

Quick guide to testing gain sharing in your organisation

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Outline

- Part 1 Outline of gain sharing
- Part 2 Key processes & case study data
- Part 3 Modelling scenarios to improve your organisation

How I got into this!

- Collective bargaining without productivity gains!
- Adversarial versus collaborative approaches
- Interest in bringing above together with:
 - Engagement
 - Positivity
 - Sustainability
 - Productivity
 - Social design
 - Accessibility

Productivity halved in last 10 years

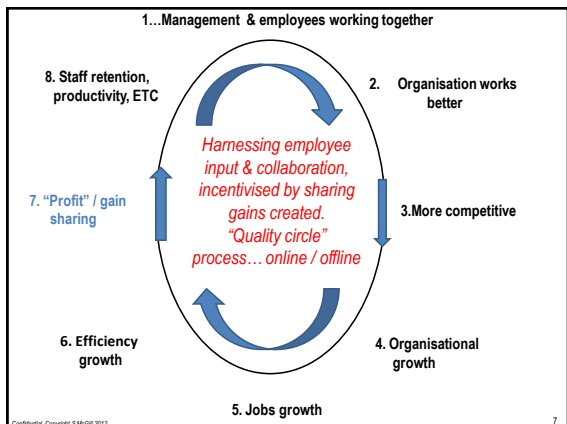


Part 1 Outline of gain sharing

Gain Sharing:

Business improvement incentivised by a group bonus (that can't be fudged!)

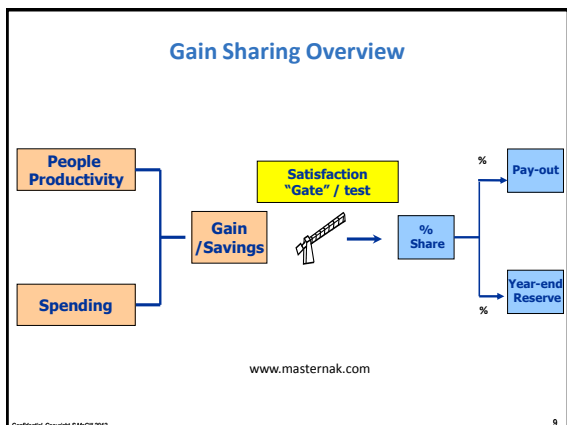
Using the proven gain sharing technology to reach mass audiences via the cloud.



Background on productivity gain sharing

- Gain sharing has been around for 80 years
- Productivity is the ratio input to outputs
 - EG labour and capital inputs to the value of the sales
- If output rises, and / or inputs used more efficiently:
 - there is a "gain" that is shared
- Only share in extra revenue generated
- Pre-agreed measures & tracking
- Various versions
- Works in private & public orgs

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Why & how it works

- Employees always have many good ideas on how to improve any organisation
- Gain sharing provides a structure for incentivising input & collaboration
- Can be initiated / funded top down or bottom up

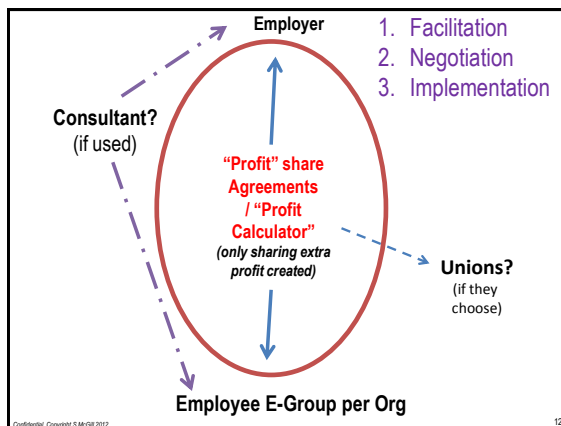
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Exercise: Potential Improvements?

Discuss with person beside you:

- What are 3 potential areas in your org to :
 - Increase revenue?
 - Decrease costs?

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Over 70% of employees prefer working with management

Table 5: Preferred approaches

	Working with management to improve the workplace	Defending workers against unfair treatment by management
Union members	72%	26%
Non-members	75%	21%

Source: Diamond & Freeman, 13

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Org improvement options?

1. Employees closest to "coal face" know where potential improvement are
2. Process improvements (assisted by employee and / or Union input)
 - with relevant "soft" processes
 - that might otherwise be resisted!
3. Coaching & training of supervisors and managers
4. Implementation of social design
5. Positivity & accountability training inside a firm
6. Clarity on goals at all levels

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ProfitSharz Service

- 3 key levels of gain sharing operations:
 1. Self service based on free info
 - Access to Gains Calculator for modelling scenario
 2. Self service with additional info / advice via monthly subscription
 - Data linking / tracking
 3. Consultant/s online and / or offline
 - Third party facilitation
 - Negotiation
 - Advice

Testing if Gain Calculator & self service works for people

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Exercise: Potential Improvements?

Discuss with person beside you:

1. What are 3 potential areas in your org to :
 - Increase revenue?
 - Decrease costs?
2. Put a ballpark % on the change identified above?
 - EG Revenue up 10% due to _____
3. What are the current obstacles??

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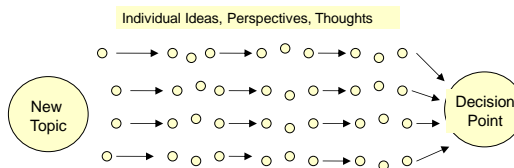
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Part 2 Process / Case studies

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Facilitation: What We Assume Will Happen



Material Adapted from "Facilitator's Guide to Participatory Decision-Making" by Sam Kaner
See summary by Facilitation by Harriet Pila on Internet 2011

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Facilitation: What Usually Happens

Confusion / Frustration

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Facilitation: What we'd like to have happen

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Facilitation: What Actually Happens

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What Actually Happens

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What Actually Happens

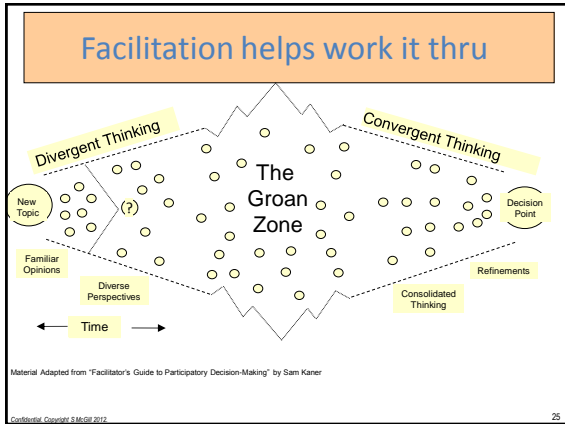
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What Actually Happens

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- ### The Role of Facilitator
- Help everyone in a group to do their best thinking by:
 - Encouraging full participation
 - Promoting mutual understanding
 - Fostering inclusive solutions
 - Teaching new thinking skills
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- ### Techniques for facilitation
- Stacking - "First we'll hear from John, then Susan, and then Tom."
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- ### Techniques for facilitation
- Encouraging - "Who else wants to say something?"
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- ### Techniques for facilitation
- Balancing - "Does everyone see it that way or are there other points of view?"
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- ### Techniques for facilitation
- Making Space - "Joseph, you look like you were about to say something."
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- Using the Clock – “I want to make sure we’ve heard from everyone who wants to speak. Who wants to speak?”

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- Reflective Listening – “This is what I’m hearing you say....”

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- Drawing People Out – “ Can you say more about that?”

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- Sequencing – “Why don’t we spend the next few minutes discussing ABC and then we’ll transition to DEF”

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- Calling for Responses – “Does anyone have a reaction to what Don just said?”

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- Deliberate Refocusing – “I just want to check: does anyone have a comment for Joe?”

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- **Tracking** – “I think you are discussing several issues at the same time.
- First,
- Second,
- Third,
- Have I captured all the themes?”

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- **Asking for Themes** – “Can anyone identify any of the themes being discussed?” (facilitator writes responses on flip chart) –

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- **Framing** – “Let’s remember how this discussion began. Originally Ed asked for input ...I’ve captured the thoughts on a flip chart. Do any of them need to be addressed now?”

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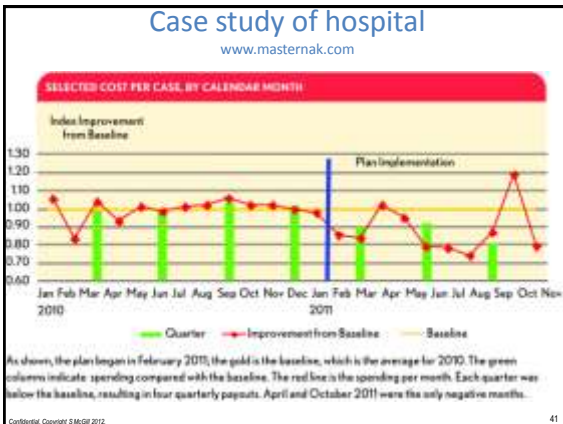
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Validation of gain sharing concept

- **Overall successful: 60-80% of firms**
- Increased **profits by 5-20%** in 50% of firms
- Increased **productivity in 48%** of firms
- Significant other positive advantages (eg **30% expanded**)
- Survey of 622 establishments in North America during 90s
 - “Gain Sharing & Goal Sharing” K Mericle et al 2006
 - Also book / articles by Boyett / Masternak



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Different from collective bargaining

- it addresses different problems (sustainability/ productivity)
- based on collaboration, positivity
- initiated by either employer or employees
- uses a win / win process via contract law
- allows significant self service
- adds to normal wages (not a substitute)
- is self funding (no gain, no bonus)

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Why now?

- Social media can facilitate old "quality circle" concept
 - EG groups on FB or LinkedIn
- Cloud based results tracking can bring a new level of trust, scenario planning, and transparency
- Social design predicted to facilitate productivity gains
- Workers want a new, higher level of interaction
- New era of global competitiveness

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Design considerations (IE Include in agreement)

- Measures to be Used
- Base Line of Performance
- Who's In
- Organisation/Participant Share

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Design considerations (IE Include in agreement)

- Split Amongst Participants / employee (EG equal shares?)
- Performance Feedback,
- Payout Frequency and Methods
- Preconditions for Payout (Gates / criteria)
- Guidelines and Safeguards

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Critical factors for success

- Adequate Planning
- Participant Education
- Workable Industrial Relations
- Well Understood "Buttons" for Performance Linked to Strategic Goals
- Properly Designed "Formula"
- Equal Focus on Support and Service Areas

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Critical factors for success (cont.)

- Available & Accurate Records
- High Interaction & Cooperation
- Management Openness to Criticism & Ideas
- Shared Need to Change
- Management Move out of the Comfort Zone
- Flexibility of Thinking about Performance

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Critical factors for success (cont.)

- Size of Organisation (minimum ?)
- Group Interdependence
- Group Composition
- Sensitivity to Effort

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Sources of failure

- What is Failure Anyway?
- Low Management Commitment
 - Especially Lack of Training and Resource Allocation
- Poor "Formula" Design and Flexibility
- Poor Communications
- Low Payments

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Sources of failure (cont.)

- Payments Unrelated to Efforts
- Financial Difficulties
- Inadequate Employee Involvement
- Lack of "Big Picture" Considerations
- Conflicting Change Vehicles
- Seen as End in Itself - Turbocharger Value Ignored

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Org benefits when it works

- Productivity up
- Employer / employee incomes up
- Staff engagement & happiness up
- Job security & competitiveness up
- Staff retention up
- Community prosperity (taxes / jobs) up
- Sustainability up

**Employee Employer Community
Win Win Win**

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Part 3

Basic scenario for your Org

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Exercise to show basic process

Inputs A: Where you are now

(** Boxes in yellow can be adjusted, others auto-calculated)

	Category	Period 1
1	Revenue Now	1,000,000
2	Profit / Surplus to Org	10%
4	Owner / Manager salary	150,000
21	No. of employees	10
23	Average employee annual salary	70,000

- Create an appropriate basic Scenario One for your org
 - IE...where things are at now (actual / or something to work with)
- Discuss most "do-able" improvements with person beside you

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"Gain Calculator" tool

Inputs B: Key goals & decisions

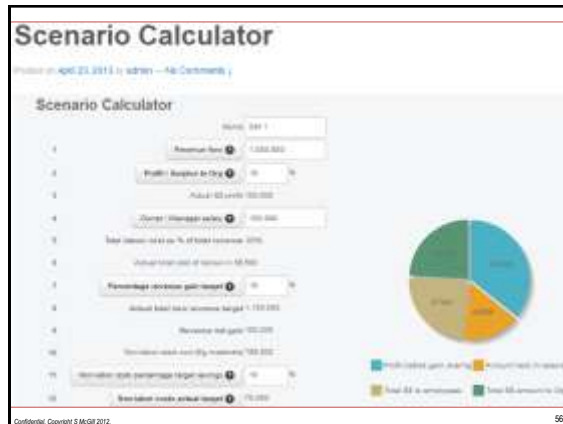
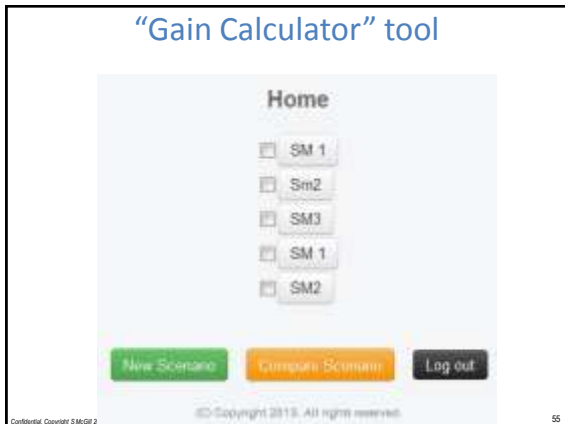
(** Boxes in green set key goals, others auto-calculated)

	Category	Period 1
7	Percentage revenue gain target	10%
11	Non-labor costs percentage target savings	10%
14	Percentage share to employees	60%
16	Percentage held in reserve, before split	25%

- Decide your goals for revenue & cost changes
- Decide what amount you'll share with employees
- Put the key parameters into the online tool:
 - Here: www.profitsharz.com "Scenario Calculator"

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Help for Users	
	How to use this calculator, and / or explanations per Row
1	Use & insert the actual data from your Org. Otherwise "guess-timate"
2	Use & insert the actual data from your Org. Otherwise "guess-timate"
4	Use & insert the actual data from your Org. Otherwise "guess-timate"
5	Calculated by average staff salary & the number of staff
6	(Note: this will vary per industry type. EG lower for manufacturing org)
7	Set whatever realistic 12 month target you want to shoot for over next 12 mths
10	(Note: This is currently calculated after all of above costs)
11	Set whatever realistic 12 month target you want to shoot for. EG Less waste of materials
12	(Savings could also be about making a more sustainable Org)
14	This split is agreed in Gain Sharing Agreement. (Ranges from 30-75%)
16	For re-investment or other agreed purposes in months, yrs where on gains obtained
21	Use & insert the actual data from your Org. Otherwise "guess-timate"
23	Estimate based on your real situation and insert

Generate output scenario	Output Table showing gains	
	Category	Period 1
	5 Total labour cost as % of total revenue	70%
	7 Percentage revenue gain target	10%
	8 Actual total new revenue target	1,100,000
	9 Revenue net gain	100,000
	10 Non-labor costs now (Eg materials)	50,000
	11 Non-labor costs percentage target savings	10%
	12 Non-labor costs actual target	5,000
	13 Total gains (Revenue + savings)	105,000
	14 Percentage share to employees	60%
	15 Percentage share to Org	40%
	16 Percentage held in reserve, before split	25%
	17 Amount held in reserve	26,250
	18 Amount to distribute	78,750
	19 Total \$\$ to employees	47,250
	20 Total \$\$ amount to Org (for profit / re-investment etc)	31,500
	22 Amount per employee	4,725
	24 Per employee percentage increase via gain sharing	6.8%



Calculate further scenarios

- EG. Likely, pessimistic, optimistic
- Check out impact of key variables EG Impact of revenue Vs cost
- Name your scenarios and check out in the Comparison Table
- Discuss the scenario variations with the persons beside you
 - Can you improve on it??
 - What's the most likely scenario etc??

Scenarios Table					
(** Boxes in yellow can be adjusted, others auto-calculated)					
	Category	Scenario 1	Scenario 2	Scenario 3	Scenario 4
1	Revenue Now	1,000,000			
2	Profit / Surplus to Org	10%			
4	Owner / Manager salary	150,000			
5	Total labour cost as % of total revenue	70%			
7	Percentage revenue gain target	10%			
8	Actual total new revenue target	1,100,000			
9	Revenue net gain	100,000			
10	Non-labor costs now (Eg materials)	50,000			
11	Non-labor costs percentage target savings	10%			
14	Total gains (Revenue + savings)	105,000			
15	Percentage share to employees	60%			
16	Percentage share to Org	40%			
17	Percentage held in reserve, before split	25%			
18	Amount held in reserve	26,250			
19	Amount to distribute	78,750			
20	Total \$\$ to employees	47,250			
21	Total \$\$ amount to Org (for profit / re-investment etc)	31,500			
22	No. of employees	10			
23	Amount per employee	4,725			
24	Average employee annual salary	70,000			
25	Per employee percentage increase via gain sharing	6.8%			

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Where next?

- Write out 3-5 steps you will take / consider to move this forward in your Org?
- Discuss with person next to you
 - Can you add to it?
- Consider other versions of gain sharing? EG value added option?

- Evaluation form / comments

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