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

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Recommended Citation
Scott, Dow and Markham, Steve. A New Job for the '90s: The Productivity-Gainsharing Coordinator May be the Answer to Improved Employee Productivity. Personnel Administrator, 33, 8: 36-40, 1988. Retrieved from Loyola eCommons, School of Business: Faculty Publications and Other Works,
A New Job for the '90s

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.

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 the 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 bonuses—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 responsible for keeping machine utilization high and, at the same time, made 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 and frustrated because the demands on their time had escalated 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.

**Required PGC skills**

**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 completely failed to invest in the overall program.

**Technical skills.** The successful PGC must first have a sound understanding of the technical aspects of the gainsharing process and how the program fits into the overall business plan. The PGC must also be able to explain this to employees who are struggling to grasp the "big picture." The gainsharing calculation must be explained in a clear and coherent way so that employees will see the benefit of their efforts.

**Personnel skills.** The gainsharing program is a human resource program. As such, it requires the PGC to have excellent personnel skills. The coordinator must have an excellent understanding of the legal requirements of the organization, and must be able to explain the program to employees in a clear and concise manner.

**General business skills.** The PGC must have a broad background in business, including a good understanding of the overall business environment. This includes an understanding of the business's goals, strategies, and objectives.

**Conclusion.** The gainsharing coordinator role is not easy. It requires a great deal of time and effort to implement the program. But, with the right person in the role, the gainsharing program can be successful. The gainsharing coordinator must be a generalist, not a specialist. This means that the coordinator must have a broad understanding of the business environment, as well as good business skills. The coordinator must also be able to explain the program to employees in a clear and concise manner. Finally, the coordinator must be able to work with employees to make sure that the program is 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 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 also 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.

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, gaining 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 prime example of 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 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 can human resources consider both perspectives. 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 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 significant 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 and her crew at Sara Lee had 400 suggestions made by the employees over the preceding 30 months. Only a small percentage had been 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 select the best fit for the current work queue of the industrial engineers and other personnel.

Group facilitation skills. Most gainsharing programs have some form of employee participation in the process, 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. This role requires a professional, job-related training in teamwork and conflict resolution.

Although grounded in the HR function, the PGC must be strongly involved in the general operations of the business. The PGC position certainly represents a more diverse set of work duties than those traditionally associated with the human resource department. 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.

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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