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 fails apart? And, who reconceives 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 responsibilities of 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 a metal machining production process.

During the summer of 1989, 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, making 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 financially statements and document in writing the suggestions made by their team members. Finally, the industrial engineer was severely over-worked 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.

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 creation 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 organiz-
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,
gainsharing programs have
some sort of payout to
reinforce the job.

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encourage these plans to
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these plans to work.)

The PGC position

certainly represents a more diverse
set of work duties than
those traditionally
associated with the human resource
department.

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 poten-
tial "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
begin to understand the 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 inevitability
results in considerable
amounts of "number crunch-
ing." 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 understand the
basic manufacturing or serv-
ices 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 or the work unit teams which
made them. However, many suggestions cut
cross 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 Spadararo, the director of资
400 suggestions had been made by the employees
over the preceding 10 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 im-
plemented by their originating group. Thus, the
PGC must understand the implications of sugges-
tions and select the best fit for the current
work queue of the industrial engineers and other
staff personnel.

Group facilitation skills. Most gainsharing
programs involve some form of employee par-
ticipation, such as quality circles, productivity
committees or work unit teams. Using groups to
effectively stimulate suggestions and make deci-
sions is perhaps one of the key challenges
involved in an organization's culture.

One of the reasons for the group process skills
that have been so ably taught by National Trainings
(NTL) in Bethel, Maine. In fact, Carson
Tucker, head of Management and Organi-

zation 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
equity 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. Experiencing 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
team units 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 time in the processing of insurance policies has been
as dramatic as the way that the jobs have been redesign-

ed. 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 resources depart-
ment. 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 Dansereau & Markham, 1987.)

In the future, organizations that imple-
ment various productivity improvement programs
need to create a PGC role? Not necessary-
l. For example, Doug A.厚重 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 two corporate roles entitled "Manager of Employee In-
volve." The primary responsibility of this
person is to encourage, stimulate and support the
focussed 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.

References

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