

THE GAIN WAS ALWAYS SHARED · CHAPTER FOUR

A Firm Has a Circulation

Chapter Four of The Gain Was Always Shared

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Santa Anna, A. (2026). A Firm Has a Circulation. In The Gain Was Always Shared (ch. 4). Luminous Prosperity Inc. https://doi.org/10.5281/zenodo.23989510
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THE LICENCE

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Published by Luminous Prosperity Inc. for Haute Lumière. Author ORCID 0009-0008-3244-0306.

DOI 10.5281/zenodo.23989510 · this record's page: business.hautelumiere.life/library/the-gain-was-always-shared/04-a-firm-has-a-circulation/

Please cite as: Santa Anna, A. (2026). A Firm Has a Circulation. In The Gain Was Always Shared (ch. 4). Luminous Prosperity Inc. https://doi.org/10.5281/zenodo.23989510

Chapter Four of The Gain Was Always Shared. The whole book, with every chapter, is at business.hautelumiere.life/library/the-gain-was-always-shared (DOI https://doi.org/10.5281/zenodo.23989502).

A NOTE BEFORE YOU READ

This work is offered for education and leadership development. It is not legal, financial, accounting, investment, medical or psychological advice; take the advice of a qualified professional who knows your circumstances. Companies and events are described from the public record as the author understands it; characterisations are the author's analysis. Examples are illustrative, and no particular outcome is promised to any reader.

ABSTRACT

In the early 1990s three researchers ran an unusual field experiment. Susan Hanlon, David Meyer and Robert Taylor studied a gainsharing plan with a control group, measured how employees thought and behaved while it ran, and then kept measuring after the group bonus was taken away. The question was what would be left. The intuitive answer, if gainsharing is an incentive, is nothing. Remove the payment and you remove the reason for the behaviour it paid for. What they found, three months after the bonus ended, was something else: the employees who had been under the plan showed higher moral commitment, more prosocial behaviour and less intention to leave than the control group. One study, at one site, three months out. It cannot say how long the effect lasts or whether it would appear elsewhere. But it is hard to explain if a gainsharing plan is only a price paid for effort. It is easier to explain if the plan changed something about the relationship between the people and the firm, and the change outlived the money.

CHAPTER FOUR

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The bonus that stopped and the commitment that did not

In the early 1990s three researchers ran an unusual field experiment. Susan Hanlon, David Meyer and Robert Taylor studied a gainsharing plan with a control group, measured how employees thought and behaved while it ran, and then kept measuring after the group bonus was taken away.[28] The question was what would be left.

The intuitive answer, if gainsharing is an incentive, is nothing. Remove the payment and you remove the reason for the behaviour it paid for. What they found, three months after the bonus ended, was something else: the employees who had been under the plan showed higher moral commitment, more prosocial behaviour and less intention to leave than the control group.

One study, at one site, three months out. It cannot say how long the effect lasts or whether it would appear elsewhere. But it is hard to explain if a gainsharing plan is only a price paid for effort. It is easier to explain if the plan changed something about the relationship between the people and the firm, and the change outlived the money.

That is the reading this chapter offers. Chapter 2 traced gainsharing to its origin in a participation system; Chapter 3 read the five ways it fails. This one reads it through the lens Ammanuel Santa Anna develops in *Ecstatic Economics* and in the Luminous 100: a firm as a living system, and gainsharing as one of the ways that system keeps its circulation open.

Wealth as a current

Santa Anna's book draws a distinction early that does most of the work in what follows. Writing about the anthropology of gift economies, from Marcel Mauss onward, he describes societies in which economic life was organised around circulation rather than accumulation, and he puts the difference in two short sentences:

> *Wealth was not something you had. It was something you moved.*[29]

He is careful about the history. The same passage goes on to say that gift economies could be coercive, that the potlatch could impoverish, and that the point is to learn the principle without romanticising its setting. The principle, stated a few paragraphs later, is the one that matters for a firm:

> *wealth that does not circulate is not wealth. Prosperity that does not connect is not prosperity.*[29]

Apply that to a factory, a clinic, a software team. There is a kind of wealth in every working organisation that does not appear on its balance sheet: what the people doing the work know about how it could be done better. Where the machine sticks. Which supplier's parts fail. Which handover loses information.

Which step exists only because someone once needed it. That knowledge is held in bodies and habits on the floor. In most firms it stays there.

The conventional firm treats this as a motivation problem: people do not volunteer what they know because they lack an incentive. The living-systems reading treats it as a circulation problem. The knowledge does not move because there is no channel for it to move along, and because, when it has moved before, nothing came back. A blood vessel that carries nothing in one direction soon carries nothing in the other.

Two currents, not one

Read this way, a working gainsharing plan has two currents, and the bonus is only part of one of them.

The first current runs up. Knowledge moves from the people who do the work to the people who can change the system: through the suggestion, the committee, the conversation at the board. Scanlon's committee structure was a vascular system for that knowledge. It gave ideas a route that did not depend on a single supervisor's attention.

The second current runs back down. Three things return. An answer to every idea, with a reason if it is declined. Visibility of the shared measure, so people can see whether what they did changed anything. And, when the measure moves, a share of the gain. Of the three, the answer is the most frequent and the least expensive, and it is the one most firms neglect.

When both currents run, the gain is not the purpose of the plan. It is a sign that the circulation is working, in the way a healthy pulse is a sign that blood is moving rather than the reason the heart beats. And when the money stops, as it did in the Hanlon experiment, the currents do not necessarily stop with it. The channel for ideas and the habit of answering can survive the end of the bonus, because they were never only about the bonus.

Santa Anna's book has a line for this, written about self-managing organisations rather than gainsharing plans, that names the second current exactly:

> *trust circulates, and where trust circulates, value flows*[30]

The order in that sentence is worth noticing. Trust first, value after. A plan that tries to make value flow by paying for it, without first building the channel that trust travels along, has the order backwards.



What the research says about the up-current

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What the research says about the up-current

The organisational learning research on gainsharing is the strongest support for this reading, because it studied the up-current directly.

Jeffrey Arthur and Lynda Aiman-Smith analysed the suggestions employees submitted over the first four years of a gainsharing plan at one plant, and proposed a model of gainsharing as an organisational learning system.[31] Their interest was not only whether people made suggestions but what kind: whether, as a plan matured, ideas moved from simple fixes within an existing process towards ideas that questioned the pro-

cess itself. That second kind, which learning theorists call second-order learning, is the knowledge most valuable to a firm and most risky for the employee who offers it, because it often implies that something a manager designed was wrong.

Arthur and Dong-One Kim followed this with a comparison of two organisations with similarly structured plans but different degrees of cooperation between labour and management.[32] Their hypothesis was that employees' willingness to share high-risk knowledge depends on trust: that union support and involvement would increase people's initial acceptance of the risk built into a variable reward, and their willingness to take on further risk over time. The results, they report, generally supported the hypothesis.

Two plants are not a population, and a finding that "generally supports" a hypothesis is not a law. But the direction is clear and it matches the living-systems reading. The up-current carries more, and more valuable, knowledge when the channel is trusted. The same plan design produced different flows in two places because the relationships through which it ran were different.

Where the circulation blocks

If the plan is a circulation, its failures are blockages, and the five critiques of Chapter 3 can be read again in that light.

The unanswered suggestion is the simplest. An idea that goes up and receives nothing back teaches the person who sent it that the channel is decorative. Ten unanswered ideas teach a department. The Luminous 100, Santa Anna's upgrade of the hundred frameworks consultancies most often teach, reads Lean thinking's seven wastes in exactly these terms. Of waiting, the waste of work standing still between steps, it says:

> *waiting reveals a flow blockage where developmental energy is pooling*[33]

An idea that waits three months for an answer is energy pooling. The person who had it does not stop thinking; they stop sending.

The ratchet is a blockage in the down-current. A group that improves and finds its target raised has received, as its return, a harder target. The circulation now runs one way: effort goes up, nothing comes back. The free-rider problem is a blockage of visibility: people who cannot see each other's contribution cannot respond to it. The supervisor who resists the committee is a valve closing at the point where the old structure feels threatened. And the measure that moves with the weather is a signal that no longer tells the organism anything about its own health.

This is the practical value of the reading. It turns a list of design faults into a single question that can be asked of any plan at any time: where is the current not running?



The soil and the fruit

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The soil and the fruit

The same upgrade in the Luminous 100 offers a second image that fits gainsharing closely. Its reading of Google's Project Aristotle, the study of what made teams effective, treats the five factors the research named as parts of one living team rather than separate dials to turn, and ends on a sentence that could be posted above any incentive design meeting:

> *you cannot produce fruit by optimizing the fruit; you must nourish the soil.*[34]

The gain in a gainsharing plan is fruit. It is the visible result of a team that has found a better way to work. A plan designed around the fruit alone, with care spent on the split, the cap and the payout frequency, is trying to produce fruit by attending to fruit. The soil is the circulation: the answered idea, the visible measure, the trusted channel, the supervisor who brings ideas forward rather than guarding against them.

Santa Anna's book makes the corresponding claim about structure and culture directly. Writing about benefit corporations, he argues that organisations cannot reliably produce one kind of culture inside a structure built for another, and states the conclusion without qualification:

> *you cannot reliably produce ventral vagal organizational culture within sympathetic-activation corporate structures.*[35]

The language is the book's own, drawn from polyvagal theory: the difference between a nervous system in social engagement and one in defensive activation. Read for gainsharing, the claim is that a plan which asks people to share risky knowledge, inside a firm whose structure still punishes the bearer of bad news, will not get the knowledge. People in a defensive state do not volunteer that the process their manager designed is wrong. The plan has to change the structure enough that offering the idea feels safe, or the up-current will carry only the safe ideas.

What this reading changes for a leader

The living-systems reading is only worth having if it changes what a leader does on an ordinary Tuesday. It changes five things.

It moves the first investment from the formula to the channel. Before any discussion of shares, build the route by which ideas travel and the promise that they will be answered. Measure the channel: ideas received per month, median days to answer, share implemented. These are the vital signs. A plan with no reading on them is a plan whose health is unknown.

It makes the answer the most important payment. The bonus is paid occasionally. The answer is paid every time someone speaks. A firm that answers every idea within a week, with a reason, is paying its people in the currency the Hanlon experiment suggests outlasts money: the experience of being heard by the system they work in.

It reads failure as a location, not a verdict. When a plan stalls, the question is not whether gainsharing works. It is where the circulation has blocked: the up-current (no ideas), the answer (ideas but no replies), the measure (replies but no visible change), or the share (visible change but nothing returned). Each location has a different remedy.

It treats the end of the bonus as survivable. Plans end, because firms are sold, markets turn and formulas age. A plan built on circulation can lose its bonus and keep its channel. A plan built on the bonus alone

loses everything at once. If the Hanlon result holds even partly, the work of building the channel is not lost when the money stops.

It applies at the scale of a kitchen table. The same reading holds for a practice of four, a family business or a household that keeps a shared budget: the people closest to a cost usually know the most about it. Chapter 11 takes the reading to that scale. The scale changes the furniture, not the circulation.

There is one finer point that applies at every scale, and it is the one most often missed. The down-current has to reach the person, not only the group. A plant that posts "defects down eleven per cent" has returned a measure. A plant that posts "defects on line three down after the night-shift card about the sealing jaw", with the name of whoever wrote it, has returned an answer, a measure and a recognition at once, and has told everyone else on the floor that cards are read. The circulation is felt by individuals even when the gain is shared by the group.

Santa Anna's book, discussing what makes worker ownership different, describes a change in orientation that gainsharing at its best begins to produce without changing ownership at all:

> *This felt ownership changes everything.*[36]

The companion book on employee ownership reads what happens when that felt ownership is made legal. The companion book on gift and reciprocity reads the experimental evidence that people answer generosity with effort, which is the down-current studied in a laboratory. Chapter 5 works through the published cases, figure by figure.

Three months after

Three months after the bonus ended, in a plant whose name the study does not give, people who had been asked and answered were still a little more committed to one another than the people who had not. The money had gone. The channel, for a while at least, was still open.

The Tool: The Circulation Map

Draw this on one page for any team or unit, with or without a gainsharing plan. Fill it from records where they exist and from honest estimates where they do not, and mark which is which. Repeat it every quarter.

1 · The up-current (knowledge moving towards the people who can change the system)

Routes by which an idea can travel today:

- Ideas received last quarter: ___ · from how many different people: ___ · team size: ___
- Share of ideas that questioned a process rather than fixing a fault inside it (estimate from the last twenty): ___ of 20

2 · The answer (the first return)

- Median days from idea to written reply, last twenty ideas: ___
- Ideas still unanswered after thirty days: ___
- Ideas declined with a stated reason: ___ · declined with no reason: ___

3 · The measure (the second return)

The number this team can see that tells it whether its ideas changed anything:

How often the team sees it: · Who shows it to them:

- Implemented ideas last quarter whose effect on the measure was reported back to the person who had the idea: ___ of ___

4 · The share (the third return)

What, if anything, returns to the team when the measure improves (recognition, time, training, money):

Has the target ever been raised because the team beat it? yes / no · when:

5 · Where the current blocks

- Tick the first stage where the flow falls off sharply: up-current / answer / measure / share

The one change that would reopen that stage this quarter: · Owner:

The vital sign that will show whether it worked, and its value today:

6 · The soil

- Is it safe, in this team, to say that a process a manager designed is wrong? yes / sometimes / no

The most recent example of someone saying so, and what happened next:

A NOTE FROM THE HOUSE

The circulation map shows where a plan's current stops: the idea never answered, the measure nobody sees, the share that never returns. Opening those four stages is the whole of a gainshare. Luminous Prosperity Inc. does this work inside organisations, and is paid as a share of the gain it helps find.

REQUEST A CONVERSATION

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