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A New Job for the '90s: The Productivity-Gainsharing Coordinator May be the Answer to Improved Employee Productivity

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The productivity-gainsharing coordinator may be the answer to improved employee productivity

By Steve Markham and Dow Scott

A major issue for management in the 1980s is how to respond to foreign competition and escalating competitive pressures. The overwhelming popularity of books and articles on Japanese management, productivity teams, quality circles, competitive advantages and managerial excellence (Pierce & Newstrom, 1988) exemplifies the enthusiasm with which American managers have pursued these topics. From this plethora of techniques, gainsharing programs have emerged as one of the principle techniques for encouraging employees to increase organizational effectiveness and productivity. Although these uniquely American programs originated about 40 years ago, widespread experimentation with gainsharing has occurred only during the last decade.

Based on a recent survey of innovative pay practices conducted by the American Productivity Institute, O'Dell estimated that during the last five years, more than 6,000 gainsharing plans have been installed in the United States. Though there is little data to ascertain how many programs have been successfully implemented—and in which industries and regions—there is little doubt that more programs exist than ever before.

In fact, federal, state and local public agencies have begun to experiment with a variety of these traditionally private sector programs (Scott & Zatsick, 1987). Yet there are many potential problem areas. For example, what happens after the initial implementation, during the "morning after," when the novelty of the gainsharing program has worn off? Who keeps the program running? Who picks up the pieces if it falls apart? Who reconfigures the program when experience says that changes are required?

These questions are answered by the new person in HR—the productivity-gainsharing coordinator (PGC). This position differs in many respects from the more traditional roles and specialties in human resources. For example, most roles that human resource managers hold have become increasingly specialized. The EEO/AA specialist contends with more cases and precedents than ever before in order to ensure organizational compliance with the law. The benefits specialist faces an overwhelming array of options, especially in the medical insurance arena, from which to choose. The compensation specialist not only contends with more complex criteria to determine what constitutes fair pay, but also deals with increasingly complex statistical techniques used to evaluate merit pay programs (Markham, 1988).

Furthermore, the compensation manager must monitor merit pay awards to ensure that pay decisions are not based on illegal biases or factors. The accreditation of human resource specialists and the proliferation of consultants who focus on specific human resource issues also suggest that the HR profession has become more technically specialized.

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In contrast to this trend toward specialization, the PGC must be a generalist to be effective. Although grounded in the HR function, the PGC must be strongly involved in the general operations of the business. Consider the case of Xaloy Inc. This company, located in Virginia, is the world's largest manufacturer of bimetallic cylinders, and employs about 220 workers in a metal machining production process.

During the summer of 1986, top management decided to install a customized version of the Scanlon plan (one version of a gainsharing program) in order to make the organization more responsive to change, more competitive and more cost-effective. The implementation of the plan proceeded along traditional lines. Within seven months, however, a number of problems had surfaced. Aside from the fact that the plan had paid no bonus—and the employees did not understand why not—a variety of administrative problems had arisen within the program.

Basically, these problems were traced to the fact that no single person in the organization was directly responsible for making sure the program ran smoothly. This function had been divided and distributed across several pre-existing jobs. The company president was responsible for running and chairing the steering committee which calculated the bonuses and set general policy for the program. The operations manager processed the hundreds of accumulated suggestions which the work unit teams had been encouraged to submit. The production control manager was pressured to keep machine utilization high and, at the same time, make sure that all the work-unit teams met periodically to develop suggestions for improvements. The chairpersons of the work-unit teams were swamped by their new role requirements to run meetings, understand monthly financial statements and document in writing the suggestions made by their team members. Finally, the industrial engineer was severely overworked and frustrated because the demands on his time had escalated 300 percent due to the new suggestion system. Unfortunately, there was no guidance on how to prioritize the new projects.

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None of these problems was necessarily fatal. However, the accumulated effect hampered the program severely, since managers in their traditional roles of production, engineering and finance, were already working close to capacity and having a difficult time managing the new responsibilities. Within a few months, the need for better coordination became obvious. But, suggestions were not considered and implemented in a timely fashion, supervisors had not received the necessary training and questions that the employees had concerning the bonus calculations were not answered.

In April 1987 after an extensive search, Maria Spadaro, a Virginia Tech MBA, was hired as the Director of Personnel. Her first job was to get the gainsharing program back on track. Given the widespread problems and frustrations, the future of the program did not look bright.

While the story of how this plan was turned around remains to be told in another forum, the key point is that the wide variety of problems faced by the coordinator called for a generalist, not a technical specialist. In fact, top management hired an MBA with an HR background for the position because they felt that more general business skills were necessary to be successful.

Required PGC skills

General business skills. The PGC must have good general business and management skills. Any productivity-related program, regardless of the name it goes by, advocates a fundamental change or improvement in the way the organization does business. To understand the business in the first place, and then target the change efforts to support appropriate goals, the PGC must be able to appreciate the intricacies of the organization's business and corresponding goals.

Furthermore, the PGC must explain this complexity to employees who are struggling to make sense out of the "big picture." Employee participation is of marginal value in an organization if employees do not understand how labor and technology affect the bottom line when they offer their suggestions.

Because of the nature of the job, the coordinator must have well-developed human relations skills. Part of the role is to persuade and encourage the other staff and first-line supervisors to focus on long-term improvements, when simply getting today's, or yesterday's, product out the front door is often their sole focus of attention. The PGC must develop a rapport with hourly employees to ensure a steady flow of high quality suggestions for productivity improvement. The PGC must be perceived as trustworthy and fair by both management and employees; these plans will not work without a strong long-term commitment from both groups.

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Finance and accounting skills. Whether trying to cost-justify a new suggestion or simply determine whether the productivity program has been worth the investment, the PGC must have basic finance and accounting skills. By definition, gainsharing programs have some sort of payout to employees when a production or financial target has been met.

Therefore, an equity or bonus formula must be determined which is fair to employees and the company. Because there are a wide variety of formulas from which to choose, and because each type has subtle implications for how "gains" will be shared with employees, the PGC should be comfortable working with spreadsheets, and able to evaluate different options from both a "numbers" and a "people" point of view. The PGC should be able to run financial simulations of the equity formula payouts at assumed productivity levels. This assures that the detailed formula developed by the accountants is both workable and understandable by the rest of the organization.

The Rock Drill Division of Ingersoll-Rand is a company lauded for productivity improvements, and has been recognized for its achievements by receiving the U.S. Senate Productivity Award for the Commonwealth of Virginia. Stephen Goldfarb, the director of human resources, is directly involved in the determination of the financial factors which are used to determine the payout of their modified gainsharing plan.

One of the reasons he is a central figure in this financial decision, is that the level of potential "at-risk" compensation needs to be balanced against the fixed portion of pay that employees receive from their regular compensation program. Only from his position in human resources can both perspectives be seen. Because the PGC is directly involved with both top management and hourly employees, the PGC must be concerned about the equity of any financial payouts from both perspectives. This responsibility inevitably results in considerable amounts of "number crunching." Equally imortant, the PGC must be knowledgeable about financial details because employees will look to him or her for an explanation of what the numbers really mean.

Manufacturing/technology skills. The PGC should also understand the basic manufacturing or service technology of the organization in order to deal with the technically-oriented suggestions, which are the heart of most productivity improvement programs. Obviously, some suggestions can be implemented by the individual employees or the work-unit teams which made them. However, many suggestions cut across team or department boundaries or require a significant capital investment.

In order to prioritize and assign these suggestions, the PGC must be familiar with the technology of the organization. For example, when Maria Spadaro arrived at Xaloy, more than 400 suggestions had been made by the employees over the preceding 10 months. Only a small percentage had been fully implemented, and many of them were in danger of being lost in the paperwork shuffle.

One of Spadaro's key contributions was the monitoring and tracking of these suggestions. She was also appointed head of the suggestion review committee, which meant that she, in conjunction with the operations manager, had to decide who would be assigned responsibility for suggestions which were too complex or too large to be implemented by their originating group. Thus, the PGC must understand the implications of suggestions and see how they might fit into the current work queue of the industrial engineers and other staff personnel.

Group facilitation skills. Most gainsharing programs involve some form of employee participation, such as quality circles, productivity committees or work unit teams. Using groups to effectively stimulate suggestions and make decisions is perhaps one of the key changes required in an organization's culture. It usually falls upon the shoulders of the PGC: (1) to ensure that the required training in group skills is undertaken, and (2) to model these skills for other organization leaders whenever the opportunity arises.

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Perhaps this is the place for the group process skills that have been so ably taught by National Training Labs (NTL) in Bethel, Maine. In fact, Carson Tucker, head of Management and Organization Development at Philip Morris, USA, feels that attending an NTL-like activity is a fundamental job prerequisite for any of the professionals on his staff.

Traditional HRM skills. The PGC must be well-versed in the traditional human resources skills. As the productivity program becomes a major component of organizational management, the number of questions about how it affects other human resource functions increases dramatically.

For example, team suggestion meetings can quickly degenerate into gripe sessions if the traditional concerns of equitable pay are not addressed. Similarly, employees may wonder if work unit team leaders are representative of women and minorities, or if the changing of the financial equity formulas will have an impact upon other areas of compensation and benefits. Thus, it is imperative that the PGC be well-versed in these areas.

Work redesign. Experimenting with productivity improvement sometimes brings about radical restructuring within the organization. New roles, new jobs and even new departments may be created in the drive to increase productivity. One of the most interesting examples is at Shenandoah Life Insurance Company. The company's vice president of HRM, John Myers, has worked extensively on reorganizing traditional jobs into work teams to increase productivity. (See Myers, 1985, for a detailed description.) Under a pay-for-knowledge plan, members of these work teams can now end up learning 18 different jobs.

The corresponding drop in turn around time in the processing of insurance policies has been as dramatic as the way that the jobs have been redesigned. Paperwork that used to take a month to pass through the system can now be processed in less than 48 hours. Again, the skills in the human resources department were responsible for the initiation and completion of this restructuring task.

What the future holds

The PGC position certainly represents a more diverse set of work duties than those traditionally associated with the human resources department. The PGC not only must deal with all aspects of the business, but also must feel comfortable working with employees at all levels in the organization. In fact, the PGC will often be required to facilitate discussions between diverse groups of people. The PGC's perspective of the organization must simultaneously reflect all levels of analysis—from the employee in a production line to the system as a whole. (See Dansereau & Markham, 1987.)

In the future, will organizations that implement various productivity improvement programs need to create a PGC role? Not necessarily. For example, Doug Volz, vice president of human resources for Sara Lee Knit Products, said their plant managers are fully responsible for coordinating local gainsharing or group productivity programs. However, Sara Lee Knit Products does have an interesting twist on the PGC role.

Rather than localize this function at the plant level, the corporation has created divisional or corporate roles entitled "Manager of Employee Involvement." The primary responsibility of this person is to encourage, stimulate and support the focused use of employee groups for productivity improvements at local plants. The creation of this corporate/divisional role suggests a new career ladder for the PGC may have already evolved.

The PGC role offers an opportunity to get more directly involved in the day-to-day business of the organization. Productivity/gainsharing programs provide human resource specialists with the chance to influence the bottom line. Having some responsibility for increased productivity will certainly increase the stature of the human resources department. However, new functions like the PGC are also associated with increased risk. If the PGC role is included in the human resources department, human resource people can no longer distance themselves from failures to increase productivity and solve quality problems.

Furthermore, to be effective, the PGC will have to learn the business and cannot hide behind the narrow specialty of "personnel work." Finally acting as coordinator puts the personnel department in a very visible leadership role. If they cannot deliver, they will face the same consequences as their production counterparts. ■

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