases costs and increases profits. Since the value of suggestions is objectively measurable in dollars, there is little or no chance that appeals to emotion can substitute for merit.

Fear: Excessive bureaucracy. The company will become less efficient as a result of added layers of checks and balances.

Actual experience: New levels of bureaucracy. This is the only fear that has been proven partly correct. Workers vote for representatives, and the departmental teams comprised of those representatives meet to discuss the proposed suggestions. However, this extra layer came about as a *result* of corporate inefficiency; it is not a *cause* of inefficiency.

Fear: Instability. There will be a large turnover of officeholders.

Actual experience: Stability. TFI has been able to regain its lost prestige and some of its customers. Workers believe their long-term jobs are now more secure than prior to Performance Gainsharing. Though there is fluctuation in team membership, this is a result of additional employees wanting to get involved.

Fear: Minimizes accountability. When decisions are shared, nobody will be directly responsible.

Actual experience: Maximizes accountability. At TFI Performance Gainsharing has encouraged employees to be more accountable for the finished product. Prior to gainsharing, they were content to maximize individual productivity, regardless of quality. By linking worker performance to corporate performance, greater concern was given to minimizing scrap and repairs. Each employee now feels directly responsible for customer satisfaction. The employees and management share common goals. In addition, employees feel accountable to each other, since with gainsharing it is unmistakably clear that each employee's welfare depends upon the performance of all employees.

In our case study, most of the fears expressed by those opposed to participatory management were not substantiated.

Not only do these fears appear to be unsubstantiated, but the dynamics of gainsharing's implementation process permit management to deliberate carefully before putting a gainsharing system into effect. At TFI many pieces had to fall into place prior to the institutionalization of gainsharing. If management or workers had given insufficient support, the entire gainsharing system could have been rejected.

Figure 2 is a simplified model of the Performance Gainsharing assessment process. It illustrates that at any point during an appropriately designed assessment, a company can decide not to go through with a Performance Gainsharing system. The decision not to go ahead can be made if the initial explanation of the Performance Gainsharing model to management does not generate interest; if staff meetings fail to generate a consensus for it; if employee surveys show that conditions are unfavorable; if an appropriate gainsharing formula cannot be developed; or if the presentation of the appropriate plan does not seem to meet the company's needs. Furthermore, a yearly evaluation and survey offers the opportunity to scrap Performance Gainsharing.

Meanwhile, during the implementation process no jobs are threatened, nor is there a need for a bureaucratic overhaul. At TFI the corporate bureaucratic structure remained basically the same. Departmental teams and a Review Board were added to the structure, but everything else remained intact—including the chain of command.

It should be noted that not every Performance Gainsharing program is as successful as TFI's, which hopefully will be fully institutionalized and continue indefinitely. Like any other organizational development model, a number of variables must be properly implemented; like the gainsharing bonus, success is not guaranteed without adequate effort. Poor calculation of the bonus, lack of managerial sincerity and commitment, inappropriate feedback, or inadequate education are just a few of the many factors that can cause a plan to fail. But problems stemming from democracy are not among the plausible causes.

Conclusion

At the outset of this article we suggested that the literature supporting employee-involvement systems is more abundant than the implementations. Though there may be many reasons for this lukewarm reception, the most often overlooked reason pertains to the political nature of organizational change. Too often employee-involvement systems are perceived by America's corporate leaders as bringing about democratic change that will cripple those corporations that implement them.

Modern critiques of participatory management are quite similar to Aristotle's basic objections to democracy. Using Performance Gainsharing as an organizational model, we demonstrated how a corporate hierarchy can be compatible with democratic principles. In our case study, most of the fears expressed by those opposed to participatory management were not substantiated. In many instances, the exact reverse of the forecasted fear materialized, and the company prospered.

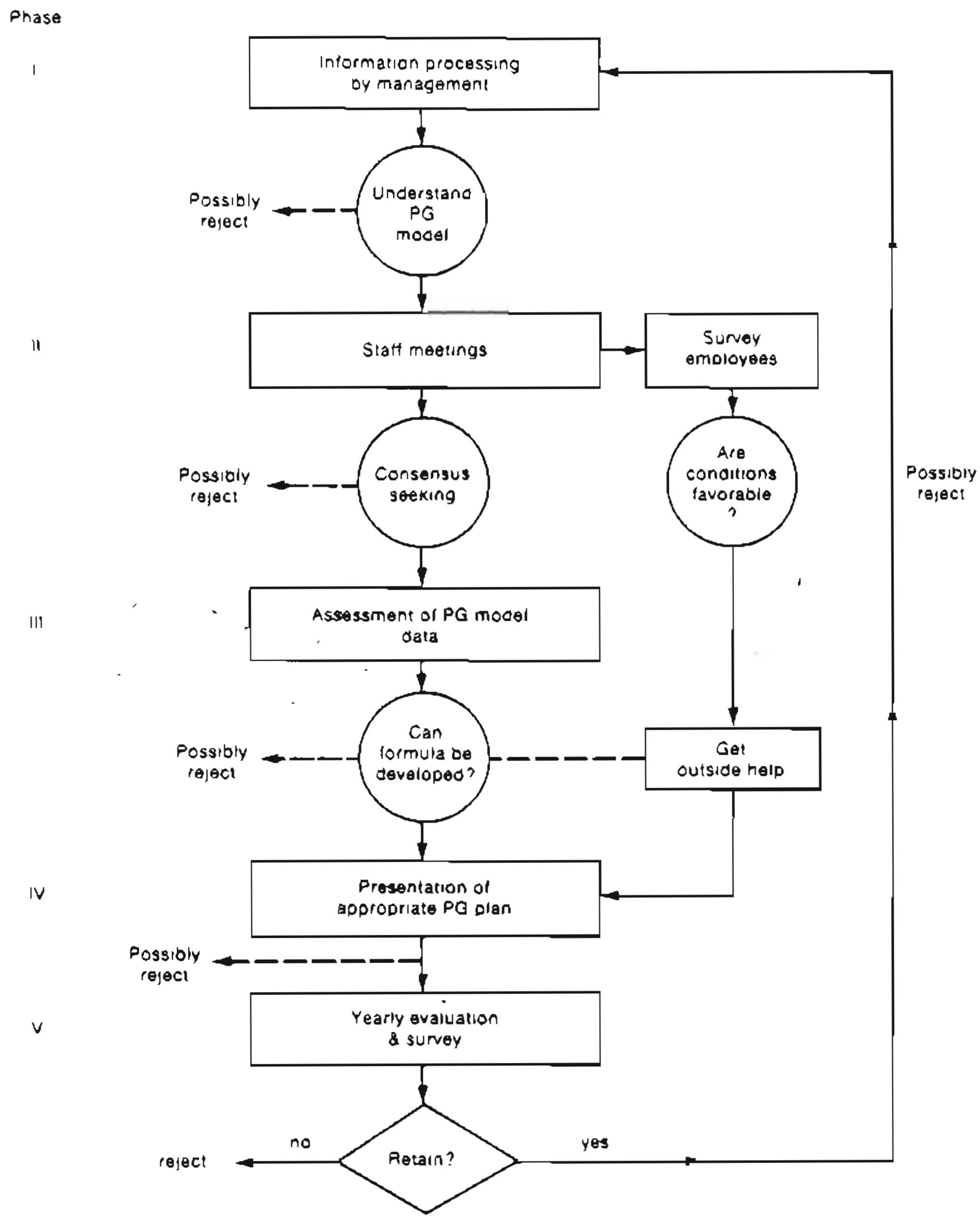
Performance Gainsharing is a conservative approach to changing organizational behavior. A distinction should be made between radical structural changes and radical functional changes. Prospective gainsharing managers fear the former while actual gainsharing managers experience the latter. Performance Gainsharing acts as a change agent in organizational development.[2] Without transforming the bureaucratic structure, substantial improvements can be achieved in product quality, work-place environment, and corporate profits. Worker attitudes can be changed positively and discretionary effort can be maximized by opening up previously closed channels of communication and providing a group-based financial incentive. Thus, gainsharing becomes a tool for aligning the outlook of employees more closely with that of management. This outcome is far removed from the fears of management that we have enumerated here.

NOTES

1. William C. Freund and Eugene Epstein, *People and Productivity* (Homewood, IL: Dow Jones-Irwin, 1984), p. 24.

2. Larry L. Hatcher and Timothy L. Ross, "Organization Development Through Productivity Gainsharing," *Personnel* 62(10):42–45, October 1985.

Figure 2
Gainsharing Assessment Process



Source: Brian Graham-Moore and Timothy L. Ross, *Productivity Gainsharing* (Englewood Cliffs, NJ, Prentice-Hall, 1983), p. 14.

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