

Why Employees Support (and Oppose) Gainsharing Plans

TIMOTHY L. ROSS, PHD, LARRY HATCHER, PHD, AND DENIS COLLINS, PHD

More and more managers are looking to implement gainsharing plans at their companies in order to boost productivity, quality, and employee relations. However, if not implemented properly, the plans may meet with employee resistance or other problems, and ultimately fail. This article examines the gainsharing concept and, using information obtained from a survey of experienced plan coordinators, examines the factors that determine a plan's success or failure. Finally, the authors provide advice on how companies can strengthen their gainsharing systems and improve their likelihood for success.

Eager for a reward system that ties pay to performance and gets employees more actively involved in work decisions, organizations are making gainsharing one of the fastest-growing interventions in use today. A nationwide survey sponsored by the American Productivity Center showed that over 70 percent of the plans studied had been implemented within the preceding five years. Why the new popularity? The same study provides a hint: 81 percent of the firms indicated that their plan had created a "positive" or "very positive" impact on performance. Most firms reported positive effects on productivity, quality, employee relations, communica-

tions, pay, and a number of other crucial performance variables.¹

In the wake of these reports, more and more managers are asking about gainsharing, and in this article we answer some of their most frequently asked questions. First, we describe what a gainsharing plan is, and how it operates. Next, we summarize a study done with plan coordinators from about two dozen gainsharing firms. These coordinators describe what employees do to either support or oppose a gain-

¹ C O'Dell & J McAdams, *People, Performance, and Pay*. (Houston, TX: American Productivity Center, 1987).

TIMOTHY L. ROSS, PhD, is a Partner, Ross Gainsharing Institute, Chapel Hill, North Carolina. He is co-author of *The Scanlon Way to Improved Productivity, A Practical Guide* (John Wiley and Sons), *Productivity Gainsharing* (Prentice-Hall), and *Gainsharing: Plans for Improving Performance* (BNA Books, 1990), four manuals on gainsharing, as well as over 60 journal articles on various aspects of gainsharing. Dr. Ross has been involved in gainsharing for over 25 years.

LARRY HATCHER, PhD, earned his doctorate in Industrial and Organizational Psychology from Bowling Green State University in 1983, and is currently an Associate Professor of Psychology at Winthrop College in Rock Hill, South Carolina. He has published a number of articles and book chapters on the topic of gainsharing.

DENIS COLLINS, PhD, earned his doctorate in Business from the University of Pittsburgh, and is currently an Assistant Professor at the Graduate School of Business of the University of Wisconsin, Madison. He has published articles in the areas of business ethics, business and society, and participatory management.

sharing plan, and also explain why employees choose to become supporters or opponents of a plan. Finally, we discuss a number of simple, concrete steps that companies can take to strengthen their gain-sharing systems—how they can win their employees' trust and convince them that gainsharing really can be a win-win proposition for both management and nonmanagement.

WHAT IS GAINSHARING?

At the most basic level, a gainsharing plan is a reward system that pays frequent bonuses to employees for organization-wide improvements in performance. Typically, these bonuses are paid on a weekly, monthly, or bi-monthly basis. While earlier gainsharing systems (such as the Scanlon plan, the prototype for modern gainsharing) provided a very limited selection of bonus formulas, modern systems show tremendous flexibility in this area. Gainsharing formulas can be custom-designed to meet any firm's strategic business objectives:

- If high product quality is a priority, a formula can be developed that rewards gains in quality.
- If cost containment is a problem, a different formula can be used.
- If a large number of performance variables are all important, still another formula can be designed.

The bonus program, however, is only half the story, as most plans also include some type of *employee involvement system*. The objective here is to empower employees to make changes on their jobs, changes that will lead to better productivity, product quality, and marketplace competitiveness. To obtain involvement, many organizations use a highly structured suggestion system that encourages employees to write down and submit their ideas about how work methods can be improved. Departmental teams of management and nonmanagement employees then implement these suggestions, while a larger organization-wide team helps to coordinate activities. This system of overlapping teams opens up new lines of communication, allowing different organizational units to share information, set goals, and solve problems collaboratively. It is no wonder that employees in these settings develop a clearer understanding of the problems faced by their company as well as a sense of what they can do to help.

Obviously these changes do not occur at every installation, and where they do occur they do not necessarily come about easily. A gainsharing plan "works" only when the work force chooses to sup-

port the plan—when they adopt the principles of gainsharing and put them into practice. But what does this really mean? What must employees do to support a plan? And why do some employees choose to help out in this way? What beliefs about the gain-sharing plan do they hold?

The objective here is to empower employees to make changes on their jobs, changes that will lead to better productivity, product quality, and marketplace competitiveness.

The other side of the issue is equally important: Why do some employees oppose the operation of a plan? How do they demonstrate their opposition? And, perhaps the most important question, what can human resource administrators and other managers do to build greater support for the plan? To obtain the answers, we consulted a uniquely qualified panel of experts: managers and employees who have served as gainsharing plan coordinators.

THE GAINSHARING COORDINATORS

Gainsharing coordinators are the individuals charged with keeping the mechanics of the plan in working order. Specifically, they:

- Help educate the work force on how the gain-sharing bonus is calculated and how the involvement system works;
- Supervise elections through which employees join the departmental teams;
- Train newly elected representatives and help them adjust to their roles;
- Sit in on departmental meetings and help the team improve its effectiveness;
- Approach uninvolved employees on a one-on-one basis and ask if they would consider submitting a suggestion or running for a position on a team;
- Help interpret surveys assessing employee attitudes about the plan; and finally
- Initiate programs that seek to "stir the pot" and encourage the entire work force to get more involved with the gainsharing plan.

Because of their frequent contact with pro-gainshar-

ing and anti-gainsharing employees at every level, the coordinators are in a unique position to see why some employees choose to support the plan while others choose to oppose it.

The 24 people who participated in our study, and the companies they represented, were fairly typical of most gainsharing coordinators and companies. The average coordinator in our study was 42 years old, had been with his or her company for about 15 years, and had been a coordinator for a little over two years. Exactly half spent 100 percent of their time as coordinators, and most of the rest divided their time between being coordinators and human resource/personnel managers. Most of the organizations employing these coordinators were manufacturing firms, and several produced materials for the automotive industry (e.g., tires, exhaust systems, trim, axles). The average company employed 443 people (the number of employees ranged from 55 to 1,500) and had a gainsharing plan in effect for about two and one-half years (ranging from one month to 12 years).

THE DELPHI STUDY

In our study, we used the Delphi Technique to tap the knowledge of our panel of experts.² Two rounds of information gathering were conducted. In the first round, an open-ended questionnaire was distributed to 20 individuals attending a gainsharing coordinators' conference at a midwestern university. Questions on the survey asked the coordinators to list certain behaviors and beliefs of nonmanagement employees, specifically: (a) plan-supportive behaviors (the activities that employees engage in that are helpful in making the plan more successful), (b) plan-opposing behaviors (behaviors that hurt the overall success of the plan), (c) plan supportive beliefs (beliefs held by some employees that caused them to become plan supporters), and (d) plan-opposing beliefs (beliefs that caused some employees to oppose gainsharing).

The comments solicited from this first round were reviewed and then used to compile a new questionnaire. This second questionnaire contained any behavior or belief that had been mentioned by at least two coordinators in the first survey. This resulted in a list of 18 plan-supportive behaviors (e.g., "contrib-

utes gainsharing suggestions"), 20 plan-supportive beliefs (e.g., "the gainsharing plan improves my job security here"), 13 plan-opposing behaviors (e.g., "refuses to serve on gainsharing teams"), and 16 plan-opposing beliefs (e.g., "gainsharing is just another way for the company to take unfair advantage of the employees").

With this second questionnaire, we asked respondents to tell us how *influential* these behaviors and beliefs had been in determining the success of their gainsharing plans. Specifically, respondents rated each behavior according to how important it was in making the plan successful, or how destructive it was in hurting the plan. In addition, they rated each belief according to how important it had been in causing pro-gainsharing employees to support the plan, or in causing anti-gainsharing employees to oppose the plan.

This second questionnaire was administered to each coordinator surveyed in the first round, along with a few additional coordinators, so that the final sample consisted of 24 respondents. We also interviewed five coordinators at length to obtain a more in-depth understanding of the issues investigated.

KEY BEHAVIORS: HOW EMPLOYEES SUPPORT AND OPPOSE GAINSHARING PLANS

The second questionnaire contained a list of 18 plan-supportive behaviors, ranked from those mentioned most frequently to those mentioned least frequently. Coordinators were asked to rate each behavior, indicating how *important* it was for the typical employee to demonstrate that behavior if the gainsharing plan was to be successful. Their ratings were made using a 6-point scale in which 1 = "Unimportant" and 6 = "Most Important." Exhibit 1 provides the 12 behaviors that were rated as being most important.

To simplify the Exhibit, we grouped similar types of behaviors together under common headings. The first common heading in Exhibit 1 is "Is cooperative and helpful with others," and in this section appear two of the behaviors that were most frequently endorsed. According to the coordinators, a gainsharing plan is most likely to succeed when the typical employee "maintains an open mind to other employees' ideas" and "contributes to a 'team' effort to improve overall performance."

To the uninitiated, this may be an unexpected finding, but it says much about what gainsharing is

² N Dalkey & O Helmer, "An Experimental Application of the Delphi Method to the Use of Experts," 9 *Management Science*, 458-467 (1963).

Exhibit 1	
Most Important Plan-Supportive Behaviors Shown By Employees	
[% Indicating "Very" or "Most" Important]	
<i>Is Cooperative and Helpful with Others</i>	
100.0%	1. Maintains an open mind to other employees' ideas.
87.5	2. Contributes to a "team" effort to improve overall performance.
<i>Verbally Promotes the Plan When Around Others</i>	
83.3	3. Makes positive comments about the plan.
66.7	4. Helps others to understand how the gainsharing plan works.
<i>Supports the Gainsharing Involvement System</i>	
62.5	5. Encourages other employees to get involved in the plan.
54.1	6. Contributes gainsharing suggestions.
50.0	7. Encourages other employees to contribute gainsharing suggestions.
50.0	8. Helps the gainsharing teams to be effective (attends regularly, serves as leader, assists other teams, etc.).
<i>Other Supportive Behaviors</i>	
83.3	9. Displays a positive attitude about work.
66.7	10. Improves performance on his/her assigned job (productivity, quality, costs, service, etc.).
66.7	11. Becomes informed about the gainsharing plan.
62.5	12. Sets himself or herself up as an example by modeling the behaviors promoted by the gainsharing philosophy.

all about. Openness, cooperation, and concern for overall performance is at the very heart of the gain-sharing philosophy of management. When rewards are based on organization-wide performance (as they are under gainsharing), the earning of bonuses depends entirely on employees listening to each other and working together toward common goals. More than perhaps any other factor, the success of a gain-sharing plan depends on employee commitment to these values.

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But this is not the only way that employees help their plans succeed. As Exhibit 1 shows, employees

also support gainsharing by verbally promoting the plan when around others (saying positive things about the plan and helping others understand how it works); by supporting the involvement system (helping the teams do their work, contributing suggestions, and encouraging others to do the same); and by engaging in other supportive activities (displaying a positive attitude, improving job performance, becoming informed, and modeling other behaviors promoted under gainsharing). When a critical mass of employees gets behind the system by engaging in these activities, chances are good that the plan will achieve its objectives and pay off in benefits.

The second questionnaire also contained 13 plan-opposing behaviors, again ranked from the most-frequently to the least-frequently mentioned. For each item, coordinators indicated how destructive it would be in hurting the overall success of the plan if the typical employee engaged in that behavior. They used a 6-point scale in which 1 = "Not Destructive" and 6 = "Most Destructive." The nine behaviors rated as being most destructive appear in Exhibit 2.

Most of the behaviors in Exhibit 2 are simply the opposites of the behaviors listed in Exhibit 1. According to coordinators, employees hurt the gain-sharing system by verbally opposing the plan when

Exhibit 2

Most Destructive Plan-Opposing Behaviors Shown By Employees

[% Indicating "Very" or "Most" Destructive]

Verbally Opposes the Plan When Around Others

- 79.2% 1. Complains/makes negative comments about the gainsharing plan.
50.0 2. Says he or she does not care about the gainsharing plan.

Undermines the Gainsharing Involvement System

- 91.7 3. Discourages the contribution of suggestions by other employees.
87.5 4. Criticizes other employees who are involved in the plan.
83.3 5. Hinders the investigation and implementation of gainsharing suggestions.
70.8 6. Hinders the performance of the gainsharing teams (does not attend meetings, disrupts meetings, does not cooperate with other teams, etc.).

Other Opposing Behaviors

- 58.4 7. Spreads rumors.
58.4 8. Says negative things about everything at work.
50.0 9. Shows a negative attitude.

around others (complaining, saying that he or she does not care about it); undermining the gainsharing involvement system (discouraging suggestions from others, criticizing plan supporters, hindering the investigation of suggestions or the performance of the teams); and engaging in other activities (e.g., spreading rumors, showing a negative attitude).

Pro-Gainsharing Beliefs: Why They Support the Plan

The questionnaire also included 20 pro-gainsharing beliefs and 16 anti-gainsharing beliefs, and the coordinators rated each to indicate how important it had been in causing employees to become either plan supporters or plan opponents. Respondents made their ratings with the same 6-point "importance" scale described above.

Exhibit 3 provides the 11 beliefs rated as being most important in causing employees to become supporters, and these beliefs fit neatly into three categories. The first category concerns perceptions that the plan would let the employees get involved in work-related decisions—it would take advantage of their know-how and give them the opportunity to be heard concerning work-related matters. The second category focuses on beliefs that the plan helps to improve various aspects of the organization's climate and effectiveness—communications, cooperation, working conditions, and overall performance.

The third group includes beliefs that the plan would provide more direct personal rewards for the individual employee—fair treatment, recognition, and a sense of importance, for example.

Anti-Gainsharing Beliefs: Why the Opposition?

The 11 most important anti-gainsharing beliefs are provided in Exhibit 4, and it is interesting to note that these beliefs are not simply the opposites of the pro-gainsharing beliefs discussed above. Instead, there seems to be a qualitatively different set of issues behind the opposition to gainsharing.

Clearly, the big issue was trust: Employees who opposed the plan did not trust the company to look out for their interests. They saw the plan as an instrument that would benefit the company at the same time it took advantage of the employees, undermined the union, and generally failed to do anything for nonmanagement employees.

Other beliefs were also rated as being influential. Anti-gainsharing employees were seen as believing that the plan would not pay off in bonuses; that gainsharing would make it more difficult to get a raise; and that the firm was wasting too much time on the plan. Finally, some employees were viewed as simply being apathetic—they didn't expect the plan to last, and just didn't want to get involved.

Exhibit 3

Most Important Plan-Supportive Beliefs Held By Employees

[% Indicating "Very" or "Most" Important]

Gainsharing Lets Me Get Involved in Work-Related Decisions

- 100.0% 1. The gainsharing plan gives me the opportunity to be heard concerning work-related matters.
- 75.0 2. The gainsharing involvement system takes advantage of the fact that an employee knows best how to do his or her job.
- 66.7 3. I want to be involved in making some decisions at work.

Gainsharing Improves Our Organization's Climate and Effectiveness

- 87.5 4. The gainsharing plan helps improve communications here.
- 83.3 5. I want communications and cooperation to improve at this company.
- 70.9 6. The gainsharing plan helps to improve working conditions.
- 54.2 7. The gainsharing plan helps to improve company performance.

Gainsharing Benefits Me Personally

- 70.9 8. Being treated fairly at work is important to me.
- 58.3 9. Getting involved in the gainsharing plan makes me feel more important at work.
- 58.3 10. The gainsharing plan improves my job security here.
- 54.2 11. I want some recognition from management for the contributions I make.

Exhibit 4

Most Important Plan-Opposing Beliefs Held By Employees

[% Indicating "Very" or "Most" Important]

I Don't Trust Management

- 62.5% 1. Gainsharing will only help the company – it will never do anything to help nonmanagement employees.
- 54.2 2. Gainsharing is just another way for the company to take unfair advantage of the employees.
- 54.2 3. I don't really trust management to look out for the best interests of the employees here.
- 47.6 4. The gainsharing plan is just another tool for undermining the union.
- 43.5 5. I don't trust anybody here.

The Plan Will Not Pay Off in Bonuses

- 45.9 6. Our gainsharing bonuses will probably be zero or very small.
- 45.9 7. I don't trust the gainsharing bonus calculation.

I Just Don't Care

- 45.9 8. Gainsharing is just another plan that will fade away after a short time.
- 41.7 9. I just want to do my assigned job here—I don't want to get involved in the gainsharing plan.

Other Opposing Beliefs

- 45.9 10. Getting gainsharing bonuses makes it harder for us to get a raise—a real wage increase.
- 41.7 11. We are wasting too much time and money on gainsharing.

WINNING SUPPORT FOR THE PLAN

Gainsharing plans work only when managers (and involved nonmanagement employees) are able to create a vivid, energizing vision of success under gainsharing—a vision that a majority of the work force

is willing to share. In everyday terms, this vision translates into the employees' beliefs about gainsharing: "Will this plan ultimately work to my benefit, or to my detriment? Is this plan designed so that it will result in outcomes that I value? Can I trust management to keep up its end of the deal?"

The responses of the coordinators reviewed above suggest that, in order to obtain broad-based support for a plan, employees must hold three essential beliefs:

1. They can trust management;
2. The gainsharing plan will benefit the company; and
3. The gainsharing plan will benefit them personally.

Does everyone in the company have to be convinced? Certainly not, as in even the most successful plans there is always a hold-out group of nonbelievers. Nevertheless, a company implementing gainsharing must ultimately persuade a majority of the employees (or at least a vocal minority) to put their faith in the concept and give it a chance to succeed.

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Four Steps to Promoting Employee Trust

There are four steps that companies can take to promote trust and positive expectations concerning their gainsharing plans. These are discussed in the following sections.

Design an Equitable Bonus Calculation That Is Right for Your Plan Objectives, and Show Your Employees How It Works

The promise of a bonus is the driving force of a gainsharing plan. Unfortunately, one of the company's trickiest problems is to develop a bonus calculation that is appropriate for its strategic objectives and business conditions. Should the calculation be narrow (rewarding gains in just a few performance areas) or broad (similar to a profit sharing formula)? What percent of the gains should be shared with the employees? If no bonuses are earned in the first few months, should the formula be changed?

These are difficult questions, but managers should be encouraged by the tremendous progress that has been made in the technology of gainsharing calculations. A wide variety of formulas are now available to fit almost all business objectives and environmental conditions. Although space constraints do not allow for a full discussion here, a number of sources are available that provide an in-depth review of gainsharing calculations (e.g., Graham-Moore and Ross, 1990).³

Regardless of the type of formula chosen, the results of our Delphi study suggest that the organization will still have to contend with the trust issue: Do employees understand the calculation? Do they trust it?

In our interviews with coordinators, we ran into differing views on the importance of understanding versus trust when it came to the calculation. Some saw understanding as being essential. As one coordinator commented,

It is very important that the employees understand the calculation. You must spend a lot of time educating them about it. It must be seen as fair. And it must create accountability—if the company does something wrong, the employees must know what they did wrong.

Some other coordinators took a different perspective. One noted,

Many employees don't really care about the calculation, just if we have a bonus. They don't always need to understand the calculation, but then they do need to trust management.

Added another in agreement,

They need to trust management—then understanding the calculation is not as important. It took years for our employees to understand the calculation.

How does a firm develop understanding regarding the calculation? How does a firm develop trust? The answers to both questions are the same: *education, openness, and feedback*. First, employees need to be educated on how the bonus works: what factors are included in its calculation and what aspects of performance must be changed for rewards to be earned. This education typically begins prior to plan start-up, and continues as long as the plan is in operation.

Second, there must be openness about the company's financial performance. How profitable has the

³ BE Graham-Moore & TL Ross, *Gainsharing: Plans for Improving Performance*. (Washington DC: The Bureau of National Affairs, Inc., 1990).

company been? What percentage of labor hours are spent reworking defective pieces? What savings could result if late deliveries to customers were cut in half? This openness may represent a real change at organizations where the company books have traditionally been top-secret. If the work force is to evolve into a self-managed team, it must have the information.

Finally, employees need frequent feedback on how they are doing in their efforts to earn bonuses. Most firms provide this by holding company-wide meetings at the end of each potential bonus period. In these meetings, the financial results are shared with the employees: They are told whether a bonus was earned, and, if so, the size of the bonus. They also learn about which performance areas showed increases in output or cost savings, and which performance areas must be improved in the next period if another bonus is to be earned. In times of large bonuses, employees learn what they are doing right; in times of no bonuses, they learn what they have to do better. But most importantly, they learn how the bonus calculation works, and this leads to trust.

Design an Involvement System That Is Right for Your Plan Objectives, and Support It

Most gainsharing plans include a structured involvement system: an overlapping network of teams that meets regularly, shares information, and implements the performance-improving suggestions contributed by employees. This involvement system is the catalyst for change in a gainsharing firm—it empowers employees to put their ideas into action to eliminate inefficient and wasteful work practices. An involvement system provides employees with the leverage that makes it possible for them to earn bonuses.

But this system also provides rewards of its own, quite independent of the bonus. Remember the top-rated plan-supportive belief listed in Exhibit 3, "The gainsharing plan gives me the opportunity to be heard concerning work-related matters." Many managers forget that employees *want* to get involved in decisions about work—they derive satisfaction from improving their jobs, operating more efficiently, and getting a little recognition for it. This excitement about involvement can keep a gainsharing plan alive for months—and even years—when financial bonuses are not being earned. One coordinator put it this way:

It's not important that the employees earn large bonuses or a lot of bonuses. In the early years, we made few bonuses. But the employees still liked

the plan because it allowed them to have a say—they saw things implemented. This is what's most important to a plan's success. It gives them a sense of accomplishment, makes them feel important.

But their excitement will be sustained only as long as the company actively supports the involvement system. And support, in this case, means three crucial activities: *training*, *tracking*, and "*stirring the pot*."

First, management and nonmanagement employees will need training before, during, and after plan implementation. This is because each individual will be expected to adjust to new roles under gainsharing. Nonmanagement employees will be expected to contribute ideas, serve on teams, and generally evolve into a self-managed work force; managers and supervisors will be asked to chair team meetings and develop a more participative form of leadership. A comprehensive, ongoing program of training will help employees succeed and thrive in these new roles.⁴

The second crucial activity is tracking—following up on suggestions so that all employees are given prompt, constructive feedback on how their suggestions were handled and why they were handled that way. This is important regardless of whether the ideas were ultimately accepted or declined. In our talks with coordinators, it became clear that the quickest way to alienate employees was to let their suggestions get lost in the system. One interviewee commented:

We didn't have a full-time coordinator during the first year under our plan. And because of that, things didn't get done. Meetings weren't held. Suggestions didn't get followed-up, didn't get implemented. And these unimplemented suggestions really hurt our plan.

Finally, the company must continuously "stir the pot"—it must implement a variety of programs and promotions to keep the plan's visibility high. As one coordinator put it,

You have to sweeten the pot, make changes to maintain interest in the plan. For example, we had a contest to rename our plan. We now call it the IDEAS plan. We give little prizes for the suggestions that employees contribute. We even had Santa Claus hand out the prizes at Christmas.

Another useful method is to rotate membership on

⁴ TL Ross, L Hatcher & RA Ross, "Training for Performance Gainsharing," 41 No 11 *Training and Development Journal*, 65-67 (1987).

the department teams so that new people with fresh ideas are constantly being brought into the system.

Get High-Visibility Support for the Plan From Top Management

When discussing reasons that some employees oppose gainsharing, the coordinators clearly believed that mistrust of management was a major factor. Many individuals approach gainsharing with the assumption that it is simply another attempt by management to take unfair advantage of its employees (and, based on previous management practices that we have heard about in some companies, this assumption is sometimes well-founded).

There is only one way that management can change these beliefs: It must *consistently* take highly visible actions that prove its commitment to the gainsharing philosophy of equity and involvement. In companies where the climate has traditionally been negative, nonparticipative, and full of conflict, these actions can be difficult and even painful. But they are necessary if the company is to prove that things will be different under gainsharing. What actions must management take? Many have already been discussed in this article, but they are summarized below, along with a few additional suggestions:

- Design a bonus calculation that equitably rewards employees for the gains they achieve in company performance;
- Provide adequate training for managers, supervisors, team representatives, and other nonmanagement employees so that they can thrive in their new roles under gainsharing—this means training well before the plan start-up, and continuing for as long as the plan operates;
- Appoint a full-time gainsharing coordinator if your company includes over 100 employees;
- Show that the gainsharing team meetings are important by sitting in on meetings yourself and not canceling them during rush periods;
- Show that the involvement system is important by submitting your own suggestions, and seeing to it that the more ambitious ideas that reach your desk are handled promptly;
- Encourage nonmanagement employees to present suggestions at the larger organization-wide team meeting and, when appropriate, let them decide the issue; and
- Visit employees on the shop floor and in the

office and personally thank them for their involvement in the plan.

When asked how top management supported his company's plan, one coordinator gave us this account:

The CEO was 100 percent for it. He saw to it that the coordinator's job was a full-time job. We changed the formula to make it easier for employees to earn bonuses more often. I used to sit in on all of the gainsharing meetings, but that would take a lot of my time. So the CEO delegated some of this responsibility to two function heads. And this has improved things—it has resulted in even better attitudes from both the function heads and the employees. We have had everyone involved in the plan from the beginning.

Publicize the Plan's Successes

Remember the most important plan-supportive beliefs identified by the coordinators? They indicated that employees support the plan when they believe that it (1) allows them to get involved, (2) improves the company's climate and effectiveness, and (3) benefits them personally. The implication is clear: When your gainsharing plan starts getting results, don't keep it a secret!

Employees will be looking for evidence that the plan is working, and if they hear nothing, they'll assume the worst. Hearing about plan achievements will energize the work force to put even more effort into the plan. But first you have to *define* success. What does the plan have to achieve to be considered successful? And how will you know when it has achieved success? One coordinator explained the way his company did it:

We established tangible measures of success when the plan began: As a measure of involvement, we used the number of suggestions submitted per month. Also the percentage of people on teams. We looked at the relationship between people: Is management going out to the people and talking to them about proposed projects? Are they talking to the teams?

At another company, success was defined in terms of the plan's effectiveness in decreasing turnover:

It saved the company. Before gainsharing, we couldn't keep a trained work force here. They would get trained here, then leave for higher-paying jobs in the oil industry. But we have had good support from our top manager, and our managers still sup-

port the plan. So our plan has been very successful.

A third coordinator put it this way:

How you would define a "successful" gainsharing plan depends on who you ask. Our treasurer would look at our cost savings and profits and so on. The president felt that gainsharing prevented layoffs and helped our price competitiveness. The human resources department looks at communication—the fact that the employees now know what is going on; the fact that the people now know why the company is doing what it is doing; the fact that there's less fear about changes. Employees have different views. Some of them look at the money, and some look at the participation.

The main point is to identify some benchmark of success, document the improvements made, and then get the word out. An excellent place to do this is in the company-wide meetings where the bonus results are presented to employees. Along with a report on why the bonus was or was not earned, employees need to hear about other improvements brought about by the plan. How many suggestions have been implemented to date? What are the estimated cost savings from these suggestions? These estimates often total hundreds of thousands of dollars after only a few months.

The company-wide meeting is also a great place to discuss the company's gains in marketplace competitiveness. What do the company's customers have to say about changes in product quality and on-time delivery? Have any contracts been awarded recently because of these gains?

Finally, conducting an employee survey provides another excellent way to document the gains made under the plan. Many companies administer surveys both before and after plan implementation, and then hold sessions in which the survey results are fed back to the employees on a department-by-department basis. This information is useful in identifying problem areas that remain, and it can also provide a tremendous benchmark for showing how far the company has come. Most companies show impressive improvements in organizational climate after a year or so under gainsharing; employees report changes for the better in communication, cooperation, working conditions, relations with supervisors, and a number of other areas. Seeing these results makes it difficult for most employees to imagine going back to the way of life they had before gainsharing.

CONCLUSION

In 1981, The U.S. General Accounting Office (GAO) published a report evaluating the effectiveness of gainsharing plans in 36 U.S. companies. Their investigation found an average savings in work force costs of almost 17 percent in gainsharing firms, along with indications of improved work relations, reduced absenteeism, reduced turnover, and fewer grievances. The report concludes that gainsharing plans

warrant serious consideration by firms as a means of stimulating productivity performance, enhancing their competitive advantage, increasing the monetary benefits to their employees, and reducing inflationary pressures.⁵

But for organizations considering implementation, the promise of dramatic improvements under a plan is offset by troubling questions: Why do some plans fail? Why do others survive but never really achieve the kind of potential discussed in the GAO report? And what must we do in our organization to have a thriving, effective plan?

Gainsharing success depends, to a very large extent, on management's ability to create a vivid, empowering, and energizing vision of what life will be like under the plan.

The experience of our panel of coordinators suggests that gainsharing success depends, to a very large extent, on management's ability to create a vivid, empowering, and energizing vision of what life will be like under the plan—how the plan will benefit the individual employee in significant and immediate ways. When this is successful, employees believe that gainsharing will give them a real say in decisions that affect their work; that it will improve the organization's climate and effectiveness; and that

⁵ US General Accounting Office. *Productivity Sharing Programs: Can They Contribute to Productivity Improvement?* Report AFMD-81-22. (Gaithersburg, MD: US General Accounting Office, 1981).

it will bring them recognition and other personal benefits. Perhaps most important, they believe that management will live up to its obligations under the plan. As more employees become convinced, they move on to actively support gainsharing by being helpful and cooperative in working relationships; by verbally promoting the plan and participating in the involvement system; by becoming informed about the plan; by showing a positive attitude; and by trying

to improve their own work performance.

When this happens, everyone in the company shares in the benefits—the gainsharing bonus, the improved work relations, and the sense of a common purpose. Perhaps most importantly, everyone can share the satisfaction of knowing that employees now have a chance to get involved, contribute their ideas, and take an active role in making their company a more effective, satisfying, and affirming place to work.

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