

## **Gainsharing: Achieve the Gain Without the Pain**

Gainsharing. The name says it all: Sharing the company's gains with the employees who make them possible. These programs are based on a simple concept and have several great features that make them attractive to consider. Employees can earn more money, the company saves money, and processes become more simplified and generate fewer errors.

The most obvious of these features is the call of dollars. In a typical program, a company shares one-third of the gain with employees. As a result, the company can realize substantial savings with these kinds of programs, while simultaneously being able to compensate and motivate employees more. Employees tend to become interested in improving performance when pay increases as little as 4%. As an added advantage, the reduction in errors results in greater customer satisfaction.

So what's required to implement a gainsharing program? We've broken it down into five main actions that, when taken, can substantially increase your probability of success.

### **Identify and validate metrics**

The first step in implementing a gainsharing program is to identify the tasks to be measured. Find tasks that have both trackability and direct impact on the staff required to distribute product. Make a list of these tasks, then document a baseline method for how each is to be accomplished. If applicable, also document physical activities and corresponding system activities. While identifying and validating metrics, determine if any process redesign is to take place, as it is common to implement practice process changes at this time.

Next, determine how to track the activities. If you have WMS and/or RF units, tracking might be as simple as creating reports from systemic data. When using systems, determine exactly what physical event triggers the system to record the task's start time and/or end time. Knowing this will be essential to effectively relay related information to employees.

If using manual methods for data capture (examples include spreadsheets and paper logs), create the tool and document the process of how both the administrator of the tool and the employees will use it.

Once activities have been documented and the tracking methods have been created, it is time to validate. If you have not done so already, it is advisable at this point to involve employees. Implement a pilot program with the intent of validating a baseline rate for each of the tasks. Be prepared to make changes to the rates and processes. Accepting input from employees not only will help you validate, but will lead to employee support of the standards' validity.

### **Base standards on individual performance**

If possible, standards should be based on individual performance. Individual performance standards allow employees to feel they have a direct impact on performance rates, and as a result they become more motivated to improve processes and meet or exceed such rates.

Although individual performance standards are recommended, team standards may be required. If this is the case, be certain to accept employee input. Employees tend to identify team members who they believe hold the team back from achieving desired rates. When team standards are used, put practices into place that allow employees to identify team members in need of additional coaching. This way, such team members can better learn proper methods and practices in order to contribute to the team achievement of standards, rather than hinder that achievement.

### **Pay on a timely basis**

Payouts should be made as closely as possible to the time the work was accomplished, and monthly payouts are generally best. A monthly timeframe tends to even out day-to-day and week-to-week variances in work profile differences, and also evens out inherent variability in employee performance.

Payouts that occur less frequently than once a month tend to discourage performance, because the employee has to wait too long for a payback. Payouts that occur more frequently than once a month can be hard to manage and result in a negative effect, because of variability in work and employee performance.

### **Involve employees**

Though already mentioned above, we return to addressing employee involvement because it is the most important element of a successful gainsharing program. When employees feel ownership and realize they have control over achieving rates and improving processes, they feel empowered. Often, employee-led teams determine what changes in processes, equipment, system and other tools are required to make the system work. They perform payback type analysis to make suggestions to improve performance.

For example, employees may suggest a system change that will result in a certain percentage gain in their performance. It is imperative that employees are given management feedback regarding the associated cost of that change, so that it can be determined if the change is justified.

When improvements are made by employee-led teams, management must determine a reasonable timeframe to allow the change to affect the payback. When the timeframe is known upfront, the team can take it into consideration in its payback analysis.

Determining a timeframe also allows for a smoother transition to a higher baseline rate. The transition can be in the form of an expiration type of change, or in the form of a buyout. In a buyout type of scheme, employees are given a one-time payout to allow the rate to change to the higher baseline rate.

Never lose sight of the fact that people who perform a task every day are the very often the best people to identify process improvements.

### **Include alternative measures**

Productivity improvements need not be the only focus of a gainsharing program. All the productivity improvements in the world are worth nothing if safety or accuracy is compromised. All payout schemes should include minimum safety and accuracy goals, which can be a threshold type of rate. In some types of gainsharing programs, productivity rate payouts may not come into effect if safety and accuracy goals are not met. Other systems allow for a graduated payout, based on achieving specific safety and accuracy goals in conjunction with productivity goals.

Another area that programs can focus on is attendance. A minimum number of days present and/or a maximum number of days absent can also be used as threshold goals.

By following the above guidelines, gainsharing programs can be beneficial to the company, its employees, and its customers. With appropriate planning and diligent execution, everyone can achieve the gain without the pain.