

## **Supplemental Case**

### **Chapter 5: Gain Sharing at CircleWorks**

CircleWorks has been making custom bicycles for biking enthusiasts for nearly fifty years. The family-run company has had much success using small teams of employees to build bicycles to meet customer specifications. The custom built bikes have been in consistent demand and CircleWorks has maintained their position as a leader in the market. But, as a new generation of bike builders enters the workforce, Human Resources Director Sheila Gaines is concerned about employee motivation. She is considering offering incentives to encourage better teamwork, more employee involvement and improved productivity.

Introducing incentive pay is a challenge at CircleWorks as it runs contrary to the organizational culture. The family who started the company believed strongly in hard work and traditional management practices and this view dominates the organizational culture. The company President has suggested to Sheila that employees should be motivated only by the satisfaction of getting the job done. Further, company management is somewhat resistant to employee involvement in decisions. While they have always had a suggestion box available, very rarely does management look to employees for input on operations. Advancing technology has allowed many changes in production techniques and management believes that the design engineers are in the best position to guide changes in the work processes.

The bikes are built using teams of four to five workers who follow specific directions on building each bike. Because the bike designs are fairly intricate, each bike takes a designated amount of time to build and there is not much variability in the speed of production. However, Sheila has noted that some teams do work together better than others and wants to reward such cooperation. She has considered productivity bonuses awarded to the teams, but has also

considered implementing a gain sharing plan. Sheila believes that some incentives directed at all employees as opposed to the individual teams may promote more cooperation overall within the company. Further, as new workers with varied talents enter their workforce, Sheila wants to provide some incentives for the employees to make improvements to the production process. As she prepares to meet with the company President, she must decide if a gain sharing plan is the best recommendation.