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Overview

The effects of contingent reinforcement on a variety of work behaviors have been well known in the organizational behavior management (OBM) literature for some time (e.g., Hopkins, 1987; Mawhinney, 1975). While most applications of monetary incentive-based programs have focused on the individual, this trend is gradually expanding to include group-based pay for performance programs as promising results of this type of system are reported (Honeywell-Johnson & Dickinson, 1999; Kovac, 1986). By using group-based contingencies, individual employees often become more aware of how their own performance affects the group and organization collectively. As a result, individuals are better able to determine the impact of their performance on an organization's financial status. A concurrent awareness among individual employees and their performance, as well as the organization's success has not always been accomplished with individual employee-based compensation systems.

Open Book Management Defined

Although many organizations are realizing the added benefits of contingent reinforcement and group-based compensation programs, compensation alone is not enough. Simple bonus compensation can not ensure the success of the organization or that worker performance has a direct relationship to net profits. Therefore, a growing number of organizations are implementing a hybrid form of group-based compensation, entitled "open-book management" (Stack, 1992). The open book management system consists of four basic principles:

- Sharing financial and operational information with all employees
- Creating business literacy in all employees
- Creating accountability for financial and operational outcomes with each employee
- Giving employees a stake in the success of the organization

With the adoption of these four principles, many organizations have been able to provide every employee with the necessary information to solve many existing and unforeseen financial and operational problems that may exist (Whitford, 1995). And by growing the company, employees are rewarded financially through regular bonuses. In

addition, open-book management helps to strengthen employee retention and a vested interest in the company's success over the long term by making all employees company stockholders.

Why Try Open Book Management?

Overall, group-based compensation programs using open-book strategies appear to be a good programmatic investment for an organization. When the company makes a profit, the employees are reinforced. This arrangement ensures adequate financial resources to always fund employee bonus programs. Furthermore, the size of the bonus is a direct percentage of organizational gain – yielding a fair distribution of resources for all parties involved. Sacrificing quality to maximize profits is not an issue in an open book company because employees are made aware of the long-term consequences for such actions (e.g., lost sales, poor reputation, etc.)

Who Should Try Open Book Management?

Organizations without a performance system in place will find it very easy to kick off a new open book management system. The first step is to identify a key critical number that should be targeted for change. This number might be net profits, new product lines, percentage of the market share, or clients served. Many organizations that are already operating with a group-based compensation program would need minimal system changes to establish a compensation strategy based on open book management. For example, if a manufacturing firm pays employees for meeting a company critical number each quarter, that firm could continue the practice, but now also provide employees with data that describe the financial impact of their behavior on the organization, teach the employees to understand the financial balance sheet of the firm, and make the size of the bonus contingent upon the degree to which meeting the company critical number impacts the growth of the organization.

Human service agencies that serve persons with disabilities could implement open book management easily as well, even if a critical number like gross income is fixed through state or federal guidelines. In such an organization, direct care workers and shift supervisors could be made aware of how their behavior impacts the organization as a whole. Financial information the organization might share includes dollars spent on transportation of clients to remote locations, costs of groceries at one store versus another, resident/staff phone bills, or the average cost of a safety accident. Operational information might include the number of clinical outcomes a client has obtained, the number of successful residential placements made, or the number of children reintegrated into mainstream classrooms. Operational outcomes such as these have indirect effects on the financial bottom line by serving as quality measures that aid in the promotion of the organization more generally.

Summary

In conclusion, open-book management consists of developing cooperative contingencies of reinforcement at the group level (Stack, 1992) to ensure total organizational growth. The open book system has been succeeding for over 15 years in the business world and that "critical number" continues to rise.

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Bio

Dr. Mark R. Dixon is an Associate Professor and Coordinator of the Behavior Analysis and Therapy program at Southern Illinois University. His courses cover the topics of behavioral consultation and management, staff supervision, complex and philosophical issues in behavior analysis, and legal and ethical issues in behavior analysis. Mark has authored 45 journal articles, 3 book chapters, 1 book and over 130 papers and presentations in a variety of areas including organizational effectiveness, choice and self-control, gambling, verbal behavior, and computer programming for psychological research. Dr. Dixon also is the director of the Behavioral Consultation Group - a service project of the Behavior Analysis and Therapy program at SIU designed to place graduate students in human service agencies as behavior analysts or organizational consultants.
