

THE GAIN WAS ALWAYS SHARED · CHAPTER TEN

The Hard Conversations

Chapter Ten of The Gain Was Always Shared

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Chapter Ten 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

Every participation system is first a series of conversations, and most of them are harder than the design work. A board has to hear that the firm intends to open part of its books. A union has to hear that management wants its help with productivity, a word with a long and unhappy history. A supervisor has to hear that ideas will now travel past their desk. A partner in a small firm has to hear that the other partner wants to share something both of them have always kept. A family that owns a business has to hear that the people who are not family will see numbers the family has never shown them. And somewhere in the room there is always a sceptic, usually well read, who has a good argument for why none of this will work.

CHAPTER TEN

The Hard Conversations



The Hard Conversations

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Before the first meeting

Every participation system is first a series of conversations, and most of them are harder than the design work. A board has to hear that the firm intends to open part of its books. A union has to hear that management wants its help with productivity, a word with a long and unhappy history. A supervisor has to

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This chapter is about those conversations. It does not offer techniques for winning them. A participation system that is sold by persuasion and accepted under pressure has already failed the test Chapter 2 set out, because it began by asking nobody anything. What follows is a way of entering each conversation honestly: what the other person is most likely to be afraid of, what the evidence can and cannot say to that fear, and a short script, written as plain spoken lines, that a leader can adapt in their own words.

Ammanuel Santa Anna's *Ecstatic Economics* is frank about the difficulty, in a passage about cooperatives and steward ownership that applies here without change:

> *Anyone who tells you otherwise is selling something.*[84]

The scripts below are not meant to make the conversations easy. They are meant to make them true.

A note on the scripts

Each script is short on purpose. It names what the speaker wants, what they do not know, and what they are asking the other person to decide. None of them contains a figure that the firm has not measured, a promise about results, or an appeal to urgency. Where the scripts mention research, they mention it at the strength Chapters 3 and 5 established: associations, single sites, survivors. A leader who overstates the evidence in the first conversation will spend the next year being held to the overstatement.

The people in the examples are composites, built for teaching from the kinds of situations the research describes. None is a real person and none of the lines attributed to them are quotations.

The board and the owners

What they fear. Three things, usually in this order. That opening any part of the accounts will invite claims the firm cannot meet. That a shared reward will become a fixed cost that cannot be withdrawn in a bad year. And that management is about to spend time and money on something soft.

What the evidence can say. It can say that the most careful case review in the literature, Bullock and Tubbs's analysis of thirty-three published cases, found success robust across firm size, union status, technology and environment, and found that the features predicting it were mostly about participation in design.[85] It can say that Dong-One Kim's survey of 211 organisations associated programme survival with, among other things, sound financial health and major capital investment alongside the plan.[86] And it can

say, honestly, that both sources over-represent firms where things went well. It cannot say what will happen in this firm.

What the board actually needs to decide. Not a reward. Chapter 8 places the design of any shared reward at the end of the first year, after the answer rule, the visible measure and the committees have been tested. The decision in front of the board at the start is much smaller: whether to let management run the first half of Scanlon's idea, the half that needs no change in pay, and to review it at a fixed date.

The script.

> *We are not asking you to approve a bonus scheme today. We are asking for twelve months to do three things that cost very little: answer every idea from the floor in writing within ten days, put one measure of quality where the people who affect it can see it, and form committees to read the ideas. We will report to you each quarter on ideas received, answered and implemented, and on the measure. At the end of the year we will come back with what we found. If the case for a shared reward is there, we will bring a design that the people it covers have helped to write, with written rules for how it can change. If the case is not there, we will say so and keep what worked. The research says plans like this succeed most often when the people covered help design them, and survive more often when they vote on them. It also says the studies mostly see the firms that succeeded. We are not promising you a result. We are proposing to find out, carefully, with a record you can read.*

The last sentence matters most. A board that has been promised a result will treat the first flat quarter as a failure. A board that has been promised a record will read it.

When an owner says no. Ask what would have to be true for a yes, and write the answer down. Then do the parts that need no board approval: the answer rule within your own unit, and the visible measure. Chapter 4 argued that the answer is the most frequent payment a firm makes to its people and the least expensive. It does not need a resolution.

The union

What they fear. That gainsharing is a way to buy concessions: wages held down in exchange for a bonus that may never pay. That committees will be used to bypass the bargaining relationship. That ideas offered in good faith will be used to remove jobs. Each of these has happened often enough to be a reasonable fear.

Kenneth Thornicroft's ethnographic study of one American firm's Scanlon plan, published in 1991, argued that such plans should not be treated as simple trades for collective bargaining concessions, because they necessarily disturb the status quo, and that success needs both a sound structure and a change in culture

through which all employees can take part meaningfully in decisions.[87] A union officer who has read that study, or lived something like it, is right to ask which kind of plan is being offered.

What the evidence can say. Kim's survey associated union participation in running the programme with survival.[86] Jeffrey Arthur and Dong-One Kim's comparison of two locations with similarly structured plans proposed that employees' willingness to share high-risk knowledge with management depends on the degree of labour–management cooperation and trust, and that union support and involvement increases employees' acceptance of the risk that a variable reward carries; their results, they report, generally supported the hypothesis.[88] Two sites is a small base. The direction, though, is consistent with the origin story in Chapter 2: the first plan was a union officer's proposal.

What the union needs to hear. That the plan will not replace bargaining, that the union will be a party to its design and its running, and what will happen to a job that an idea removes. Chapter 5 noted that the plant in Michael Schuster's study of up to nine years kept employment and turnover stable while productivity rose.[89] That is one plant, and it is not a guarantee. But a firm that cannot make some version of that commitment should not expect the union, or anyone, to send it the ideas that matter.

The script.

> *This is not a substitute for the contract and we will not ask you to trade anything in it for this. We want the union in the design from the first meeting, with seats on every committee and a say in the rules for how any measure is set and changed. Before anything else, we will put in writing what happens to someone whose work is made unnecessary by an idea, and we want you to help write it. We will not design any shared reward for a year. In that year we will answer every idea in writing and show the measure every week. If at the end of it you do not think the answers were real, tell us, and we will not go further. The research we have read suggests plans like this last longer when the union helps run them. We would rather build it with you than present it to you.*

When the union says not yet. Take it at its word. Ask what it would need to see in six months, and show it. A union that watches a firm answer every idea for six months, including the awkward ones, has better evidence than any study.



The supervisors

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The supervisors

Chapter 3 named the supervisor as the person a participation system most often threatens, and the reasons are structural. A supervisor's authority usually rests on being the channel through which problems are reported and decisions are made. A working committee opens a second channel. Some ideas will describe problems the supervisor knew about and did not fix.

What they fear. Exposure, and irrelevance. Both are reasonable.

What the book says about it. Santa Anna's *Ecstatic Economics*, writing about firms that move from hierarchy towards distributed authority, puts the difficulty plainly:

> *You cannot distribute authority to nervous systems that are still organized around fear.*[90]

A supervisor who expects to be blamed will defend, quietly and effectively. The conversation has to come first, one supervisor at a time, before anyone else hears the plan.

The script.

> *Before we tell anyone else, I want to talk to you, because this changes your job more than anyone's. Ideas from your team are going to start coming in on cards and through a committee. Some of them will be about things you already knew were wrong and could not get fixed. I want you to be the person who brings those ideas forward, and I want your name on the board next to your team's names when one is used. For the first ninety days you will be measured on one thing: how many of your team's ideas get an answer on time. Not on how many problems they find. What would you need from me for that to be true? What are you worried about?*

Then listen, and write down the answer. Supervisors usually ask for three things: time to attend committees, authority to fix small problems without waiting, and protection from being blamed for problems the cards reveal. All three are reasonable, and the third is the one that decides whether the plan survives.

Finance, and opening the books

The person who keeps the accounts is often the last to be consulted and the first to see the risk. Opening books, even partly, means choosing what to show, how often, and at what level of detail, and it means that every number shown will be questioned.

What they fear. Misreading. A number shown without context will be read as evidence of something it does not show. And exposure: margins, pay, the cost of a decision made at the top.

What the book says. Santa Anna, writing about pay transparency, is direct about the risk of showing an unfair system:

> *you can't make an unjust system transparent and expect positive results.*[91]

and, in the same discussion, about why visibility matters at all:

> *The nervous system relaxes when it can see the landscape clearly.*[92]

Both are true at once. A finance lead who hears only the second sentence will open too much too soon. One who hears only the first will open nothing.

What to show first. Not the accounts. Chapter 8 starts with one operational measure that the group can affect: defects, downtime, rework, waiting time. That number usually comes from operations rather than fin-

ance, which makes the first step easier. The broader financial picture can follow, as a monthly briefing that explains what moved and why, prepared with finance and given by finance.

The script.

> *I am not asking you to open the ledger. For the first year, the only number we will post is defects per thousand, by line, weekly. What I am asking is for your help in deciding what we will show after that, and how. You know better than I do which numbers will be misread. I would like you to write down, now, what you would be comfortable showing in twelve months, what you would need to explain it properly, and anything you think we should fix before anyone sees it. If there is something in the pay structure that would look unfair under daylight, I would rather we found it together than had it found for us.*

Partners in a small firm

In a practice of two or five, the conversation is closer and more personal. Partners have usually kept the firm's results among themselves. Sharing any part of a gain with employees, or even showing them a measure, feels like giving away something that was hard to earn.

What they fear. Loss of control. That the people who work for them will start to feel entitled to decisions. That the firm will become slower.

What can honestly be said. That the evidence in this book is mostly from plants of a hundred or more people, and that nobody has studied a practice like theirs in the same way. Kaufman's Improshare survey did find that smaller firms gained more than larger ones, but that is a finding about self-reported results among surviving users, not a forecast.[93] What can be said more confidently is that the first half of the idea, asking and answering, costs a small firm almost nothing and can be stopped at any time.

The script.

> *I want to try something for three months and I want us to agree on it first. Every idea anyone here has about how we work gets an answer from one of us, in writing, within a week. We pick one number we both care about, say how many jobs go back for correction, and we put it on the wall. At the end of three months we look at it together and decide whether to keep going. Nothing about pay changes. If you think it is slowing us down, say so at the end and we stop. I am asking because I think the people here know things about our work that neither of us sees, and I want to find out whether that is true.*



The family business

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The family business

Here the hard conversation is often among the family before it reaches anyone else. A family that owns a firm carries its own history of money, which Santa Anna's book treats as something the body remembers. One of the book's reflection questions asks:

> *What economic somatic patterns did you inherit from your family of origin?*[24]

In a family firm, those patterns run the business. A founder who grew up with the memory of nearly losing everything may experience any opening of the books as a return to that danger. A second generation may want to share more and feel unable to say so to a parent. The conversation is less about gainsharing than about who the firm is for.

What they fear. That family wealth will be diluted, that private matters will become public among employees, and that the next generation will lose the firm.

What can be said. That the first year described in Chapter 8 does not touch ownership or family wealth at all. That a written charter for a participation system, decided now, can protect it through a change of generation in a way an informal habit cannot; Chapters 4 and 8 noted that plans end when firms are sold or control changes. And that the neighbouring book in this series on employee ownership, employee ownership, reads what happens when families decide to go further.

The script, for the family meeting.

> *I want us to talk about something before we talk to anyone outside this room. I would like the people who work here to be able to send us their ideas and get an answer, and to see one number about our quality every week. I am not proposing to share ownership or to show anyone our private accounts. I know this feels different to each of us, and I think some of that comes from how each of us grew up with money in this family. I would like each of us to say what worries us about it. Then I would like us to decide whether to try it for a year, and if we do, to write down how it would continue if one of us was no longer running the business.*

The sceptic

Every room has one, and they are useful. The sceptic's arguments are usually good, and a leader who answers them honestly will have a better plan than one who never heard them.

The free-rider argument. Eugene Kandel and Edward Lazear set it out in 1992: in an organisation of any size, a person who works harder for a shared reward receives only a small fraction of the value their effort creates, and free-rider effects would seem to choke off the motivational force of any group incentive.[95] The honest reply begins by agreeing. Then it notes that their article goes on to analyse how peer pressure, norms and mutual monitoring change that arithmetic, and that the effect depends on whether people can see each other's work. Theresa Welbourne and Claudia Ferrante's study of 203 employees in a customs brokerage and freight-forwarding firm found that what they called advisory monitoring, reacting to coworkers' behaviour, was positively related to managers' ratings of workers' performance under gainsharing and negatively related under traditional merit pay alone.[96] One firm, and ratings rather than output. But it suggests that the pay system changes how people treat each other's attention.

The piece-rate argument. Lazear's study of Safelite Glass found that output per worker rose by about forty-four per cent when installers moved from hourly pay to piece rates.[97] The honest reply agrees that piece rates suit work done alone and counted exactly, as fitting a windshield is. It then asks the sceptic which of the firm's problems are like that. Much of the gain in Chapter 5's Improshare firms came from fewer defects and less downtime, which are rarely the product of one person.

The survivorship argument. The sceptic who has read Chapter 3 will say that the evidence sees the survivors. They are right. The reply is Chapter 9: treat the firm's own plan as the study, collect the measure before anything is shared, and keep the record of what fails.

The script.

> *You are right about the free-rider problem, and the people who described it best say the same thing you do. They also say it changes when people can see each other's work, so that is what we are going to build first. You are right that piece rates work for some jobs. Most of what goes wrong here is not one person working slowly; it is defects and machines standing idle, and those take more than one person to fix. And you are right that the published research mostly sees the plans that worked. That is why we are going to collect our own numbers for a year before we share anything, and why I would like you on the committee that reads them. If it is not working, I want the person most likely to notice to be in the room.*

The last invitation is the most important line in the chapter. A sceptic given a seat becomes the plan's most useful instrument. A sceptic left outside becomes its opposition.

What all the conversations share

Read together, the seven conversations follow one pattern. Each begins by asking for less than the listener feared. Each names what is not known. Each puts a decision in the listener's hands and a date on it. And each ends by inviting the listener into the work rather than asking them to approve it.

That pattern is not a sales method. It is the participation system in miniature: the question asked first, the answer owed, the measure made visible, the people affected included in the rule. A leader who cannot hold these conversations in this way is unlikely to run a system that holds them a thousand times a year on cards and at committee tables.

Santa Anna's book, discussing what governments signal when they choose what to measure, ends a paragraph with two short sentences that could stand over each of these meetings:

> *Trust, it turns out, is extraordinarily efficient. Suspicion is extraordinarily expensive.*[98]

The sentence is the author's judgement, not a measured result. In a hard conversation it is a useful reminder of what is being built, one honest meeting at a time.

The fuller version of these conversations, and the books on ownership and reciprocity that sit beside this one, are part of the house's library at hautelumiere.life; the lens behind all of them is Santa Anna's *Ecstatic Economics*, at *Ecstatic Economics*. The gift and reciprocity book in this series, gift and reciprocity, reads the experiments that help explain why an invitation is answered more often than a demand.

The Tool: The Conversation Sheet

Use one sheet for each hard conversation, filled before the meeting and completed after it. Keep the sheets together; they are part of the record Chapter 9 asks a firm to keep.

Before

Who: · role: board / owner / union / supervisor / finance / partner / family / sceptic

What this person is most likely to fear, in their terms, not ours:

What the evidence can honestly say to that fear, and its limit:

What we are asking them to decide, in one sentence:

What we are not asking for (write it, so it can be said aloud):

The date by which the decision would be reviewed:

Any figure we plan to mention, and where it was measured: (if none was measured, mention none)

The script, in our own words (five to eight sentences)

What we want:

What we do not know:

What we will show them, and how often:

What happens to a job an idea removes (if relevant):

The invitation into the work:

During

Their first concern, in their words:

What they would need for a yes:

Anything they told us that changes the plan:

After

Decision: yes / not yet / no · conditions:

What we committed to, and by when: · owner:

Next conversation with this person:

If not yet or no: the part of the plan we can still do without their approval:

A note on method

The board, union, supervisor, finance, partner, family and sceptic conversations in this chapter are composites built for teaching. No line in the scripts is a quotation from a real person.

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