

THE GAIN WAS ALWAYS SHARED · CHAPTER SIX

Talk Is the First Return

Chapter Six of The Gain Was Always Shared

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Talk Is the First Return
Chapter Six of The Gain Was Always Shared

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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

Most of the gainsharing literature was written about factories. The mill in Chapter 2, the Scanlon plant in Chapter 5, the hundred and twelve Improshare firms: these are places where output can be counted in cases, tonnes or defects per thousand, and where an idea about a sealing jaw can be traced to a line on a chart. A reader who runs a clinic, a law office, a software team, a call centre or a logistics desk is entitled to ask whether any of it applies to work whose product is a service, a decision or a conversation. There is a small body of careful research that answers the question, and it comes from service firms. This chapter reads three studies from it. Two of them come from one research programme, conducted by Susan Hanlon and Robert Taylor, later joined by David Meyer, in a firm in the priority package delivery industry. The third, by Theresa Welbourne and Claudia Ferrante, comes from a firm offering customs brokerage and freight-forwarding services. None of the three is large.

CHAPTER SIX

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A plan in a delivery firm

Most of the gainsharing literature was written about factories. The mill in Chapter 2, the Scanlon plant in Chapter 5, the hundred and twelve Improshare firms: these are places where output can be counted in cases, tonnes or defects per thousand, and where an idea about a sealing jaw can be traced to a line on a chart. A reader who runs a clinic, a law office, a software team, a call centre or a logistics desk is entitled to ask whether any of it applies to work whose product is a service, a decision or a conversation.

There is a small body of careful research that answers the question, and it comes from service firms. This chapter reads three studies from it. Two of them come from one research programme, conducted by Susan Hanlon and Robert Taylor, later joined by David Meyer, in a firm in the priority package delivery industry. The third, by Theresa Welbourne and Claudia Ferrante, comes from a firm offering customs brokerage and freight-forwarding services. None of the three is large. All three are useful, because they looked at something the factory studies mostly did not: what happens between people while a plan runs.

The answer they give is the title of this chapter. In service work, before any money moves, the first thing a gainsharing plan changes is how people talk to one another. Talk is the first return. A leader who understands that will design the first year differently, measure it differently, and be less surprised by what survives.

What Hanlon and Taylor watched

In 1991 Hanlon and Taylor published a study in *Group & Organization Studies* of a self-designed gainsharing plan adopted by a firm they describe as a Fortune Service 500 company in the priority package delivery industry.[45] Two features of that description matter before anything is said about the results.

The first is the phrase *self-designed*. The plan was not bought from a consultant as a finished product. The firm built it. Chapter 5 read the disagreement between two reviews about outside help, and resolved it into a practice: use outside help to build a participation system, not to operate one. A self-designed plan sits at one end of that range, and the study cannot tell us whether its results depended on that fact. It is still worth noticing that the best-designed service study in this literature was of a plan the firm owned from the start.

The second feature is the design of the research. The authors report that theirs was the first gainsharing study to use control groups together with measurements taken before and after the plan began, in a quasi-experimental field design. That is a modest-sounding claim and an important one. Most of the evidence in this book's earlier chapters is either a single site measured over time or a survey of firms that still had their plans. A control group lets a researcher ask whether a change in the plan's group also happened, for other reasons, in a comparable group that had no plan. It does not make a field study into a laboratory, and the

abstract does not tell us how the groups were chosen or how alike they were. But it is the right instinct, and it is rarer in this field than it should be.

What they measured was communication. Specifically, the study focused on changes in work-group communication behaviours after the plan was installed. Their finding, as the abstract states it, is that during the early stages, the first six months of what they call a successful gainsharing programme, positive job-related communication and the communication of ideas increased among the people covered by the plan.

That is the whole of the result available from the abstract, and it is enough to carry an argument. In the first six months, before a plan has had much time to pay anything, people under it began to talk more about the job and to pass more ideas to one another. The authors drew a conclusion for researchers that is equally a conclusion for leaders: that the fruitful approach is to study the *intervening* effects of gainsharing, the process through which it operates, rather than looking only at the economic outcomes at the end.

Why the talk comes first

The house's reading, set out in Chapter 4, describes a working plan as two currents: knowledge moving up towards the people who can change the system, and answers, visibility and a share of the gain moving back. Hanlon and Taylor's result shows the up-current starting to run before the down-current has carried much money. People spoke first. The money, where it came, came later.

There is a plain reason for that order. A shared measure changes what is worth saying. Under individual pay, or under a salary unconnected to any group result, telling a colleague how you save ten minutes on a route is a favour; it may even be a small loss, if the two of you are compared. Under a shared measure, the same remark has become a contribution to something you both hold. The plan has not made anyone more generous. It has changed the meaning of a sentence.

Ammanuel Santa Anna's *Ecstatic Economics* describes the condition that makes this possible in its list of design principles for what it calls the vitality-centred workplace. The fourth principle is feedback, and the book states the cost of its absence in the language of a body:

> *Organizations that suppress feedback — through hierarchy, blame cultures, or information hoarding — create the economic equivalent of a body that can't feel pain*[46]

A delivery firm whose drivers, sorters and dispatchers do not tell one another what they notice cannot feel where its routes hurt. The finding from Hanlon and Taylor is, read this way, the first evidence of sensation returning. More talk about the job is more information moving through the organism. More ideas exchanged is the organism beginning to correct itself.

The finding also explains something the factory studies could only infer. Chapter 5 noted that much of the measured gain in the Improshare firms and in the Hatcher and Ross plant came from fewer defects and less

downtime rather than from people working faster. In a factory, it is easy to assume those gains came from individual insights: one operator, one machine, one card. The service study suggests a broader mechanism. The gains may come from people talking to each other about the work more often, so that what one of them knows reaches the person who can use it. In service work, where the product is coordination, that is very close to being the product itself.



When the bonus was taken away

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When the bonus was taken away

The second study in the programme is the one Chapter 4 opened with. Hanlon, Meyer and Taylor followed the same kind of plan through an event most researchers never get to observe: its end. In a paper first presented to the Academy of Management in 1992 under the title "Reversal of a Successful Gainsharing Program: Experimental Evidence of Residual Effects", and published in fuller form in *Group & Organization Management* in 1994, they measured employees' attitudes, behaviours and cognitions during the plan and after the group bonus was eliminated.[47]

Three months after the bonus ended, the group that had been under the plan showed higher moral commitment, more prosocial behaviour and less intention to leave than the control group.

The proceedings title adds a word to what the 1994 abstract says. It calls the programme *successful*. The plan was not ended because it failed. The abstracts do not give the reason it was ended, and this chapter does not supply one. What they make possible is a reading of what a plan leaves behind when the money stops for reasons unconnected with whether it worked: a change in ownership, a budget decision, a new management. Those reasons are common. Chapter 5 read Dong-One Kim's finding that sound financial health and capital investment were associated with a plan's survival, which implies that plans also end for reasons that have little to do with how well they work.

The residue the study found is relational. Moral commitment is the sense that one ought to stay with the group. Prosocial behaviour is help offered beyond what the job requires. Lower intention to leave is a preference to remain among these people. None of these is a productivity figure. All three are what one would expect if the plan's months of increased job talk and idea exchange had built something between people, and if that something was not dissolved the moment the cheque stopped.

The limits are plain. One firm. Three months after the end. Attitudes and behaviours measured, not long-run output. The study cannot say whether the residue lasted a year, or whether a firm that ended a plan clumsily, with a broken promise rather than an explanation, would see the opposite. Chapter 7 reads a case of exactly that kind. But the direction of the finding is the direction this book has argued from the start. If a plan's first return is talk, and talk builds relationship, then the relationship is the part that can outlive the money.

Santa Anna's book, in its chapter on policy and governance, makes an observation about citizens and their institutions that transfers to the people in a delivery firm almost unchanged:

> *Trust, it turns out, is extraordinarily efficient. Suspicion is extraordinarily expensive.*[48]

The study does not measure trust directly. But commitment, helping and staying are what trust looks like from the outside, and a firm that keeps them after a plan ends has kept something it would otherwise have had to buy.

Watching one another, and what a manager makes of it

The third study asks a question the first two take for granted. If a gainsharing plan works partly because people pay more attention to one another's work, how do managers respond to that attention?

The free-rider objection, read in Chapter 3, assumes that group rewards fail unless colleagues watch each other. Eugene Kandel and Edward Lazear's answer to it was peer pressure and mutual monitoring. Welbourne and Ferrante point out, in the opening of their 2008 study, that this answer contains an untested assumption: that employees will in fact monitor one another, and that their managers will support them when they do.[49]

They tested it with 203 employees in a firm providing customs brokerage and freight-forwarding services, under two pay conditions: traditional merit pay, and merit pay combined with gainsharing. They distinguished two kinds of peer monitoring. *Observational* monitoring is noticing what one's co-workers are doing. *Advisory* monitoring is reacting to it: saying something, offering a correction, suggesting another way.

Observational monitoring was positively associated with managers' performance ratings of the worker under both pay conditions. Managers liked people who paid attention. Advisory monitoring was different. Under gainsharing it was positively related to the manager's rating of the worker. Under traditional merit pay it was negatively related.

Read that slowly, because it is one of the most practically useful findings in this book. The same behaviour, an employee telling a colleague that something could be done better, was rewarded by managers in one pay system and penalised in the other. Under merit pay, the employee who speaks up about a colleague's work looks, to a manager, like someone who is overstepping, or perhaps someone who is competing. Under gainsharing, the same employee looks like someone looking after a shared result.

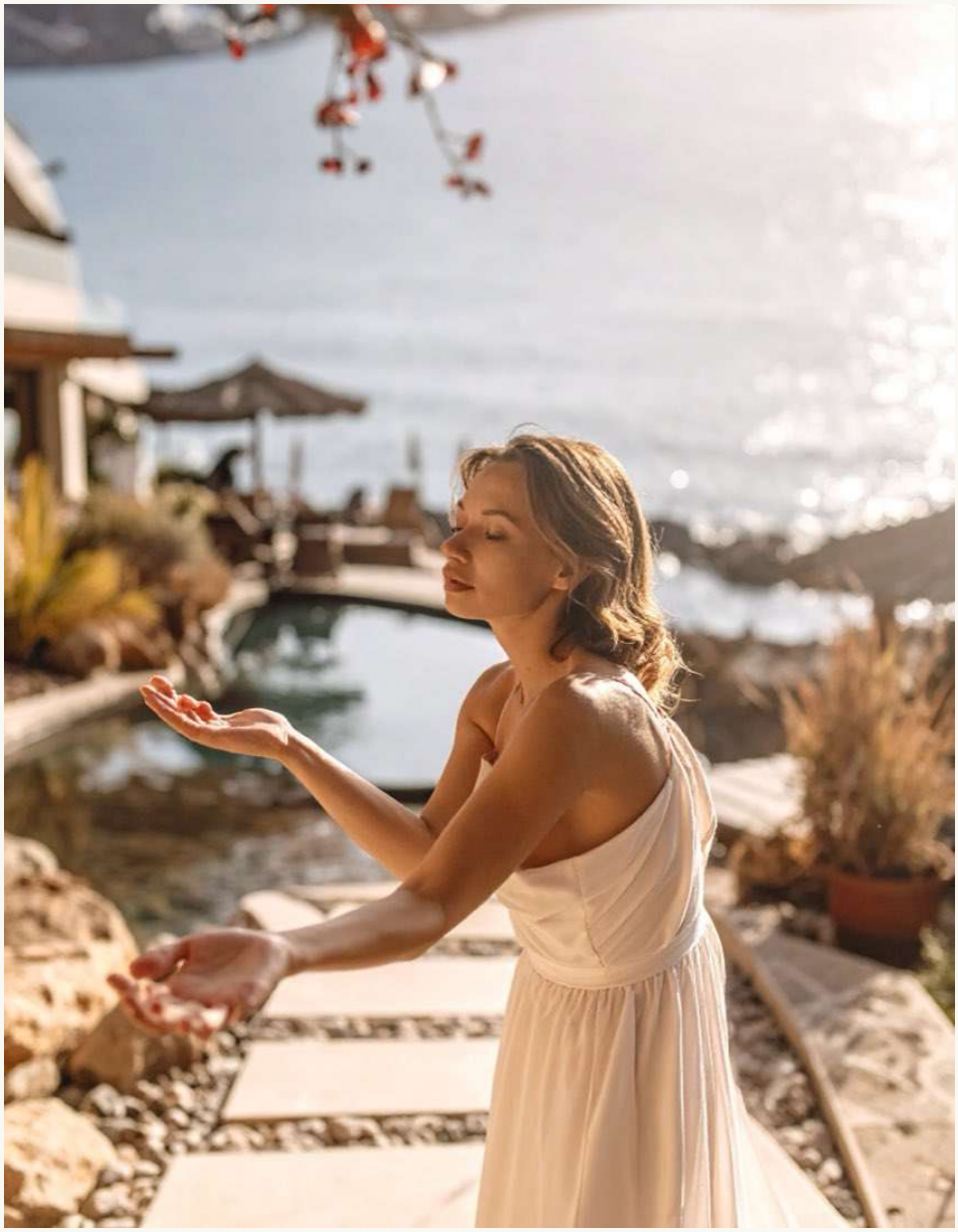
What the study shows is an association in one firm, measured through managers' ratings. It cannot show that the pay system caused managers to rate differently; other differences between the groups may have contributed, and the abstract does not say how the two conditions were assigned. It cannot tell us whether the employees themselves felt the same difference. But it reaches directly into the place Chapter 3 identified as the plan's most fragile joint: the supervisor. A supervisor's rating is one of the clearest signals an employee receives about which behaviours are safe. If advisory monitoring is rated down, people stop advising, and the up-current narrows to the remarks that offend nobody.

Santa Anna's book puts the general principle without qualification:

> *safety produces better outcomes than fear.*[50]

Welbourne and Ferrante's result shows what that principle looks like at the level of a single performance review. The safety to tell a colleague something useful is not only a matter of culture. It is written into how a manager scores the person who said it. A leader who introduces a shared measure and leaves the rating

system unchanged has asked people to speak up and then kept a scoring rule that, in at least one firm's evidence, punished them for it.



The finer points for a service leader

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The finer points for a service leader

The three studies, read together, give a leader in service work six points of practice. Each is drawn from what the studies found, and each states what they cannot show.

Measure the talk. Hanlon and Taylor measured communication behaviours because they thought it was where the plan acted first. A service firm can measure something similar without a research team: how often ideas are raised in team meetings, how many cross-team suggestions arrive, how often people ask a colleague in another role for help. These are noisy counts. They are also the earliest available signal that a plan is doing anything, months before the shared measure has had time to move.

Expect the first six months to show in conversation, not in the measure. The service study found its effects in the early stage of the plan. A leader who looks only at the outcome measure in that period, and sees little movement, may conclude the plan is failing while the up-current is just beginning to run. Write down before the plan starts what the first six months are for: more talk about the work, more ideas moving between people. Judge them on that.

Change the rating before you launch the plan. If supervisors' ratings still reward individual output and penalise people who comment on others' work, the Welbourne and Ferrante result suggests the plan will be fighting its own appraisal system. Add one line to every supervisor's review of their staff: whether the person helped a colleague improve, and how. Add one line to every supervisor's own review: whether the people who spoke up in their team were rated fairly for it.

Teach the difference between noticing and advising. Observational monitoring was rated well under both systems. The harder behaviour, and the one that carries the value, is advisory: saying something. People need language for it that does not sound like an accusation. A short shared form helps: *I noticed this; here is what I have seen work; what do you think?* It is small, and it is the difference between a team that watches and a team that improves.

Plan for the end as well as the start. The residual-effects study suggests that some of what a plan builds can survive the end of its bonus. A leader can make that more likely by deciding in advance which parts of the participation system are not tied to the money: the meeting, the answer rule, the visible measure, the habit of naming who found what. If those are written into the way the team works, rather than into the bonus document, they do not end when the bonus does.

Do not read service evidence as a forecast. Two firms, three studies, results stated in abstracts. They are the right direction and the wrong size of evidence for a prediction. A service leader should treat them as Chapter 3 suggested treating every figure in this literature: as reasons to run their own plan as a study, with a before, a comparison and a written expectation.

A composite: the clinic front desk

What follows is a composite, built for teaching. It is not a real organisation, its details were set by the writer, and it describes the participation system only, not any reward design.

A physiotherapy practice of thirty people across two sites has a problem that every person on the front desk can describe and nobody has fixed. Patients arrive without the referral letter their insurer needs. The front desk spends part of every morning on the telephone. Clinicians start late. Patients wait.

The practice manager introduces one practice before anything else. Every Tuesday, the two front desks and one clinician from each site hold a fifteen-minute call. Each person brings one thing they noticed about the week. The manager's only role is to write the notes and answer, within a week, any idea that needs her decision.

For the first month the calls are mostly complaints. In the second month the receptionist at the smaller site says that her colleague at the larger site has a way of reminding patients about letters by text the day before, and asks how she does it. The larger site's receptionist explains. The smaller site adopts it. Nobody had told anyone to share it. It had simply never been anybody's business to ask.

In the third month the clinician at the larger site says, carefully, that the front desk at her site books new patients into the first slot of the day, which is the slot most likely to be lost to a missing letter, and wonders whether they could go later. It is the advisory kind of remark: a comment on someone else's work. The manager notes it and, in the receptionist's next review, records it as a contribution from both of them, the clinician for raising it and the receptionist for trying it. Late starts fall over the following weeks. The practice posts the late-start count on the staff-room wall.

The composite is not evidence. It is an illustration of the order this chapter recommends for service work: talk before money, a rating that rewards the advisory remark, and a visible count that lets people see their conversation change something.

What this case adds to the book

Chapter 5 worked through factory evidence and found the gains concentrated in quality and downtime. This chapter adds the mechanism by which, in service work at least, those gains are likely to arrive: people talking more about the job, passing more ideas to one another, and feeling safe to comment on each other's work when the pay system and the rating system say that is what a good colleague does.

It also adds something to the living-systems reading. Santa Anna's book lists, among the vitality-centred workplace's design principles, one about authority:

> *When authority is distributed to the people closest to the work, creativity and ownership become possible*[51]

The service studies show a modest, concrete version of that. The authority distributed is not the power to hire or to set budgets. It is the standing to say to a colleague, *I think there is a better way*, and to be rated

well for it. It is the smallest unit of distributed authority there is, and it may be the one from which the larger ones grow.

The book's sister volume on gift and reciprocity, gift and reciprocity, reads the laboratory evidence on why an act of attention tends to be returned. The service studies are a field version of the same pattern. A plan that changes what people say to each other gives them something to return.

The Tool: The Conversation Ledger

Use this for the first six months of any participation system in service work, before the shared measure has had time to move. Keep one page per month. Every entry is a count, a date or a quotation, not an opinion.

Header

Team or unit: · People covered: ___ · Month ___ of 6 · Comparison team (if any, and why it is comparable):

1 · Talk about the work

- Regular meetings where anyone can raise an observation: ___ held of ___ scheduled
- Observations raised in those meetings this month: ___ · by how many different people: ___
- Questions asked across roles (one role asking another how they do something): ___

2 · Ideas moving between people

- Ideas passed from one person or team to another and adopted without a manager's instruction: ___

One example, in the words of the person who adopted it:

3 · Noticing and advising

- Advisory remarks recorded (one person suggesting a change to another's work): ___
- Of these, how many were taken up: ___ · how many caused friction: ___

The shared phrase this team uses for an advisory remark:

4 · The rating

- Does each person's review include whether they helped a colleague improve? yes / no
- Does each supervisor's review include whether people who spoke up were rated fairly? yes / no

Any case this month where someone who made an advisory remark was rated down for it: yes / no · what was done:

5 · The measure (watched, not yet judged)

Outcome measure chosen: · this month: ___ · same month last year: ___

Written expectation for month six, set before month one:

6 · What survives

Parts of the participation system written into how the team works, independent of any bonus: meeting / answer rule / visible measure / naming who found what / other:

If the reward ended tomorrow, which of these would continue?

A note on method

The physiotherapy practice in this chapter is a composite built for teaching. It is not a real organisation and its details were set by the writer.

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