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A Socio-Political Theory of Workplace Democracy: Class Conflict, Constituent Reactions and Organizational Outcomes at a Gainsharing Facility

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This paper employs longitudinal case analysis to develop a grounded theory of a type of high involvement organization form embodying a particular configuration of organization structure, processes and values based on applying Scanlon Type of gainsharing. The paper is of particular interest because of its novel synthesis of empirical political science, normative political philosophy and human resource management literatures.

Arie Y. Lewin

Abstract

This article examines the role of class conflict and group processes during the transitional stage of an organization experimenting with a high involvement management system and a group-based bonus. Review articles on workplace democracy often report ambiguous empirical findings. This is because much of the writing about participatory management is narrowly grounded in either human relations or human resource management theory.

This study uses organization theory literature on class conflict and the political science literature on change from authoritarian rule to democracy to develop grounded theory based on events and outcomes at a nonunion, privately-owned manufacturing facility, during four years of operation under a Scanlon-type gainsharing system. Since organizations are governance systems, gainsharing can be conceptualized as a middle-range democracy. As demonstrated by this study, both management and labor, in some ways, benefitted from gainsharing. Although democratization was extremely worthwhile, it did not disperse class distinctions and the concentration of capital.

(Gainsharing; Participatory Management; Power; Class Conflict)

Introduction

Review articles on workplace democracy often report ambiguous empirical findings (Cotton et al. 1988,

Hammer 1988, Leana and Florkowski 1992, Miller and Monge 1986, Wagner 1994). For instance, many of the expected favorable improvements in productivity, satisfaction, commitment, and trust experienced at gainsharing facilities are quite modest (Bullock and Lawler 1984; Cotton et al. 1988; Graham-Moore and Ross 1990; Hammer 1988; Juravich et al. 1993; Lawler 1986, 1988; Leana and Florkowski 1992; Schuster 1983; White 1979).

One cataclysmic explanation for these ambiguous findings is that employee participation simply does not have much of an effect on employee attitudes and behavior, despite the best intentions of consultants and academics who advocate such programs. However, many companies are adopting participatory mechanisms and some have had tremendous success (Bullock and Lawler 1984, Collins et al. 1989, Doherty et al. 1989, Graham-Moore and Ross 1990, Lawler 1988, O'Dell and McAdams 1987, Schuster 1987). Since some companies have successful participatory management mechanisms and others fail, it is essential to examine the many countervailing events that are likely to moderate expected desirable outcomes when democratic mechanisms are implemented at the workplace.

Because much of the writing about participatory management is narrowly grounded in either human relations or human resource management theory, most researchers seek theoretical explanations within these

theories (Hammer 1988, Leana and Florkowski 1992). However, my personal experience in conducting interviews with employees at gainsharing facilities with non-management teams and group-based bonuses has led me to discount the explanatory power of both theories regarding workplace democracy. This is best exemplified in one interview session I had with a smelter who was actively involved with gainsharing teams and extremely pleased with the company's gainsharing experience. With sweat pouring from his face and hands in the air conditioned meeting room, I asked him if he felt greater satisfaction in his work or personal development and fulfillment as a result of gainsharing implementation. His response: "You're !@#\$\$% & me. You want to know if I'm happier working 60 hour weeks in 100 degree temperatures fixing little broken pieces because I hand in suggestions, evaluate them, and get a little extra money for it? Don't play games with me!" Similar sentiments have been expressed by workers performing a variety of job tasks. They hoped gainsharing would last forever, but these sentiments were not linked to feelings of personal satisfaction or fulfillment.

This study uses organization theory literature on class conflict and the political science literature on change from authoritarian rule to democracy—when power differentials are narrowed between sovereigns and subjects in political settings—to develop grounded theory based on the events and outcomes at a nonunion, privately-owned manufacturing facility, during four years of operation under a Scanlon-type gainsharing system. In this sense, gainsharing represents what Dahl (1989) calls a "middle-range" democratic process. Gainsharing's cooperative institutional mechanisms—in particular the suggestion system, department teams, review board, and the group-based financial bonus—increases social interaction such that managers and nonmanagement employees are more accountable to each other.

Class Conflict, Restraining Forces and Gainsharing Intervention

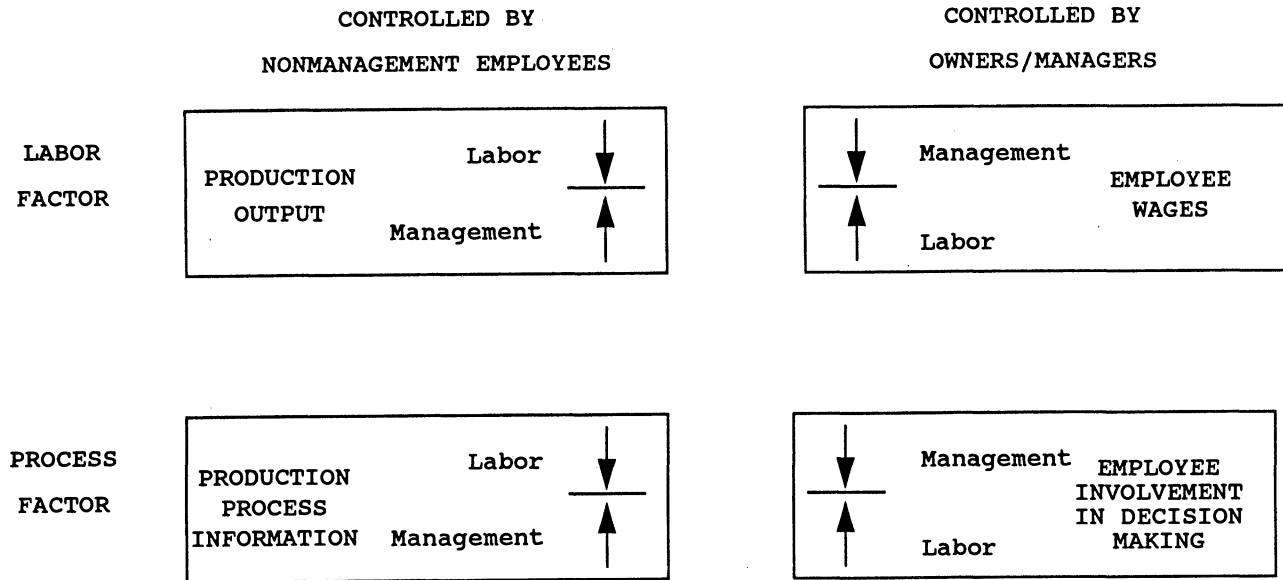
Throughout the history of capitalism, the relationship between management and labor has been marked by class conflict. Adam Smith (1776/1976), in his economic treatise *Wealth of Nations*, predicted two socially undesirable labor outcomes—low wages and worker alienation—that he unsuccessfully attempted to solve by appealing to the moral sentiments of owners (Collins 1988). Smith forecasted that by pursuing their economic self-interests, owners would (1) successfully

drive labor wages below the level of worker subsistence because owners had an unfair bargaining position (Smith 1776/1976, i, p. 74) and (2) apply division of labor in such excess that it would make employees "stupid and ignorant as it is possible for a human creature to become" (Smith 1776/1976, ii, pp. 302–303). In both circumstances, Smith appealed to the moral sentiments of owners to restrain these selfish temptations.

The failure of owners and managers to heed Smith's moral appeals has fueled writings on capitalism and organization theory ranging from Karl Marx (abandon capitalism) to Frederick Winslow Taylor (tinker with labor incentive systems). Many managers maintain that the desirable organizational end goals of efficient production and profitability can only be achieved when managers are granted absolute power to govern company activities and employees obediently accept managerial decisions. Organizational scholars have similarly argued that nonmanagement employees should not contribute to managerial decisions unless they are so commanded by management (Locke et al. 1986, Vroom and Yetton 1973). In the language of social philosophers, this is authoritarianism (Collins 1991). Fortunately, with increasing regularity, organization theorists are recognizing that conceptualizing organizations as political systems, where management/labor relations are interpreted in terms of conflicts of interests and power differentials, enhances our understanding of why individuals and institutions fail to obtain their goals (Aktouf 1994; Astley and Zajac 1991; Braverman 1974; Clegg 1979, 1990, March 1962; Morgan 1986; Pfeffer 1981, 1992).

As shown in Figure 1, this conflict revolves around four factors: employee wages, production output, employee involvement in the decision making process and production process information. Owners/managers, for the most part, control nonmanagement employee access to wages and the decision making process. Nonmanagement employees, for the most part, control management access to their production output and information about the efficiency and effectiveness of the production process. Owners/managers, believing it is in their group-interests, restrain (arrows pointing downward in Figure 1) employee wages and employee involvement in the decision making process. As a result, nonmanagement employees, believing it is in their group-interests, restrain production output and essential information about what is wrong with the production process. Both groups want (arrows pointing upward in Figure 1) what the other group is restraining. These behaviors are reinforced on a daily basis through

Figure 1



standard workplace operating policies and procedures and are further exacerbated by the dictatorial tendencies of top management. Whether referred to as a bureaucratic culture (Kilmann 1984), control paradigm (Lawler 1986), traditional paradigm (Veltrop and Harrington 1988), a rational model (Peters and Waterman 1982) or the Old Guard (O'Toole 1985), this is the type of culture that organizational development consultants continually find in modern organizations.

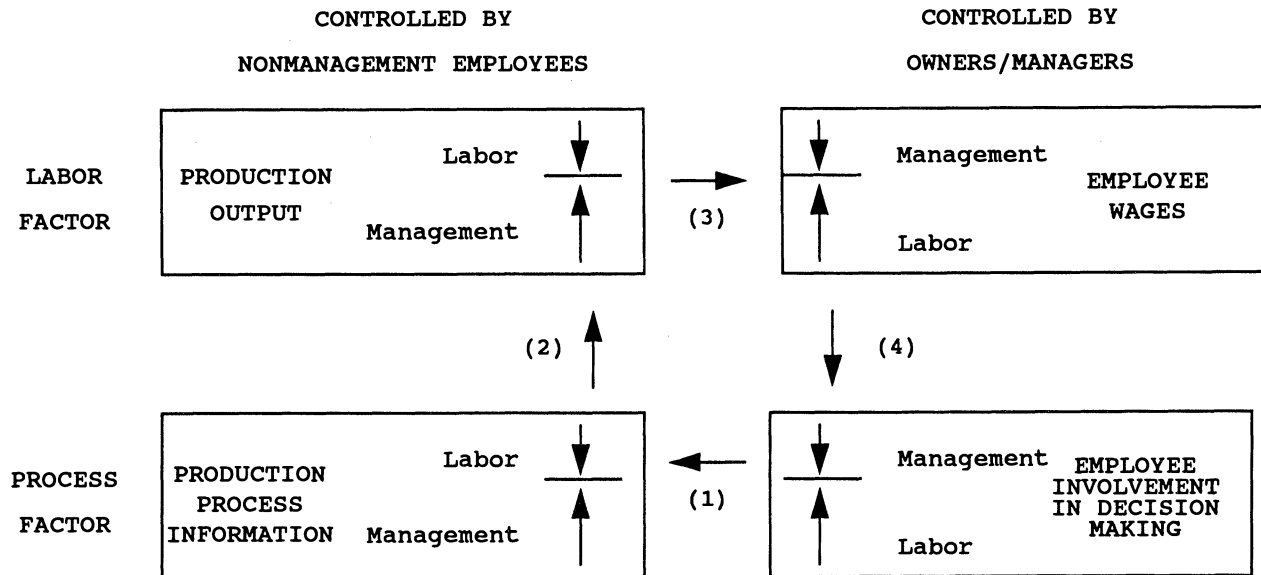
Scanlon-type gainsharing systems—a highly integrated form of employee involvement that typically entails changes in organizational structure (department teams and review boards), decision making processes (bottom-up suggestions approved by teams with financial budgets), and reward systems (group-based bonuses for exceeding historical standards)—establishes a set of interest group exchanges that link the strengths and weaknesses of both management and nonmanagement control factors. In this sense, management unfreezes the quasi-stationary equilibrium levels, shifts them to a more socially desirable level (greater employee participation, information sharing, output and wages), and refreezes them (Lewin 1947). As shown in Figure 2, by implementing gainsharing managers allow nonmanagement employees greater access to the decision making process in exchange for information on how to improve the production process (exchange relation 1) that will, in turn, lead to increased production output (exchange relation 2). Similarly, managers allow employees greater

access to revenues in exchange for these production output improvements (exchange relation 3). It is assumed that gainsharing bonuses will, in turn, motivate more nonmanagement employees to participate on gainsharing teams and offer more production-related improvement suggestions (exchange relation 4).

Importantly, the first step in this change process is management's willingness to share decision making power with nonmanagement employees. If nonmanagement employees are not permitted to participate in making decisions, then there will be no suggestions forthcoming, no changes in production process output, and no wage bonuses. Management's essential first step is contrary to its historical class interests, and the habitual behavior patterns of owners and managers.

As noted earlier, the empirical findings regarding participatory management transformations are ambiguous. If the radical humanist and structuralist paradigms are correct, gainsharing implementation will not be a smooth transition because both groups are influenced by their conflicting class interests regarding humanizing the workplace (Burrell and Morgan 1979, Nord 1978). These conflicting interests can be better managed, but they are not likely to disappear. Some managers and nonmanagement employees will not want to reduce the power differentials, some will want more modest reductions and some will want greater reductions. For instance, some participants in the change process may maintain that gainsharing is too demo-

Figure 2



cratic while others may maintain that it is not democratic enough. To develop a fuller understanding of why this may be the case, it is essential to recall the premise that organizations are political systems. Management and nonmanagement groups are not monolithic entities; there are political coalitions within them. Thus a fuller explanation of these developments can be developed from the political science literature on transforming dictatorships to democracies.

Transitions from Authoritarian Rule to Democracy

A rich political science literature is being developed to describe what happens when authoritarian right- or left-wing governments adopt democratic principles (Baloyra 1987, Di Palma 1990, Diamond et al. 1989, Karl 1990, Malloy and Seligson 1987, Morlino 1987, O'Donnell et al. 1986, Przeworski 1986, Weiner and Ozbudun 1987). This transition often resembles a complicated multilayered chess game between the former authoritarian rulers and emerging political leaders who claim to represent the interests of the formerly oppressed polity (O'Donnell and Schmitter 1986, Valenzuela 1989). Although each country's particular transition is unique, three common patterns have emerged from these transitional experiences: (1) the former authoritarian rulers manipulate the transitional process to enhance their own self-interests; (2) power

struggles arise among the former authoritarian rulers, among the new political leaders, and between the authoritarian rulers and the new political leaders; and (3) hidden and suppressed social and economic problems surface.

First, the former authoritarian rulers often manipulate the transition by minimizing the diffusion of democratic processes and structures to safeguard their already entrenched interests. They want some pluralism, but they don't want to lose their current power status (Borzutzky 1987, Conaghan 1987, Duncan Baretta and Markoff 1987, Malloy 1987, Vacs 1987).

Second, power struggles arise because of disagreements *within and between* both parties over the speed of the transition and its component institutional structures and procedures. Thus, both the former authoritarian rulers and the new political leaders experience factional infighting during the transitional process due to different interests and expectations (Di Palma 1990, Remmer 1991). Typically, neither group is experienced in democratic policies and procedures.

This disunity is particularly obvious among the newly empowered leaders who typically fall into three categories: (1) opportunists who fear a coup and often acquiesce in accepting top-down rules that result in a restricted democracy; (2) maximalists who are combative, reject compromises, and are willing to risk the possibility of a coup which could end the transition; and (3) recalcitrants who recognize coup possibilities

and confront and compromise only when their participation is guaranteed (O'Donnell and Schmitter 1986, Payne 1991). These leadership patterns can be found among both the former authoritarian rulers and the new political leaders. For instance, Mikhail Gorbachev appears to have been unsuccessful in developing a middle course that was acceptable to the maximalists—who complained that the reforms were developing too slowly—and the opportunists and recalcitrants, who complained that the reforms were developing too quickly.

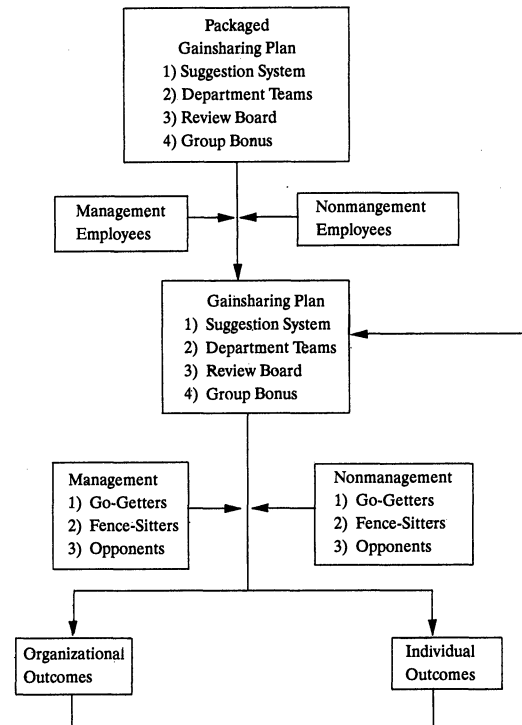
Third, hidden and suppressed social and economic problems surface. The former authoritarian rulers and the new political leaders must appropriately respond to these problems for the transitional process to continue. For instance, democratization in Russia has forced suppressed social and economic problems, such as crime, pollution, prostitution, and poverty, onto the political agenda. Thus the crafted, rather than imposed, transitional outcomes greatly depend on how the subgroups within both the former authoritarian rulers and the new political leaders respond to the uncertainty that dominates each stage of the transitional process (Di Palma 1990, Karl 1990, Malloy 1987, Przeworski 1986, Weiner and Ozbudun 1987).

Application to Gainsharing: Go-getters, Fence-sitters, and Opponents

Many management theorists have called for a better understanding of the increasingly popular gainsharing systems (Bullock and Lawler 1984, Hammer 1988, Leana and Florkowski 1992). As noted earlier, Scanlon-type gainsharing plans represent a “middle-range” form of democracy. Gainsharing is democratic in that the nonmanagement department team representatives are elected by their peers, any nonmanagement department employee is eligible for the position, and the teams have a budget to implement production changes. However, management, the ultimate sovereign, places three important limitations on the democratization process. First, only production-related suggestions can be submitted and voted upon; suggestions regarding base wages, personnel policies, marketing strategy, etc., are dismissed. Second, expensive production changes (typically those with costs greater than \$400) require final approval from management. Third, elections are limited to the position of department team representative; upper management and supervisors are not elected to their positions.

As shown in Figure 3, the patterns of socio-political behaviors that occur when political dictatorships trans-

Figure 3



form into democracies are likely to occur in organizations that adopt gainsharing. Most organizations consist of a range of management and nonmanagement employees who are either supportive of, opposed to, or neutral toward organizational change: “go-getters,” “opponents,” and “fence-sitters,” respectively, whose attitudes and behaviors parallel those of the political opportunists, maximalists, and recalcitrants, respectively.

Management and nonmanagement *go-getters* regard gainsharing as a positive change that is beneficial to the organization and/or themselves. They actively support gainsharing activities and participate in decision-making processes aimed at company operations. Similar to political opportunists, they are more likely to give each other the benefit of the doubt on sensitive or highly contentious issues. Nonetheless, due to existing power differentials, both parties will try to manipulate the gainsharing process to guarantee that their class interests are met.

Management and nonmanagement *opponents* are highly skeptical about gainsharing and may sabotage the system. Adversarial managers regard employee involvement as a threat to their power and fear gainsharing will increase the power of some nonmanage-

ment employees whom they believe are either untrustworthy or unqualified for this added responsibility. In this sense, adversarial managers espouse Aristotle's objections to political democracy: Democratic reforms are likely to result in mediocrity, rule by the uneducated and unskilled, bureaucracy, instability and lack of accountability (Ross and Collins 1987). Adversarial nonmanagement employees are highly skeptical of managerial intentions due to their past negative experiences with managers. In terms of class interests, both management and nonmanagement opponents perceive gainsharing as a threat to dismantling the previously agreed upon boundary lines between the duties of management and labor.

Management and nonmanagement *fence-sitters* take a wait-and-see approach toward gainsharing. They do not intentionally undermine the change nor do they exert their effort to make it work. If the system is beneficial to them and the organization, they support it; if not, they let the system fail on its own accord. The go-getters and opponents compete for their allegiance. Go-getters emphasize the positive aspects of the gainsharing intervention to encourage the fence-sitters to become more involved and join their coalition; opponents emphasize the negative aspects of gainsharing intervention to convince the fence-sitters to refuse to participate and join their coalition.

Below are two "power game" propositions pertaining to the shifting of authority. In labelling these propositions in terms of a power game it is important to recall that the concept of power is a neutral term describing the authority relationship between two or more people or groups. As described by Machiavelli, and experienced in many organizations, power can be obtained, maintained, and distributed in either ethical or unethical ways (Collins 1992).

PROPOSITION 1. *Management and nonmanagement employees will likely manipulate the transitional process based on their own self-interests and/or group-interests.*

PROPOSITION 2. *Power struggles will likely arise among and between the go-getters, fence-sitters, and opponents in both management and nonmanagement groups.*

After gainsharing is implemented, some hidden and suppressed social and economic problems will demand immediate attention. For instance, nonmanagement employees who are go-getters and fence-sitters may offer production-related suggestions about problems managers were unaware. Adversarial nonmanagement

employees may demand that certain workplace policies be changed immediately.

Lastly, the long-term stability of the gainsharing intervention will be a function of whether management and nonmanagement go-getters, fence-sitters, and opponents believe that the intervention fulfills their previously unmet needs. Although it is essential for some nonmanagement employees to receive gainsharing bonuses to ensure their participation, other nonmanagement employees will continue to participate due to empowerment issues or if they believe, for instance, that improvements in health and safety conditions are due to the gainsharing system's suggestion and team processes. In other words, gainsharing intervention should not be considered unsuccessful solely on the grounds of a low payout or lack of support from some oppositional managers or nonmanagement employees. Thus the following two "outcome" propositions:

PROPOSITION 3. *Hidden and suppressed social and economic problems will surface shortly after gainsharing implementation.*

PROPOSITION 4. *Management and nonmanagement employees will likely continue to support gainsharing as long as it fulfills some of their monetary or nonmonetary self-interests and/or group-interests.*

There is nothing radically new in relying upon the concept of self-interests and/or group-interests to predict how the implementation process will evolve or how employees will interpret gainsharing outcomes. Instead, the importance of these propositions rests in their potential ability to guide a systematic and evolutionary understanding of gainsharing dynamics. If workplace democracy is inevitable (Slater and Bennis 1964), the evolutionary dynamics require careful attention. What types of manipulations occur (Proposition 1)? What types of power struggles occur (Proposition 2)? What types of social and economic problems surface (Proposition 3)? What types of outcomes are generated (Proposition 4)? For these reasons an in-depth case study was conducted to test this socio-political theory of workplace democracy.

Methods

Sample

Yin (1987, p. 23) defines case study analysis as "an empirical inquiry that (1) investigates a contemporary phenomenon within its real-life context (2) when the boundaries between phenomenon and context are not clearly evident, and in which (3) multiple sources of evidence are used." For this study, locating a gainshar-

ing firm that would be representative of an “ambiguous finding” that is so prevalent in the workplace democracy literature was of paramount importance.

A list of 11 nonunion manufacturing facilities having a gainsharing system for at least four years was obtained from a leading gainsharing consulting institute. After telephone interviews with each company’s gainsharing coordinator, one company became the obvious choice for conducting the case study. During four years of operating under gainsharing (1) the employees averaged only 1.2% bonuses each year, including 0% for the previous year, (2) improvements were moderate (2.7 average on a 5 point Likert scale), and (3) both management and nonmanagement employees were actively involved in the gainsharing system.

In addition, the facility was privately-owned rather than publicly owned. This was particularly interesting for research purposes because privately-owned facilities typically have direct owner involvement in day-to-day operations and the gainsharing bonus money comes out of his pockets, rather than those of distant stockholders. A simple explanation for these ambiguous findings would be that the owner was manipulating the bonus system. But, if this were the case why would the nonmanagement employees remain active participants in gainsharing activities?

The facility, located on the outskirts of a small midwestern town, began operations in 1954 and has had two changes in ownership. The current owner’s family purchased the company in 1974. The production of hydraulic cylinders accounts for 80 percent of the company’s business. In 1989, sales were \$7.3 million—approximately four percent of the market—and profits totaled \$292,000. The nonmanagement employees earn approximately \$18,000 a year.

The company has three levels of management. Upper level management includes the company president (who is the owner and will be referred to as the owner throughout this article) and the Board of Directors. Middle level management includes a plant manager, a vice president of marketing/sales, a controller, a materials manager, and an engineering manager, all of whom report directly to the owner. Lower level management includes a production control manager, a quality assurance manager, a manufacturing engineer, and four foremen, all of whom report to the plant manager. The company employs 100 people and has two production shifts.

Data Collection

The field study was conducted in February 1990. The field study analysis is largely based on 14 semi-structured

interviews: 7 with managers and 7 with nonmanagement employees. Each interview was approximately 45 minutes in duration on company time over three days. Archival research was also employed. All 14 interviewees were asked to describe: (1) company operations prior to gainsharing implementation, (2) the rationale for implementation, (3) the effectiveness of the plan, (4) the evolution of trust or mistrust between management and nonmanagement employees during the plan, and (5) employee attitudes toward and reactions to the financial bonuses, suggestion system, team meetings and other gainsharing outcomes. This allowed for cross-verification among interviewees.

All stories of interest were verified by at least one other interviewee who represented a different role in the company (i.e., stories told by managers were verified by a nonmanagement employee) and the gainsharing coordinator. The gainsharing coordinator has a central role to play in gainsharing operations and was highly respected by all interviewees, including those who said very few good things about management. The gainsharing coordinator was interviewed first, at the end of each day, and just prior to departure.

The seven managers, chosen on the basis of their key positions at different levels of the organization’s hierarchy, included the owner, controller, plant manager, engineering manager, quality control manager (who served as gainsharing coordinator) and two supervisors. The supervisors were chosen because other interviewees had consistently referred to one as being a go-getter and the other as being an opponent. Supervisors, who play pivotal roles in gainsharing systems (Hatcher et al. 1992), were the most difficult for scheduling interviews due to the nature of their job task. All stories about supervisor reactions were cross-verified.

The seven nonmanagement employees represented go-getters, fence-sitters and opponents. Based on data collected in four years of suggestion logs, the nonmanagement employees were grouped into three categories: high number of suggestions (probably go-getters), moderate number of suggestions (probably fence-sitters), and low number of suggestions (probably opponents). The gainsharing coordinator then chose three high suggestion-givers, two moderate suggestion-givers and two low suggestion-givers, whom he believed were representative view of their respective groups.

Although it would have been desirable to interview more nonmanagement employees from each group, the attitudes and behaviors of these groups of employees were asked of all interviewees. The three go-getters, all of whom had served as gainsharing team representa-

tives were particularly helpful in understanding and verifying the reactions of the other two groups of nonmanagement employees. Prior research has shown that those who become involved in gainsharing mechanisms score relatively high in "prosocial behavior" or "assisting behavior" measures and thus they tend to be very well-networked within the organization (Hatcher et al. 1989, 1991).

Additional information about the company's gainsharing experience was gathered from the gainsharing suggestion logs, minutes of gainsharing meetings and the company's newsletters. Finally, the company's Review Board meeting, a plant-wide all-employee meeting, and several department team meetings were observed with regard to how management and nonmanagement employees interacted.

Analysis of Propositions

Throughout the recession-plagued 1980s, company sales were increasing but not profits. During the prerecession 1970s, yearly profits averaged 10.4% of sales. However, although sales increased from \$3.3 to \$4.6 million between 1981 through 1985, profits dramatically dipped to 0.7%, 2.3%, -2.9%, 2.0% and 4.2%, respectively. After attending a speech by a gainsharing consultant in 1985, the owner believed that gainsharing fulfilled several immediate needs: (1) a cost-based incentive system that linked a financial bonus to production performance, (2) an alternative method of pay that could slow down escalating wage rates, and (3) employee participation in the decision-making process. The owner formed a 12-person Gainsharing Plan Development Team, consisting of himself, 6 managers and 5 nonmanagement employees. The development team modified a packaged gainsharing plan. In March of 1986, gainsharing was implemented.

The two "*power game*" propositions are analyzed according to management and nonmanagement reactions to the three central aspects of gainsharing: (1) the group-based bonus, (2) the suggestion system, and (3) the team structure.

Group-Based Bonus

The gainsharing development team approved three bonus-related suggestions made by the owner that allowed him to control and minimize bonus payouts. First, the owner convinced the development team that the gainsharing calculation should consist of 34 cost factors, many of which were beyond the control of the production employees (i.e., advertising, equipment depreciation and sales commissions), rather than the rec-

ommended few cost factors that employees directly affect. Second, only 1985 figures were used to determine the historical base ratio, rather than the recommended three to five prior years' average. The owner argued that including data from the recession years 1980-1984 would make the cost ratios too easy for the production employees to surpass.

Third, the owner proposed a 67/33 gainsharing ratio—67% of the financial gains would be kept by the company and the remaining 33% shared among the employees—rather than the recommended 50/50 ratio. According to the owner, if the 33% employee share was too small then it could be increased to 50% and employee motivation would improve. But if the initial employee share was 50%, and this was very costly, then a reduction to 33% could ruin the plan. These three decisions regarding economic factors, made contrary to the consultant's initial recommendations, enabled the owner to protect his class interests.

Why would the production employees accept these conditions? The go-getters on the gainsharing development team considered the group-based bonus an extra financial incentive. From their perspective, gainsharing not only allowed production employees to simplify their job tasks and participate in the decision-making process, but it also provided them with a financial bonus for doing so. Although the owner's suggested modifications would make it more difficult for nonmanagement employees to earn a financial bonus, the go-getters considered these changes equitable because, like wage rates, the financial bonus calculation was a matter of owner discretion. According to the go-getters, it was his money that was being redistributed.

The fence-sitters believed that their interests were being adequately represented by the go-getters on the development team. They were not interested in the finer details of the gainsharing plan. They trusted the go-getters and believed them when told that if they offered good suggestions and continued to work hard then gainsharing would generate monthly bonuses. From the perspective of fence-sitters, if the go-getters determined that a 34 cost factor and 33% share was fair, then it was fair.

The opponents maintained that gainsharing was simply the latest effort by the owner to get something from them in exchange for nothing. Gainsharing differed from previous management schemes only in that the go-getter nonmanagement employees, rather than managers, were manipulating them. The opponents did not dissent at any implementation meetings they attended. Rather, these meetings were seen by them as an opportunity to relax in an air-conditioned meeting

room, away from their physically exhausting 50 hours a week production tasks.

According to the production employees, they laughed at the two \$15 bonuses they earned the first two months under gainsharing. Very small bonuses also were earned during two of the next seven months. At the monthly all-employee meetings the adversarial group scoffed when, as expected, the owner announced that the previous month was profitable but there would be no bonus payout. They would clear their throats and try other ways to make the owner feel uncomfortable whenever he made this public announcement. They challenged the go-getters to find out how the owner was manipulating the financial bonus. The go-getter coalition refused to tell the opponent coalition because they felt guilty for having allowed the owner to modify the bonus payout during the plan development process. The opponents told the fence-sitters not to submit suggestions until their improved work methods were financially rewarded. The opponents formed a network of production employees which documented the amount and value of finished goods inventory to see if the numbers provided by management at the gainsharing meetings were legitimate.

According to the owner, he was embarrassed at having to announce each month that the company was earning 8% profit but no gainsharing bonus was generated. The go-getters warned him that the other non-management employees were becoming disillusioned. As a result, after six months of gainsharing, the owner increased the production employee share of the bonus from 33% to 50%. Simultaneously, he announced the elimination of yearly merit wages for production employees, arguing that the gainsharing bonus would serve as an appropriate substitute. After two years, each employee had earned approximately \$500 in gainsharing bonuses. The owner considered this \$50,000 wage expenditure a very worthwhile investment.

The employees continued to complain that the \$20 a month bonuses did not reflect their improved working methods and was an inadequate substitute for merit raises. In addition, they were troubled that the rumored elimination of cost-of-living allowances would further devalue their \$18,000 a year salaries. As a result, the owner eliminated several of the 34 cost factors from the gainsharing calculation, thus creating a 2.1% year-end reserve pool payout of approximately \$350 per employee in December of 1988. The unexpected gainsharing payout surprised the production employees. After receiving the bonus, many of the fence-sitters and opponents submitted suggestions that they had purposely held back.

At the time of the 1990 field study, the employees had not received a gainsharing bonus for over one year even though the company's owner was reporting monthly profits at the all-employee meetings. The owner was considering revising the gainsharing bonus calculation, but he first wanted to monitor how the loss of another bankrupt customer would affect profits.

Suggestion System

The owner decided not to employ a full-time gainsharing coordinator to manage the employee involvement mechanism as recommended by the gainsharing consultant. In an attempt to minimize administrative costs, thus protecting his class interests, the owner added gainsharing coordination to the *existing* responsibilities of the quality control manager. This is not atypical of small gainsharing companies; but the point is that the owner was rejecting the consultant's initial recommendation, which was an attempt to minimize conflicts of interests between management and labor. When the production employees began to complain that many of their approved suggestions were not being implemented, the owner distributed some of the quality control manager's nongainsharing responsibilities to other managers.

The managers most adversarial toward the suggestion system were a small group of supervisors. They maintained that gainsharing eroded their power base in three ways: (1) suggestions they had previously rejected were being implemented by area teams; (2) suggestions they had previously submitted to upper management, but never implemented, were now being implemented by area teams; and (3) production employees were taking time away from the production schedule to write suggestions and attend meetings. These supervisors refused to participate in any gainsharing activities and discouraged the production employees from participating. Many of them eventually left the company when the owner did not abandon gainsharing after the first year.

Go-getter production employees continued to provide many suggestions, despite low gainsharing payouts and supervisor resistance, because they enjoyed the challenge of implementing them, many of which made their work less stressful. During the second year of gainsharing they began to make changes without formally submitting suggestions; thus, as intended, the barrier represented by the first exchange relation in Figure 2 was collapsing. The go-getters also anonymously submitted suggestions on behalf of fence-sitters and opponents who were unwilling to follow-up their production-related complaints with written suggestions.

Most fence-sitters typically submitted only one suggestion during the first few months of gainsharing even though they were aware of many production problems. These were "safe" suggestions, such as the need for a new tool or a slight rearrangement of the work process. They would monitor the monthly team meeting minutes to determine if the suggestion had been discussed and approved for implementation.

Submitting a suggestion was a risky activity for many fence-sitters; it was an act that crossed class barriers because they were planning rather than just doing physical labor. They wondered what the go-getters and opponents would say about them or the suggestion behind their backs. Were they being coopted by management? They assumed that there must be something wrong with their suggestion because the issue was so obvious that management must have already dismissed the idea. Some of the fence-sitters, who had been hiding the fact that they did not know how to read or write for many years, would ask go-getters to submit suggestions for them. Similar risk-related doubts were raised when fence-sitters made their first process change without management approval: will the supervisor scold them? what will the opponents say? what if the implemented change made things worse?

Most opponents refused to submit any suggestions during the first year of gainsharing. They believed that an inefficient work process was beneficial to them. According to them, working fifty hours a week at low wages as a welder was physically grueling. Thus, limiting their analysis to issues of class conflict, it seemed silly to tell management that an eight hour task, with minor modifications, could really be performed in five hours.

For over two years one adversarial nonmanagement employee observed how go-getters and fence-sitters had submitted suggestions that greatly improved their working conditions. Although he expected no action to be taken, he broke ranks with his peer group and submitted a suggestion which simplified his work and saved the company a substantial amount of money. After the suggestion was implemented, he submitted other suggestions, thus joining the fence-sitter coalition. He modestly encouraged other opponents to submit suggestions that made their work less physically strenuous. His most convincing argument to them was that due to the lack of bonus payouts gainsharing might be eliminated so they should submit their suggestions before the opportunity passes. Some opponents submitted suggestions. Others chastised him for acting like management.

Team Structure

The gainsharing consultant recommended that the company form eight department teams (one per work area) with four nonmanagement employees per team (two per shift) and establish monthly discretionary budgets of \$400 per team to implement suggestions. The owner argued that these recommendations were too costly and time consuming. Thus the development team approved one gainsharing team with eight nonmanagement employees (one per work area) and a monthly discretionary budget of \$1,000. The owner successfully argued for a seven member review board, consisting of the owner, three managers and three team representatives. According to the owner, if a formal vote were ever taken then the sound managerial decision would win. These team-related decisions, made contrary to the consultant's initial recommendations, enabled the owner to protect his class interests.

The first set of elections were all won by the go-getters. Fence-sitters maintained that they could best contribute to gainsharing by focusing on their work tasks rather than gainsharing responsibilities. Some opponents refused to vote. After several months, the go-getters complained to the owner that there were too many suggestions for them to analyze. They also argued that the team meetings were boring; often the only person interested in discussing a suggestion was the nonmanagement employee representing that particular work area.

The owner was pleasantly surprised by the review board meetings where nonmanagement go-getters discussed issues taking into consideration management's perspective. Sometimes, they offered better solutions than managers. He soon considered the nonmanagement go-getters as being constructively feisty rather than destructively adversarial. According to the owner, he realized it was unnecessary for him to dominate discussions at these meetings.

One year after gainsharing implementation the owner established a second gainsharing team, one per shift, to reduce the administrative and implementation overloads. However, many of the same problems remained. In March 1988, two years after implementation, the owner established the eight team structure originally recommended by the gainsharing consultant. As a symbolic gesture, the owner allocated a \$1,000 monthly discretionary budget per team. He was pleased with the changes being made by employees and wanted the teams to feel unrestrained in their decision making process. Based on the company's experience, the owner was confident that very few teams would spend more than \$500 a month. According to the owner, he was

prepared to lower team budgets if they actually spent more than this per month.

When the team structure expanded to one per work area, one of the work areas, inspired by several opponents, elected a fence-sitter who obviously lacked the intellectual, verbal and mathematical skills necessary to be a capable team representative. They did this as a joke and were convinced that management would overturn the team's decision. Although the owner was upset with this particular election result, he honored it. The elected fence-sitter felt ineffective and resigned from the gainsharing team after two meetings.

In conjunction with the change in team structure in March of 1988, the owner changed the composition of the review board to 6 management and 11 nonmanagement employees. The production employees participating on the teams and review board believed that they could now actually influence the direction of the company, particularly when they witnessed the owner change his position on issues because of points raised by team representatives. From management's perspective, the team representatives were presenting, discussing and solving important organizational problems with minimal managerial input.

Organization and Individual Outcomes

There was strong consensus among management and nonmanagement employees, even those who were still adversarial, that gainsharing was essential to the company. Both management and nonmanagement employees benefitted directly and indirectly from four years of gainsharing. Some of these benefits were mutual to both parties, some were not.

The method by which each benefit noted below was measured depended upon the nature of the benefit. For instance, the purchase of new tools and machinery were traced directly to the gainsharing suggestion logs and minutes of gainsharing meetings, product quality improvements were traced to company records, and improved communications were cross-verified by interviews. Obviously, many factors could impact product quality improvements. If several interviewees—such as the owner, gainsharing coordinator and nonmanagement employees—credited gainsharing for the product quality award the firm won I accepted their particular knowledge of the situation.

Direct benefits to both management and nonmanagement employees included: (1) better production processes, (2) new tools and machinery, (3) increased training and development, (4) improved product quality, (5) group dynamics training, (6) improved communications, and (7) new promotion avenues. (See

Appendix for an elaboration of each benefit.) Direct benefits to nonmanagement employees that were also indirect benefits to management included: (1) easier work tasks, (2) greater voice in decision making, (3) improved health and safety, (4) a basic education course, (5) reduced employee grievances, and (6) new performance evaluation procedures. Direct benefits to management that were also indirect benefits to nonmanagement employees included: (1) significant cost savings, (2) less resistance to production changes, (3) partnerships established with suppliers, and (4) recycling and energy savings.

Discussion and Implications

The findings from this case study suggest that a socio-political theory of a firm is very useful for understanding events that are likely to take place when gainsharing plans are implemented and institutionalized. Four propositions were developed based on organizational theory literature on class conflict and political science literature on countries transforming their political systems from authoritarian rule to democracy. Each proposition is re-examined below in terms of the privately owned, nonunion manufacturing facility that participated in this study.

PROPOSITION 1. Management and nonmanagement employees will likely manipulate the transitional process based on their own self-interests and/or group-interests.

In this particular study, the owner was the primary power player in terms of protecting his class interests. The nonunion production employees began this transition from a weak position. Nonmanagement go-getters realized that the owner was manipulating the transition based on his self-interests, but they did not object because they were grateful for the opportunity to become involved in the decision making process. In addition, they maintained that this manipulation was fair because the owner was risking his capital.

The owner adopted six strategies at the beginning of the gainsharing intervention that were aimed at restraining the degree of employee involvement in the decision making process and the group-based financial bonus. In all of these situations, the owner's class interests were major barriers to fully implementing gainsharing. He wanted a mild form of pluralism, but his zero-sum views of management and labor power conflicts, reinforced by the adversarial behavior of a few nonmanagement employees, made it difficult for him to shed his class interests and habits (Morgan

1986). Thus, the owner, contrary to the gainsharing consultant's recommendations, (1) added gainsharing responsibilities to the quality control manager's existing full-time job responsibilities rather than reducing the manager's other responsibilities or employing a full-time gainsharing coordinator, (2) formed one gainsharing team with one representative from each of the eight work areas rather than one gainsharing team for each work area, (3) assigned more management employees than nonmanagement employees to the review board rather than the reverse, (4) included thirty-four factors in the gainsharing calculation, some of which were not affected by the nonmanagement employees, rather than a few factors that were directly affected by the nonmanagement employees, (5) developed the historical standard based on the previous year's cost figures rather than cost figures from the previous three to five years, and (6) shared the financial gains with the employees based on a 33/67 ratio rather than a 50/50 ratio. These strategies were pursued in order to control review board decisions and limit gainsharing's administrative costs and bonus payouts.

PROPOSITION 2. Power struggles will likely arise among and between the go-getters, fence-sitters, and opponents in both management and nonmanagement groups.

Based on information gathered during the semi-structured interviews, no manager was singled out as a go-getter. Some managers acted like go-getters when pushed by the owner, but the production employees were skeptical about their enthusiasm. Most managers were fence-sitters and took a wait-and-see attitude toward gainsharing. They interpreted gainsharing as the latest fad that the owner was experimenting with.

An adversarial group of managers consisted of supervisors who believed that gainsharing eroded their power. They actively discouraged production employees from submitting suggestions and attending gainsharing meetings. They would scold workers who wrote up suggestions on company time and threaten to file a complaint against them. Eventually, these supervisors became fence-sitters or they left the company.

The go-getters among the nonmanagement employees were assigned to the initial gainsharing development team and elected by their peers to be team representatives. Even though financial bonuses were minimal, they continued to participate in gainsharing activities because they could change their work processes. They submitted suggestions on behalf of the fence-sitters and opponents, partly to show them that gainsharing benefitted them, partly to help generate a

bonus and partly out of prosocial sentiments toward their peers.

Most of the nonmanagement employees were fence-sitters. Throughout the plan's evolution, members of this coalition were caught in the middle between the go-getters and opponents. They preferred that the go-getters become team representatives, submitted a "safe" suggestion and then carefully observed how the teams responded to the suggestion. After the first large year-end bonus payout, many of the fence-sitters felt guilty about withholding their suggestions so they submitted them.

A small, but very vocal, group of production employees were opponents. They did not want to participate in gainsharing activities, including refusing to vote during the first few elections, and sought to embarrass the owner, team leaders and fence-sitters. They formed a network of contacts that documented whether the amount of shipments reported by management matched the inventory sheets. They purposely elected an unqualified person as a team representative.

All three groups of nonmanagement employees were still evident during the fifth year of gainsharing. The go-getters were a little discouraged but they still wanted gainsharing to work. They did not want management to go back to the old way of doing things. The fence-sitters were more aligned with opponents than with go-getters. Both the fence-sitters and opponents maintained that management had not yet earned their trust because the bonus payouts were either rare or small even though the company was profitable. Fence-sitters limited their participation to an occasional suggestion that made their work easier. Opponents, unable or unwilling to overcome their class barriers, refused to do even that.

PROPOSITION 3. Hidden and suppressed social and economic problems will surface shortly after gainsharing implementation.

A variety of social and economic problems surfaced after gainsharing implementation, including: (1) some production employees could not read nor write, (2) employees needed new tools and machines, (3) health and safety issues were not being adequately addressed, (4) the production process was not efficiently organized, (5) there was inadequate communication among departments, and (6) management and nonmanagement employees were not trained in group dynamics, among others. The owner's response to these particular previously hidden and suppressed social and economic problems was greatly influenced by his desire for the gainsharing plan to improve production output at minimal costs to himself.

PROPOSITION 4. *Management and nonmanagement employees will likely continue to support gainsharing as long as it fulfills some of their monetary or nonmonetary self-interests and/or group interests.*

With all of this political game playing between management and nonmanagement employees, and among the nonmanagement employees, why do most managers and production employees continue to support gainsharing? Managers claimed that gainsharing suggestions had a very positive impact on the efficiency and effectiveness of the production process. In addition to substantial cost savings, many of the suggestions improved the production process and contributed to a better quality product.

Why should nonmanagement employees support new forms of governance that could be easily manipulated by managers? In this case, most nonmanagement employees, including the opponents, saw gainsharing as a way to address their grievances, improve health and safety conditions and obtain better tools and machinery. Gainsharing was also credited for having improved the yearly job evaluation process.

Importantly, many nonmanagement employees noted that fairness issues are more often openly discussed due to gainsharing. In this particular case, the owner implemented gainsharing and manipulated the gainsharing plan primarily for self-regarding reasons. Nonetheless, through increased social interaction with nonmanagement employees the owner became more sensitive to their fairness claims. According to the owner, monthly pronouncements in front of all the employees that the facility was profitable, yet no bonus would be earned, was a public embarrassment that compelled him to take into consideration the interests of others. In order to make gainsharing work, the owner had to expand his decision making analysis to include other-regarding interests.

Many of the constructive work climate changes were offset by the lack of gainsharing bonuses. The production employees expected to earn extra money every month by working hard and administering the gainsharing process. These expectations have not been fulfilled. The area teams were operating well, productivity seemed to be better than ever, and the company was earning monthly profits, but there were very few gainsharing bonuses. For some nonmanagement employees, this verified their initial intuition that management should not be trusted.

In terms of the class barriers diagrammed in Figure 2, some were broken while others were not. The owner allowed greater employee involvement by creating

teams, allocating them a monthly budget, and permitting nonmanagement employees to meet with suppliers. Nonmanagement go-getters made production changes without writing up suggestions and fence-sitters made production changes without first obtaining management approval. But as a middle range democracy ushered in by the sovereign, gainsharing was not democratic enough to break down other class barriers. The owner restrained bonus payouts and the initial team structure, managers accused workers of slacking off when they discussed production problems, oppositional nonmanagement employees refused to participate in the decision making process and some of them preferred to work inefficiently.

Contrary to the concerns of Greenberg (1981), even those nonmanagement employees who were most involved in gainsharing activities did not forget their class interests. The go-getters were reminded of class conflicts when they saw the owner manipulating the bonus factors and were forced to explain to other nonmanagement employees why profits could increase without generating any corresponding gainsharing bonus. They still perform eight hours of hard labor in a hot factory; managers do not. Opponents continually reminded the go-getters of their class heritage. To some degree the go-getters did adopt managerial ideology. But this was a two-way street because to some degree the owner began interpreting issues from the perspective of labor.

This case study revealed that gainsharing implementation and evolution is an extremely complex issue. If this firm was included in a sample that was surveyed regarding human resource and human relations issues, the results would be mixed. Health and safety conditions improved, but the work hours were still extreme and the bonus calculation was being manipulated by management. Therefore, do the production employees want gainsharing abandoned? No, the welders and many other production employees wanted gainsharing to continue because it met some of their needs. Does management want to abandon gainsharing because bonuses are low or some nonmanagement employees continue to actively resist it? Once again, no. The owner is significantly responsible for the low bonuses. Full participation is rarely achieved in democratic systems and should not be expected of gainsharing.

In conclusion, this case study provides some initial empirical support for the explanatory power of socio-political theory in examining the phenomenon of employee involvement programs in general and gainsharing in particular, situations where workplaces are democratized. Importantly, the outcomes reported in this study are similar to the qualitative results reported

by Doherty et al. (1989) who used an organizational development perspective to document the effectiveness of four gainsharing plans. However, this study differs significantly from the Doherty et al. study in terms of revealing the type of factors that contributed to these outcomes. Human relations and human resource management theories are very helpful, but they leave too much unexplained and, as a result, large data set analyses of gainsharing systems based on these theories should continually generate mixed results unless researchers control for socio-political factors.

Each facility's unique history, power players, and power games impact the consequences of the democratic intervention. Organizations do not make changes in a socio-political vacuum. As such, results are unpredictable and varied. Obviously, this one case study may not be fully representative of privately owned gainsharing facilities. In addition, case studies need to be conducted at gainsharing firms with different attributes, such as union firms (Collins 1995) and service industry firms, and different outcomes, such as high payouts or little employee support. Lastly, studies are needed of organizations adopting other forms of democratic structures, processes, and reward systems, such as ESOPs, socio-technical work teams and quality circles. As suggested by current theories of class conflict, democratization is an extremely worthwhile effort but it does not disperse class distinctions and the concentration of capital.

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Appendix

Direct Benefits to Both Management and Nonmanagement Employees

1. *Better Production Processes.* During four years of gainsharing, nonmanagement employees implemented 1,478 production-related suggestions. For instance, at the February 1990 team meetings, the eight teams reviewed 68 suggestions made by production employees. Suggestions accepted included making boxes for transporting items, installing lighting in a new storage area, having vendors supply their own yearly shipping records, locking up the tool room to discourage tools from being stolen, developing a five-year plan for the welding department, purchasing a \$3,000 drill press and including scrap savings as a separate gainsharing bonus factor. The latter three suggestions required review board approval.

2. *New Tools and Machines.* Using their gainsharing team's monthly budget, production employees purchased many new machines and state-of-the-art tools to improve product quality and reduce production time. According to both management and nonmanagement employees, these purchases would have been postponed indefinitely had the request gone through management channels prior to gainsharing implementation. According to the owner, the suggestions and area team decisions force management to seriously consider capital equipment improvements that are in the long-term interests of the company.

3. *Increased Training and Development for Machine Work.* As a result of the tool and machine purchases, management developed new training courses for the production employees. Production employees attend these machine seminars at a much higher rate than previously. For instance, prior to gainsharing many employees learned to read blueprints by working with their peers over several years. Management now provides formal training in this area primarily because the production employees argued that it would help contribute to gainsharing bonuses.

4. *Improved Product Quality.* Initial gainsharing production process and machine improvements enabled the company to earn the designation of "Qualified Supplier" from one of its major customers. To earn this rating the following conditions must be met: (1) 100% lot acceptance, (2) 99% zero defects on piece parts, and (3) 100% on-time delivery. Improved product quality enabled the company to extend product warranty statements.

5. *Group Dynamics Training.* The owner initiated a video training course in group dynamics. According to the owner, he was disappointed with the awkward group interactions at the initial gainsharing meetings. Neither the production employees nor managers had been trained in leading group discussions or developing a consensus. All department managers and supervisors, and many production employees, have completed the course.

6. *Improved Communications.* Bulletin boards are used to manage increases in inter-departmental communications. The monthly plant-wide meetings are used to convey additional information about the organization, such as the likelihood of obtaining a new customer that had specialized needs. Team meetings are also used to educate employees about accounting methods, such as keeping track of the cost-of-quality. In addition, one-on-one communication between production employees and the owner has increased. The owner took some fence-sitters and opponents to other companies that had employee involvement systems so they could see gainsharing's potential. According to the owner, this process enabled him to learn more about the concerns of nonmanagement employees.

7. *New Promotion Avenues.* Managers use gainsharing to evaluate hourly employees as potential supervisors. Several team representatives have been promoted to the level of supervisor based on their involvement in gainsharing.

Direct Benefits to Nonmanagement Employees, Indirect Benefits to Management

1. *Easier Work Tasks.* The statement made most often by production employees regarding the benefits of gainsharing is that "it makes my job easier." If they do not like the way the work is processed they can change it. According to the production employ-

ees, some managers sometimes cringe at this often-said benefit, mistaking the term "easier" for "slacking off."

2. *Greater Voice in Decision Making.* Gainsharing gives nonmanagement employees an outlet to express their opinions on company operations. They no longer have to convince supervisors that what is obviously needed ought to be purchased or redesigned.

3. *Improved Health and Safety.* Team representatives use the gainsharing teams to build coalitions regarding important suggestions, many of which are health- and safety-related. Although the company has a safety committee that should receive these requests, production employees found them implemented more quickly if submitted as a gainsharing suggestion.

For instance, an opponent I interviewed had received two hernias from lifting heavy objects at work. He complained to management but no action was taken. A go-getter encouraged him to submit a gainsharing suggestion to purchase an expensive hoist. Grudgingly, he did. Cost-benefit analysis showed it was less expensive to purchase a hoist than to pay for hernia operations and the area team approved the suggestion. Because the hoist cost several thousand dollars the suggestion had to be approved by the review board. Team representatives asked every team to put the suggestion on its agenda and vote on it in preparation for expected management resistance. The following month, purchasing the hoist appeared on the review board agenda eight different times, and all eight team representatives noted the suggestion had unanimous consent. The hoist was purchased. In addition, teams purchase exhaust fans for better ventilation and rubber mats to cover wet floors. Many adjustments are made to prevent back problems and other common health ailments.

4. *Basic Education Course.* Approximately 25% of the production employees, many of them fence-sitters and opponents, do not have a high school degree. Several go-getters informed the owner that some production employees did not participate in gainsharing because they did not know how to read or write. According to the owner, he was shocked by the number of illiterate nonmanagement employees. In order to increase their participation, the owner obtained the services of a local high school instructor to teach basic reading and math skills.

5. *Reduced Employee Grievances.* Grievance-related issues are sometimes submitted as constructive suggestions. Prior to gainsharing, if management was slow in responding to a health and safety issue that entailed rearranging the production process, then several production employees would file a grievance on unsafe working conditions.

6. *New Performance Evaluation Procedures.* In response to a gainsharing suggestion, the owner now requires that all employees evaluate their own performance. Also, a line item has been added to performance evaluation forms that rates both managers and production employees in terms of their participation in the gainsharing plan.

Direct Benefits to Management, Indirect Benefits to Nonmanagement Employees

1. *Significant Cost Savings.* The production employees have formally submitted 1,793 suggestions, and implemented 1,478 of them, during the first four years of gainsharing. The owner estimates a resultant net cost saving of at least \$300,000. For example, a sugges-

tion to use a lighter material on one product saved the company \$10,000. A suggestion to change from a welded part made at the plant to a stamped part purchased from another company saved \$13,000.

2. *Less Resistance to Production Changes.* According to interviewees, production employees resisted many short notice production process changes prior to gainsharing implementation. However, in 1989, when the company was forced to accept new business to increase slumping sales, the production employees initiated some of the changes themselves. Rather than opposing change, they independently implemented suggestions that made the change process easier. This enabled the company to meet the demands of new customized orders and increase sales without incurring substantial cost increases.

3. *Partnerships Established with Suppliers.* Prior to gainsharing, management viewed suppliers in an adversarial manner. The relationship was dominated by the typical conflicts of pricing, timeliness of deliveries and payment of bills. Several production employees suggested that suppliers visit the plant in order to familiarize themselves with company operations. This became a new company policy. Production employees who work with the supplier's product are encouraged to tell the supplier how their product could be improved. Such suggestions have enabled some suppliers to increase their own customer base. According to suppliers, this type of information sharing is atypical among their customers.

4. *Recycling and Energy Savings.* Gainsharing has greatly increased recycling company-wide. The new machinery has reduced scrap and substantially improves the company's energy efficiency and recycling abilities.

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