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 and employees 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 Japanese 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 & Zatzick, 1987). Yet there are many potential problem areas. For example, what happens after “morning after,” when the novelty of the gainsharing program has worn off? Who keeps the program running? Who picks up the pieces if it fails apart? Who reconfigures a program when experience shows 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 holders have become increasingly specialized. The EI/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 no longer 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 cooperation of human resource specialists

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and the proliferation of consultants who focus on specific human resource issues also suggest that the HR profession has become more technically specialized.

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 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.

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 that has already reached 300 percent due to the new suggestion system. Unfortunately, there was no guidance on how to prioritize the new projects. 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.
tion 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 coor-
dinator must have well-developed human rela-
tions 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 quali-
sity suggestions for productivity
improvement. The PGC
must be perceived as trust-
worthy and fair by both management and employees;
these plans will not work
without a strong long-term commitment from both
groups.

Finance and accounting
skills. Whether trying to
cost-justify a new sugges-
tion or simply determine
whether the productivity
program has been worth
the investment, the PGC must
have basic finance and ac-
counting skills. By definition,
gauging programs have some sort of payout to
employees when a produc-
tion 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 for-
mulas 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
equality formula payouts at assumed produc-
tivity 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
activities Award for the Commonwealth of Virginia.

Stephen Goldfarb, the director of human
resources, is directly involved in the determina-
tion of the financial factors which are used to
determine the payout of their modified gain-
sharing 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 important, the PGC must be knowledgeable about financial details because employees will look to him for an explanation of what the numbers really mean.

Manufacturing/tech-
nology skills. The PGC
should also understand the
basic manufacturing or ser-
tice 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 in-
dividual employees of 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 sugges-
tions, the PGC must be familiar with the
technology of the organization. For example,
when Maria Spadaro was a team leader at the CR
4000 suggestion meeting, she was also interested in the technology of the organization and
how it affects productivity.

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 im-
plemented by their originating group. Thus, the PGC must understand the implications of sugges-
tions and seek the best fit for the current
work queue of the industrial engineers and other
staff personnel.

Group facilitation skills. Most gainsharing programs have some form of employee par-
ticipation, 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 organi-
ization leaders and other staff personnel.

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 Organiz-
ation Development at Philip
Morris, USA, feels that atten-
ding 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 ma-
jor 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 tradi-
tional concerns of equitable pay are not ad-
dressed. Similarly, employees may wonder if work
unit team leaders are representative of women and
minorities, or if the changing of the financial equi-
formulas will have an impact upon other areas of
compensation and benefits. Thus, it is im-
portant that the PGC be well-versed in these areas.

Work redesign. Experimenting with pro-
ductivity 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 Shenan-
doe Life Insurance Company. The company's
vice president of HRM, John Myers, has worked
extensively on reorganizing traditional jobs into
new 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 earning 18 different jobs.

The corresponding drop in the processing of insurance policies has been
dramatic as the way that the jobs have been redesign-
ished. 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.

When the future holds
The PGC position certainly represents a more diverse set of work duties than those traditionally associated
with the human resource 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 pro-
duction line to the system as a whole. (See Duesenau & Markham, 1977.)

In the future, will organizations that imple-
ment various productivity improvement programs need to create a PGC role? Not necessari-
ely. For example, Doug Spada, vice president of
human resources for Sara Lee Knit Products, said
their plant managers are fully responsible for
coordinating local gainsharing or group produc-
tivity 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 a corporate role entitled "Manager of Employee In-
volvement." The primary responsibility of this
person is to encourage, stimulate and support the
focussed use of employee groups for productivity

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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.

References


