

THE GAIN WAS ALWAYS SHARED · CHAPTER SEVEN

Promises, Prices and the Operating Room

Chapter Seven of The Gain Was Always Shared

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Chapter Seven 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

The cases in Chapters 5 and 6 are, on the whole, encouraging. A plant that left piecework and saw defects fall. A Scanlon plant watched for up to nine years. A delivery firm whose people began to talk more about the job. They are the right cases to read first, because they show what the idea looks like when it works. This chapter reads two rooms where it is harder. The first is a firm whose Scanlon plan ran into trouble, studied closely by an ethnographer who stayed long enough to see why, and read beside Denis Collins's work on plans that failed. The second is the cardiac catheterisation laboratory, where a set of American hospitals shared savings with the physicians who worked in them, and where the most careful study found that the gain came mostly from somewhere other than where one might expect.

CHAPTER SEVEN

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Two harder rooms

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This chapter reads two rooms where it is harder. The first is a firm whose Scanlon plan ran into trouble, studied closely by an ethnographer who stayed long enough to see why, and read beside Denis Collins's work on plans that failed. The second is the cardiac catheterisation laboratory, where a set of American hospitals shared savings with the physicians who worked in them, and where the most careful study found that the gain came mostly from somewhere other than where one might expect.

Each room teaches one thing the earlier cases could not. The first teaches what happens when a plan is used as a bargaining chip and a promise is broken. The second teaches the question every leader should ask before a single gain is shared: where, exactly, did it come from? Both end in the same place. A shared gain is honest only when the people sharing it can see its source, and when the thing the organisation exists to protect has been protected on the way.

The first room: a promise broken

In 1991 Kenneth Thornicroft published a qualitative, ethnographic study in *Employee Relations* with a title that names its subject in nine words: "Promises Kept, Promises Broken: Reciprocity and the Scanlon Plan".[52] It investigates the particular problems one American firm experienced when it implemented a Scanlon productivity gainsharing plan.

The abstract states two conclusions, and they are worth reading as the author wrote them rather than paraphrased into something stronger.

The first is that such plans should not be treated as simple quid pro quos for collective bargaining concessions, because they necessarily pose significant impediments to the maintenance of the status quo. The phrase carries a whole history. A firm under pressure asks its union for concessions, on wages or work rules, and offers a gainsharing plan in exchange: give up something certain now, and share in what you help us save. On paper the trade is clean. Thornicroft's argument is that it misunderstands what the plan is. A Scanlon plan is not a payment. It is a change in how decisions are made, and a firm that installs it as a payment, intending to keep everything else as it was, has bought a change it does not intend to make.

The second conclusion is that successful implementation requires both a sound programme structure, especially concerning the bonus formula, and a change in the organisation's culture whereby all employees are able to participate meaningfully in decision-making.

The word *both* carries the weight. Thornicroft does not say that the formula is unimportant; he names it specifically. He says that a sound formula is not sufficient. The participation has to be real.

The abstract does not tell us the firm's name, its industry, the content of the promises or exactly which were broken. This chapter does not supply them. What the title supplies is the mechanism. The study is about reciprocity, and its title divides promises into two kinds. Some were kept. Some were broken. An ethnographer who frames a study that way has found that what decided the plan's course was not the arithmetic but whether the people in it believed the other side would do what it said.

Reading Thornicroft beside Collins

Chapter 3 introduced Denis Collins's work: a 1996 article on the lessons of one gainsharing plan's death, and a 1998 book, *Gainsharing and Power*, built on close study of six Scanlon-type plans.[53] Read beside Thornicroft, the two bodies of work describe the same failure from two angles.

Collins's angle is power. The tenth chapter of his book is titled "Power Games, Outcomes, and Lessons Learned of Scanlon-Type Gainsharing Plans". The common reading of his work, which Chapter 3 followed, is that plans fail less often because the formula is wrong than because participation is never real: managers keep the right to decline ideas without reasons, committees become places where managers report and employees listen, and supervisors experience the plan as an audit.

Thornicroft's angle is promise. A firm that offers a plan in exchange for concessions has made a promise about the future: that ideas will be heard, that gains will be returned, that the new arrangement means what it says. When the culture does not change, the promise is broken not by a single act but by a thousand small ones. An idea declined without a reason. A committee meeting cancelled. A base raised after a good year. Each is minor. Together they tell the people who gave up something certain that what they received in exchange was not real.

Ammanuel Santa Anna's *Ecstatic Economics* has a sentence about governance that names the felt experience on the far side of a broken promise. It is written about citizens and the state, and it describes a workforce after a plan has gone wrong with uncomfortable precision:

> *a felt sense of being governed at rather than governing together*[54]

A plan offered as a trade and run without real participation leaves people governed at. The committee exists, the formula exists, and the people on the floor experience both as things done to them. Collins called the result power games. Thornicroft called it a broken promise. The book calls it a felt sense, and it is right that it is felt before it is analysed. People know the plan is hollow long before any survey asks them.



What the first room asks of a leader

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What the first room asks of a leader

The case is a warning, but a warning with a shape, and the shape gives a leader four specific practices.

Do not offer a plan as the price of a concession. If a firm needs concessions, ask for them as concessions, with the reasons, and negotiate them on their merits. If it wants a participation system, build one because it wants one. Bundling the two tells everyone that the plan is a sweetener, and it puts the plan's credibility at the mercy of the bargaining relationship at its worst moment. Where the two genuinely must come to-

gether, as they did in the failing mill of Chapter 2, say plainly what is changing in how decisions are made, and do it before the first payment, so that people can see the change is real.

Write the promises down, and keep a ledger of them. Thornicroft's title implies that the people in his firm were counting. They always are. A firm can make the counting visible and honest by listing every promise the plan makes, about answers, about the measure, about the base, about jobs, and recording each month whether it was kept. A promise that has to be broken, for a real reason, should be broken in the open, with the reason, by the person who made it.

Treat the formula and the culture as one design problem. Thornicroft named both. A firm that spends six months on the formula and an afternoon on participation has decided which one it believes in, and its people will read the decision correctly.

Keep a record of what fails. Collins's 1996 article exists because someone stood by a plan's grave long enough to write fifteen lessons. Thornicroft's study exists because someone stayed in a troubled firm long enough to see why. A leader can do the same thing internally, and should.

The second room: the catheterisation laboratory

The second case comes from a field where the word *gainsharing* means something rather different, and where the difference is instructive.

In American healthcare, gainsharing has come to describe arrangements in which a hospital shares with physicians some of the savings that result when costs fall. The physicians are often not employees of the hospital, which is part of why the arrangements were legally sensitive. In 2008 Jonathan Ketcham and Michael Furukawa published a study in *Health Affairs* of thirteen such programmes, approved by the Office of Inspector General of the Department of Health and Human Services, and their effects on patients receiving coronary stents.[55]

Their abstract reports four findings.

Compared with other hospitals, the gainsharing hospitals reduced costs by seven point four per cent per patient.

Of those savings, ninety-one per cent came from lower prices and nine per cent from lower utilisation.

The available measures of access and quality suggested that neither was reduced.

Nor was access to drug-eluting stents reduced, before 2006.

Each of these findings needs careful reading, and the second needs the most.

Where the gain came from

A reader who arrives at this case from the mill and the Scanlon plant brings an expectation. Gainsharing, in the industrial tradition, rewards people for finding better ways to work: fewer defects, less downtime, less waste. In a catheterisation laboratory one might expect the equivalent to be fewer devices used per procedure, fewer unnecessary tests, a smoother sequence in the room.

The study found that about nine-tenths of the savings came from lower prices. Only about one-tenth came from using less.

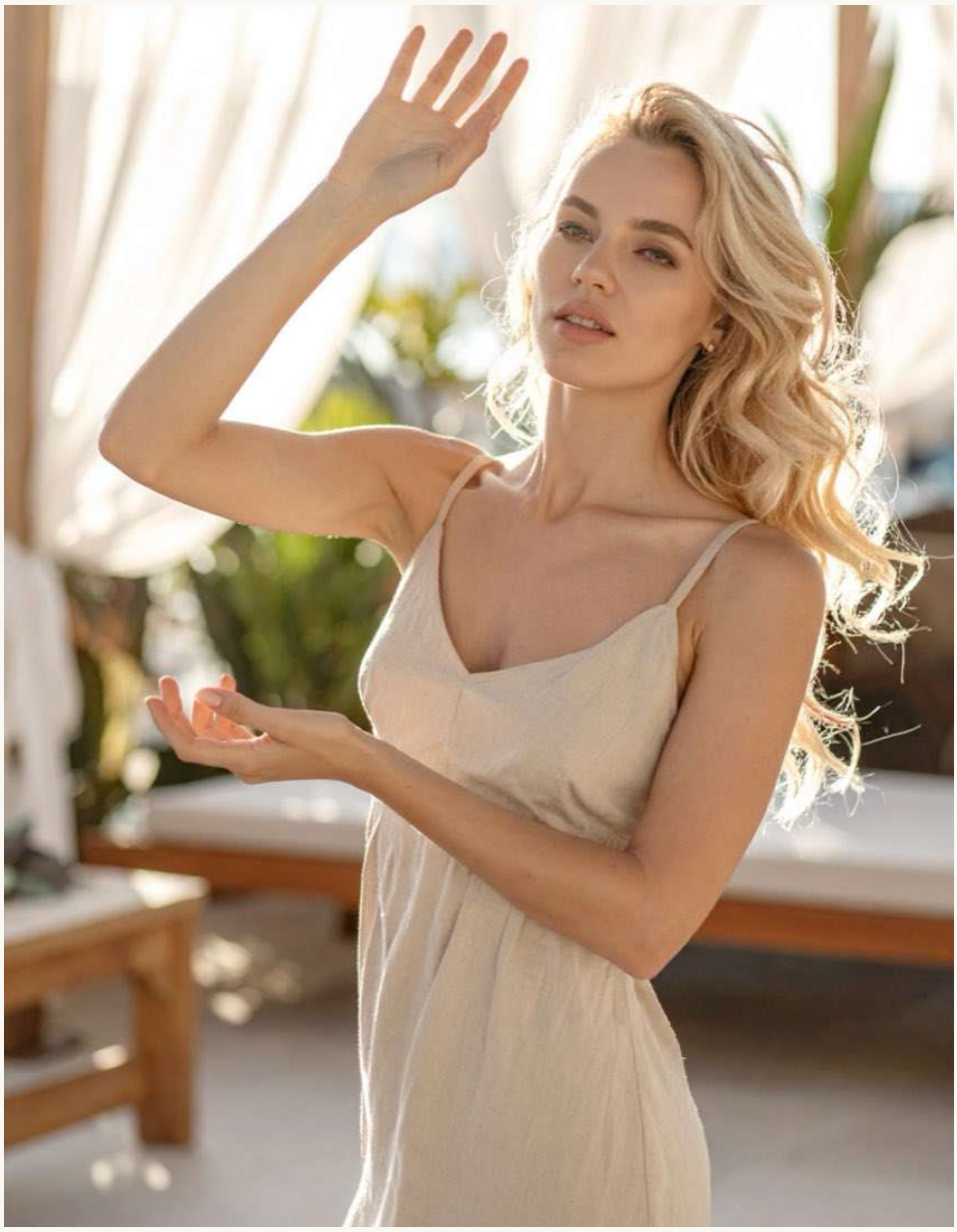
The abstract does not explain the mechanism behind the lower prices, and this chapter does not supply one. What can be said is what the finding means for anyone designing a shared-savings arrangement. A cost measure moves for two quite different reasons: because people change what they do, and because the organisation pays less for what it buys. Both are real savings. They are not the same kind of gain, and they do not rest on the same knowledge.

Chapter 2 asked of any shared measure: *if the people in this room changed how they work, would this number move, and would they be able to see why?* Chapter 3 read the fourth critique of gainsharing, that a measure moves for reasons nobody inside the group controls. The cardiology case adds a refinement. A measure can move because of something the group does influence, such as which devices are chosen, which can in turn change what the organisation pays, without anyone in the room working differently in the clinical sense. That is neither illegitimate nor the same thing as the night-shift operator's idea about a sealing jaw. A leader who wants to know what the organisation is actually rewarding has to separate the two.

Santa Anna's book, writing about wellbeing measures that governments adopted in place of growth figures alone, gives a sentence that holds at the scale of one shared measure:

> *The framework is necessary but not sufficient.*[56]

A cost measure is a necessary frame. It is not sufficient to show what kind of improvement occurred. The study shows the value of taking a measure apart: not only *did costs fall*, but *how much of the fall came from price and how much from practice*. That decomposition is what lets the people inside an arrangement see what they are sharing.



The guardrail

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The guardrail

The other half of the cardiology finding is the half that should be read first by any leader in a field where the product is care.

The obvious risk of rewarding cost reduction in medicine is that it reduces care. A physician rewarded for using fewer or cheaper devices has, at least in principle, an incentive to use fewer or cheaper devices than a patient needs. The Office of Inspector General's involvement reflects exactly that concern. Ketcham and

Furukawa's abstract states the concern directly before reporting the finding: that while gainsharing might reduce costs by aligning hospital and physician incentives, concerns remained about quality and access.

Their finding is that the available measures of access and quality suggest neither was reduced. The word *available* is the authors' and it is honest. The study could look only at the quality and access measures the data allowed. It cannot show that no patient received less than they should have, and it cannot show that the same result would hold in another specialty, another country or another regulatory setting. It also does not say how the arrangements themselves were designed, and this book does not describe that design.

What the case shows is a pattern: savings were shared, and the measures available did not show the harm that was feared. A leader can take from it a principle that applies far beyond cardiology. In any organisation whose purpose is something other than cost, a shared measure of cost or productivity needs a guardrail on the purpose, measured alongside it, visible to the same people, and given priority over it. In a hospital, the guardrail is quality and access. In a school, it is learning. In a firm making food, it is safety. In a software team, it is the reliability of what the customer depends on.

Santa Anna's book, describing the felt difference between two kinds of governance, puts the distinction a guardrail exists to protect:

> *It is the difference between being managed and being cared for*[57]

A patient in a hospital where the shared measure is cost, and nothing else, is being managed. A patient in a hospital where cost is shared only inside a guardrail on quality and access has some assurance of being cared for. The guardrail is what tells the people working in the room, and the people being treated in it, which of the two the organisation means.

What the two rooms have in common

The broken promise and the catheterisation laboratory seem to have little to do with one another. One is an ethnography of a troubled plan in an unnamed firm. The other is a quantitative study of thirteen programmes in a highly regulated field. Read together, they describe the two ways a shared gain can stop being honest.

The first is a gain whose promise is not kept. People are told they will share in what they help produce, and then the participation that would let them produce it is withheld, or the rules change after a good year, or ideas go unanswered. The gain may still be measured. It is no longer shared in any sense its participants recognise.

The second is a gain whose source is not visible. A measure moves, savings are shared, and nobody has separated how much of the movement came from changed practice, how much from changed prices, and how

much from things nobody inside controlled. The sharing may be perfectly fair. Without the decomposition, nobody can tell.

The way through in both rooms is the same practice the earlier chapters arrived at from other directions. Make the promises explicit and keep them in the open. Take the measure apart so people can see where the gain came from. Protect the purpose with a guardrail that comes before the gain. And let the people covered take part in deciding all three.

Santa Anna's book has a sentence, written about the relation between individual change and structural change, that names why both rooms failed or nearly failed in the same way:

> *Change the policies without changing the somatic pattern, and the old economics will reassert itself through a thousand unconscious decisions.*[58]

Thornicroft's firm installed a policy, a Scanlon plan, without changing the pattern of who decided things, and the old pattern reasserted itself through the small broken promises his title points to. A shared-savings arrangement without a guardrail risks the same reassertion in a different form: the old logic that cost is the only thing that counts, returning through a thousand clinical choices. The guardrail and the kept promise are how the new pattern is held in place long enough to become habit.

The finer points for a leader in a regulated or mission-led field

Name the purpose first, and measure it beside the gain. Before any shared measure is chosen, write down what the organisation exists to protect and how it will be measured. Put that measure on the same board as the gain measure, above it.

Agree in advance that the guardrail wins. If the quality or access measure falls, the gain measure does not count, whatever it shows. Say so in writing before the arrangement begins. This is a rule about precedence, not about how any gain would be divided, and it can be decided without any discussion of reward design.

Decompose every gain. Each quarter, separate the movement in the measure into what came from changed practice, what came from changed prices, and what came from events outside the group's control. Show the three to the people covered.

Watch the legal setting. In healthcare, and in other regulated fields, shared-savings arrangements can raise legal questions that do not arise in a factory. The cardiology programmes in this study were approved by a regulator. A leader in such a field should take qualified legal advice before designing anything, and this book offers none.

Never trade the plan for a concession. Thornicroft's warning applies with special force where professionals are not employees, and where trust between the organisation and the people in it is already strained.

The Tool: The Promise and Source Ledger

Use this before any shared-gain arrangement begins, and monthly once it is running. It has two halves: the promises the arrangement makes, and the sources of whatever gain it records.

Header

Organisation or unit: · People covered: ___ · Month ___ · Prepared by:

1 · The purpose and its guardrail

What this organisation exists to protect, in one sentence:

The guardrail measure(s): · this month: ___ · baseline: ___

Written rule, agreed before the start: if the guardrail falls, the gain measure does not count. Agreed on (date): · by whom:

2 · The promises

PROMISE MADE	TO WHOM	KEPT THIS MONTH? YES / NO	IF NO, THE REASON GIVEN, AND BY WHOM
Every idea answered in writing within ___ days			
The measure visible to everyone covered			
The rules for changing the base unchanged without notice and a vote			
No role removed by an implemented idea without (stated alternative)			
Other: _____			

Was the arrangement offered in exchange for a concession? yes / no · If yes, how the participation was made real before the first payment:

3 · The sources of the gain

Total movement in the gain measure this period:

Of which, from changed practice (what people did differently):

Of which, from changed prices (what the organisation paid):

Of which, from events outside the group's control:

Shown to the people covered? yes / no · how:

4 · Power

- Ideas declined this month without a stated reason: ___ (target: none)
- Committee meetings held of those scheduled: ___ of ___

Who decided the most consequential change this month, and were the people covered part of the decision?

5 · Advice

Legal or regulatory review completed (where the field requires it): yes / no / not applicable · date:

6 · The record

The most important promise kept this month:

Any promise broken, and what was done about it:

A note on method

Nothing in this chapter is legal, medical or investment advice. The book's sister volume on employee ownership, employee ownership, reads the evidence on arrangements that change who holds the firm rather than who shares a measure; the volume on the commons, *The Pasture Was Never Empty*, reads how groups make and keep their own rules, which is the broken promise's remedy studied at scale.

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5. Santa Anna, A. *Ecstatic Economics*, chapter 5, "Wellbeing Budgets: When Governments Measure What Matters".
6. Santa Anna, A. *Ecstatic Economics*, chapter 5, "Wellbeing Budgets: When Governments Measure What Matters".
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