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Performance Related Pay: Hot Air or Industrial Gas?



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ABSTRACT

This paper considers the operation of performance related pay (PRP) within two UK divisions of an industrial gases company. The more successful of these PRP schemes was introduced through partnership or 'joint working' between the trade union and management. However, even within this 'forward thinking' division, the reality of PRP fails to cohere with the rhetoric. This paper contends that the chasm owes to a combination of poor planning and informal local action. The methodology follows a critical case logic, with the inclusion of the exemplar division maximising the prospect that the reward system operates according to plan. From this division two lauded sub-units were selected - the best team from the south of England, and the corresponding highest performer in Scotland. Thus spatial diversity and the differential influence of local management can emerge. Data collection techniques included interviews with management, trade union leadership and employees, and open participant observation. Even in these recommended sites the original PRP rationale became muddled through myopic planning, self-serving action, and external forces. The scheme introduced under the banner of objectivity and openness was informally amended to allow subjectivity and stealth. In addition, front-line managers sought to reclaim local prerogative through the construction of discretionary bonuses. The shortcomings in the operation of PRP are however either obfuscated, or slow to emerge. Strong product markets shroud anomalies. Further, management has eschewed any rigorous evaluation of PRP. Much of the economic buoyancy has been attributed to the effective deployment of PRP. The data suggests that the role of PRP in the creation of value may be overstated.

Key Words: Performance Related Pay

THE LITERATURE

There is a sizeable body of literature prescribing the uptake of Performance Related Pay (PRP) (Kanter, 1987; Schuster and Zingheim, 1992; Lawler 1995; Flannery, Hofrichter and Platten, 1996; Lundy and Cowling, 1996; Dessler, 2000). These writers believe that the advantages reaped include the alignment of organisation and employee goals, the synchronisation of payroll with company performance, the creation of high levels of teamwork, and the attainment of quality for the customer. Lawler (1995) also argues that a critical issue is the level of consistency between what organisations say and what they do.

Legge (1995) however has questioned the depth to which such prescriptions are actually applied. She suggests that HRM associated ‘fads’ (p. 40) are being used by “interested parties seeking legitimacy and survival in a changed and increasingly competitive world” (p. 34). Brown and Walsh (1994) have considered the manipulations that thwart payment by results systems. In particular they draw attention to two defects of an operational nature. The first is that employees may opt to maintain harmonious relations with their colleagues rather than maximise their individual earnings. Others have similarly suggested that employees will place informal restrictions on effort, even when the net effect is to neutralise the incentive payment (Whyte, 1955). The second impediment that Brown and Walsh (1994) enlist is where an outside variable, such as a technological circumstance, may cause some jobs to be ‘slacker’ than others and results in employees earning different amounts regardless of individual effort. The risk is that management and workers then try to make amends through ‘constant fragmented bargaining’ (p. 456). Thus the pay, and production system, loses its original rationale. Lupton (1963) identified a phenomenon whereby managers choose not to utilise their power in a bid to retain cordial relations with workers. Echoing Gouldner’s (1955) conceptualisation of the ‘indulgency pattern’, managers may believe that the fostering of casual friendliness is beneficial to the speedy resolution of conflict. Child (1972) points to the fact that organisation decision-making is essentially “a political process in which constraints and opportunities are functions of the power exercised by decision-makers in the light of ideological values.” (p. 16). Thus, a recurring theme is that the formulation, operation and review of organisational activities are likely to be stymied unless sufficient heed is paid to the political processes to which they are intrinsically bound (Selznick 1949; Gouldner 1955; Burns and Stalker 1961; Blau 1964 and Pfeffer 1981).

Lupton (1963) has considered how power struggles can be made manifest through incentive pay schemes. Lupton’s work, based on the piece rate system, suggested that incentive pay, as practised, differs from that as planned. Manipulations occur, not least because management tacitly allow loopholes to continue unplugged. Management may believe that informality is a superior way of handling any conflict that does arise though workers may disagree. Later work by Lupton (1972) points to management inability, conflicting manager/worker interests and power fluctuations as

sources of performance deficits. These factors, combined with ‘product and labour market forces’ (p. 10) will defeat any attempts to link effort to reward.

This paper contends that the current notion of performance related pay provides equally fertile ground for power struggles and political activity. The following section presents two case studies that focus on incentive pay. Whilst the shape of the pay systems may have changed the polemical nature of variable pay has not.

THE RESEARCH OBJECTIVE

This research considers the extent to which PRP, as articulated, actually translates to the shop floor level. If divergences do occur, to what do they owe their origin? The deliberate use of the rhetoric of PRP by management to serve symbolic motives (Ahlstrand, 1990)? Or is performance pay being used ‘pragmatically and opportunistically’ as Legge (1995: 40) suggested? Whether the operation of PRP reflects company strategy or is simply the amalgam of disjointed and incremental actions will be considered.

Research Methodology

This research first considers the shape of PRP as devised at a senior level within two divisions of an industrial gases company. The first division (Gasco Industrial) highlights the fragility of PRP. In this case the PRP scheme experienced a relatively rapid demise. The scheme in this division will be contrasted with the second (Gasco Steadyflow) where the negotiated staff agreement and concomitant payment system has been widely commended. This second case allows us scope to compare the scheme as pronounced with the scheme in practice. The methodology follows a critical case logic. In choosing an ‘exemplary’ division one is maximising the possibility that the reward system operates according to plan. By corollary, if it doesn’t meet its claims in this ‘best practice’ division it is unlikely to do so elsewhere.

In this model division the PRP scheme (or ‘Staff Agreement’) works through the ‘Service Area Team’ unit. Across the UK there are twelve teams, each of which comprises 15 to 20 employees. The ‘best’ of these teams became, in turn, the unit of study. In addition, given the influence of local ‘product and labour market forces’ (Lupton, 1963) on the effort/reward equation, it was deemed prudent to select a second Service Area Team that would represent a different labour and product market. Hence the best team from the southern region, and the corresponding highest performer in the north were selected. This mix would provide spatial diversity, and also elucidate the differential influence of the local line manager.

Data collection methods included attendance at company meetings, interviews with senior management, trade union leadership, middle management and employees, analysis of company documentation, and open participant observation with employees. The total data collection period extended from 1997 to 2003.

PRP IN GASCO INDUSTRIAL: A SYSTEM WITHOUT STEAM

Gasco Industrial, the main fabrication and cylinder business, has a history of paternalist management. Industrial managers in the UK also admitted to a culture that values task-focused behaviour, risk-aversion and caution. Notwithstanding management's fondness for the lexicon of 'employee empowerment', Industrial's decision-making continues to be directed from the top. According to the HR Manager, the "culture is such that any change will be driven in once a target and milestones have been signed off". Gasco Industrial has a high level of union membership with relations between management and unions tending toward the 'adversarial'. The fragmented nature of this division's pay systems in 1997 reflected the ad hoc manner in which they had grown up. The variable portion of the payroll posed particular discomfort for managers. This component comprised a host of frequently obscure payments, bonuses and incentives. There was no direct or certain link between company profitability and variable pay. The spread between high performers' and low performers' pay was limited, with most clustered around a central median. As the HR Manager dryly remarked, "all Industrial employees are above-average employees". The former bonus schemes resulted in 'moderate reward' being delivered to everyone. "This was in part because results and effort were muddled in together".

Plans for a new comprehensive scheme were launched, the aim being "to ensure reward supports [the] achievement of new business strategy ... [and a] move towards a more entrepreneurial business". A new 'more results led' PRP system was to put across the message that "there are good years and bad years ... and the company is not responsible for poor years or external factors". The new scheme related pay to performance based on two aspects of profitability. The greatest of these elements would link pay to the achievement of targets in that part of the business over which the individual had most direct influence. Pay matrices were constructed which allowed employees to see how different achievement levels triggered differential pay levels. Management believed that these, combined with frequent review meetings, would allow workers to 'adjust their effort or behaviour' on a 'timely' basis (Corkerton and Bevan, 1998: 42).

When Gasco Industrial managers selected the groups to whom performance pay would apply they chose cohorts who were already receiving some form of incentive payment. They 'took and reworked the existing bonus money'. The HR Manager described this tactical selection process as 'priming the pump'. Further these groups of workers had a 'commercial element' to their work. The initiative was launched on a phased basis. Five PRP schemes, encompassing 300 employees in total, were run initially. The profit figure was to be reserved. This was to allow scope for manipulation should 'winners' not be naturally forthcoming in the year of inception. Management was determined that the pilot group should be treated to a 'win' (or financial gain) in their first year of participation. This was a result that management would contrive to keep those affected agreeable. These early participants could then pass on 'strong positive feedback' to the wider workforce. At senior levels however

the process was less certain. The unpredictability of future resources proved debilitating, as the HR manager had to implement the scheme without knowing the total funding that would be released. The HR manager further reveals that he felt time pressures. He wanted to 'write the HR strategy first', but the managing director insisted that PRP was promptly launched. "I had to try to get the strategy developed so that it was always just one step ahead of the PRP scheme". He refers to the 'stress' he felt in the first few weeks on the job as he tried to persuade the managing director to slow the process. This manager also found the roles he was delegated frustrating. "I was designing it [the PRP system] and yet would have also to implement it and use it... I was change agent and customer wrapped up in one".

Early 'winners'

In 1998 Gasco Industrial management began their first assessment of the scheme. As the HR manager commented the workers now 'know down to the pound' what they're owed from the scheme. Management involved opined that the performance pay scheme impacted positively on bottom line profits. They were also keen to claim that the workforce was refocused towards business goals. However the planned 'roll out' of the scheme never occurred. The HR Manager charged with the design of the system acknowledges in retrospect that this would have always been difficult. As mentioned, management had launched PRP with groups of workers for whom there already existed bonuses or surplus resources. This tactic yielded 'the winners' that they desired. However it would render the project considerably more difficult as it spread to cohorts for whom there was no surfeit or 'pot' to re-package into PRP. Furthermore for all participants to the scheme subsequent years were to see the inclusion of thresholds that would place 'hurdles' in the path of performance pay. Nonetheless the HR Manager opines that the second year worked out 'reasonably well'. 'Not many failed on thresholds. However there was just generally poorer business'. At the same time this HR manager left this post and the 'Reward and Recognition' project became jaded. One of this manager's biggest regrets was that the non-financial or 'recognition' element of the project failed to materialise thus leaving the reward strategy considerably less rounded than originally envisaged.

The aftermath

Following the departure of the HR Manager from Industrial, a new management team set about establishing a fresh PRP scheme, 'Rewarding Success'. This group of managers demanded that 'wider measures of individual success and effort' be recognised. Unlike its predecessor this scheme was to take into consideration 'external market levels' and the individual employee's 'contribution'. Bonus payment levels were based on financial measures, plus a sum reflecting achievement of 'Individual Key Performance Indicators (KPIs)'. Management had discretion over the latter. 'Eligibility' to the scheme included many middle management roles. Without any rigorous assessment to date, managers express confidence that this scheme is

successful. The trade unions were not involved in either of the Gasco Industrial PRP projects.

The ‘Inevitable’ Demise of Incentive Schemes

In Gasco Industrial decision-makers appear eager to blaze brisk but triumphant trails with HR initiatives. The manager who designed the ‘Reward and Recognition’ scheme acknowledges that they contrived to create early ‘winners’ on the scheme. The net effect of the managerial action was to front-load the success. The HR manager admits with hindsight that the ‘roll out’ to other sites was always going to be more difficult. Subsequent managers were disinclined to rejuvenate or to nurture schemes launched by others. It could be argued that management discontinuity might precipitate PRP demise.

External factors

Lupton (1963) argued that the operation of payment systems could not be viewed in isolation of economic circumstances. The effect of the declining market in which Gasco Industrial is operating is not insignificant. The first PRP system was, according to later managers, insufficiently flexible to cope with changing economic conditions. Strictly linked to company revenue it failed to provide pay-outs when company performance dipped. Under the dictum of ‘increasing discretion’ the revised PRP scheme recognised ‘effort’ as well as ‘results’. Hence the objective of making employees ‘more entrepreneurial’ was effectively turned on its head. Perhaps telling is the fact that managers themselves formed a large cohort of participants in the PRP scheme. Management engaged the services of a consultant, who, upon undertaking a ‘review’ in 2001 gave the imprimatur to the revised scheme. Thus the original rationale, the fostering of entrepreneurship, was muddied through subsequent reactions both to external forces and internal politics.

Summary

In Gasco Industrial, new management and new market realities signalled the end of PRP. A moot point is whether these were the correct factors to instigate a fresh PRP system, or whether the original scheme should not have been sufficiently robust to survive such contextual change.

The following section considers ‘Steadyflow’, the exemplar division within Gasco. According to Steadyflow’s director, the division is, in CBI terms, ‘best in class’ on many measures including management of absenteeism and staff turnover. From the outset Gasco management “wanted to do something different with Steadyflow”. The director of Steadyflow claims that Steadyflow “was always consciously used as a leading edge business”. Accolades have also come from the trade union, from external consultants and also from other companies operating within the industry.

STEADYFLOW: THE 'FORWARD THINKING' SITES

Since the early 1990s Steadyflow supplies gas to the hospitality and leisure trade ('pubs 'n clubs'). Though wholly owned by Gasco, Steadyflow has its own profit targets and also has freedom from the Gasco business pay structure. People within the Steadyflow division consider themselves first as 'Steadyflow people' and see their membership within Gasco as secondary. Employing 300 staff, this worksite originally began as a non-unionised venture. In 1994 however one of the main trade unions entered negotiations with management. In the course of its existence Steadyflow has spawned a distinct culture. Demarcations that existed in Gasco's other businesses have been collapsed in Steadyflow, for example drivers will engage in the loading of products. However before agreement could be reached on a new reward system mistrust lingering from previous variable systems had to be dealt with. For example, employees complained that the earlier bonus system was 'fixed by management'. Also the due payout was not always forthcoming. Management, for their part, found the earlier system 'tremendously complicated'.

It was agreed that management and the trade union would 'jointly establish a workable performance pay system'. Parameters and principles were laid out in advance of negotiations. 'Appraisal driven pay' was to be eschewed. The trade union was adamant that issues of behaviour, competency and staff development were left to the appraisal system. In turn, management stipulated that the new pay system was 'driven by business objectives'. The union endorsed the proposed scheme with the comment that 'the scheme consists of straight-forward key factors'. The union has been described as an 'advocate' of the system. Much of the 'success' is attributed to the 'joint working' process behind the PRP agreement. Both parties concerned argue that this is a departure from traditional negotiation. They cite the low number of 'break out' meetings that occurred. The cessation of the ritualistic 'bidding up' process was also referenced. The Steadyflow director remained involved throughout the formulation of the pay system. He sought to project a 'consultative' style of management. He expressed the fear, however, that a change of personalities could disrupt progress. "If the worst came to the worst, and if we got a dinosaur from the trade union, the whole thing could become undone".

In the Steadyflow division there are two main categories of worker. These are the sales and driving staff, and the production staff who fill the containers. Both groups of worker are included in the new performance pay scheme. This stands in contrast with the performance pay in Gasco Industrial where managers, sales staff and marketing people are included, but it stops short of industrial staff and drivers.

The new agreement articulated a series of 'key objectives'. These included the need to 'support communication of the key business objectives' and to 'motivate' staff to achieve these objectives. Echoing the mantra of the prescriptive literature, the rewards were to be 'sufficient to provide incentive for measurable performance improvement'. The pay-outs should be 'able to be influenced by individuals'. However the new agreement also shifted the attention from input measures onto the

achievement of actual results such as ‘revenue and profit targets’. It argued that staff should not be paid ‘just for trying hard’. The scheme was to be ‘as simple and objective as possible’. It ‘should be consistent ... [and] transparent’. The bedrock was that “PRP should be based on an automatic, formula based assessment of measurable outputs”.

Arch-approval

Those who drew up the staff agreement claim that PRP has delivered. For management this system has not resulted in a spiralling payroll. Roughly two percent of profits are paid out as part of this scheme. The trade union leader is content with payouts that can still ‘mount up to an extra £1000 and sometimes more’. Further the trade union expresses satisfaction that ‘full and proper collective bargaining’ remains intact. According to the union negotiator ‘the employees get the best of both worlds’, that is, distributed profits plus negotiated increases. The business director believes that it is ‘not a coincidence’ that market share has grown. He attributes this to combination of greater efficiencies and the PRP scheme. This is the Steadyflow PRP initiative as experienced by the decision-makers – an inclusive process with a mutually beneficial outcome. But what of the practice at ground level? The following section presents data on the operation of PRP within two of its most progressive ‘teams’.

TEAM ONE: ‘SOTTON’, SOUTH OF ENGLAND

Sotton is the largest account base that Gasco Steadyflow has. There is also strong competition in this area, coming through vertical integration from breweries and from independent gas suppliers. The regional manager describes Sotton as “a very forward thinking team”. However underneath the promulgation of Sotton as an exemplar site there are contentious issues.

In practice the individual portion of performance pay is widely considered to be both simple in its calculation and transparent in its operation. For example, the top performing service person (‘Sales and Service Person’ or ‘SSP’) spoke of his ability to track his performance and bonus payment over the course of the year. But he also notes that there are forces beyond the individual’s control at work, some of which can be fortuitous. “You’ve to build your revenue ten percent extra on last year’s performance. It helps if Gasco have put their prices up also!” However the Sotton foreman points to internal issues that thwart the link between effort and reward. He cites the differential earning capacities of different areas.

“Every year the target is ten percent up on the last years. In the towns there’s no problem. But the SSPs in the country areas have to make long drives to get to their accounts. ... So it’s a bit unfair as I’ve said many a time ... But that’s the way and our union have agreed to it”.

The best performing team member concurs that the Steadyflow staff agreement is ‘a poor one’. “It was a soft deal they negotiated with Gasco management and the trade union. It’s all one way. In management’s favour”.

Whilst the central pillar to Steadyflow’s PRP scheme is the measure of revenue growth, Steadyflow management subsequently contrived that this would not be the sole mechanism for gauging staff. Thus a parallel area-wide scheme requires that data are compiled on a range of measures including the number of emergency calls service staff dealt with, the levels of bad debt they incur and the time it takes them to return customer calls. Thus management sought influence over *the manner* in which revenue was grown. However not all staff were attuned to the machinations of these ancillary schemes, and some expressed resentment at their existence. A case in point is the leading service person who, although satisfied with his PRP bonus, is disgruntled with a co-existing bonus scheme. Referring to a prize of a VIP day out at Arsenal football club won by a new employee, he complains ‘What’s the point if no one knows what the prize was for? No one knew what they were meant to do to win it. It rubbed a lot of the men up the wrong way’. He is additionally embittered by the fact that he was the individual who came out first on the formal scheme, but was insufficiently recognised for this. He comments that he would like to apply for the vacant post of second ‘team leader’, but intimates that this exercise would be in vain.

“There’s a job of team leader coming up again here in Sotton, but I don’t know if there is any point in me going for it ... I think they already know who they want for it ... it’s all stitched up in advance.”

This same service person, who has been with Gasco ten years, is described by his foreman as ‘very laid back’. However his frustration with Gasco, the management and most particularly the reward scheme is palpable. Conscious of his frequent disillusioned comments about Steadyflow, and the reward and promotion system, he adds, “You probably think that I’m jaded ... Yeah, very cynical.”

‘Team working’ appears to be rather less systematic than touted by senior management. For example, a practice emerged in Sotton whereby the men opted to postpone emergency calls received on Fridays. These calls would be picked up by the individual rostered to carry out weekend cover work. It was only when Saturday became inextricably burdened did the men ‘sit down together’ and decide that ‘enough was enough’. Co-operation across teams is also variable, with Sotton just recently ‘offloading’ a ‘problematic’ employee onto an adjacent satellite depot. In Sotton there is also resentment of management’s top-down style. The foreman notes that in the past when he has tried to raise controversial issues, which he has been met ‘company-speak’ such as ‘let’s park it for now’ and ‘it’s a non-negotiable’.

The staff in Sotton are very conscious of the high cost of living in the south of England. It is a perennial issue in their discourse. Differentials in salaries both across

the divisions and across the regions are also frequently referenced. One service person opined that ‘The London staff are paid more. The Solmadie staff should be paid less!’

Summary

Perhaps ironically, the individualism and resolve nurtured by the PRP scheme was muted by the institution of an ancillary bonus scheme that inspired disaffection and splits. This applied even to the employee who was the biggest beneficiary from the principal scheme.

TEAM TWO: ‘SOLMADIE’, SCOTLAND

Business in the Solmadie area has recently received a boost due to the decision of one of the breweries to shed its gas supply constituent, and contract it to Steadyflow. Further, the front line manager at Solmadie believes he has fostered a productive team through his informal management techniques.

However fractures exist. The feeling that Gasco management fails to listen to its staff is evident. The ‘best performing’ SSP believes that the lack of staff consultation is costing the company through less informed and effective decisions. For example, he believes that the logistics across the sales regions could be improved. “The problem is that when you go to Steadyflow meetings or management training and raise these issues, they’ll all nod and agree with you ... Someone is blocking the change, but it is never clear who”. This worker believes that much apparent ineptitude and illogical decision-making in Gasco is due to organisational politics. “When you don’t understand why something is as it is, it’s rooted in politics”. This Solmadie service person relates how he was adversely affected by mismanagement of the PRP scheme. As a PRP participant, he grew his territory in line with the targets set, ultimately outperforming other members of his team. However on foot of this triumphant first year’s performance, he was taken off his allocated territory and ‘given a harder plot’. This re-assignment was recognised by all on the team as being substantially more difficult. Not only were the new areas considered ‘tougher’, but also they were geographically dispersed, giving him the additional connecting distances to drive. When he voiced his dissatisfaction to his managers, they tried to placate him by taking out a map to demonstrate that the locations were ‘not far apart’. (The service person argues that even on the map, “it is a significant four inches”). In relation to management’s recourse to the map and their rejoinder he sighs that “if management say that what chance do you have? I give up.” This year this high performing service person expects to get only half of his ‘due PRP’, that is £1,500 instead of £3,000. He suspects that the re-allocation of sales territories was concealed from higher management. “They [senior management] don’t know what happened at regional level. It was kept in-house, cos it’s seen as a mess”. He reveals his suspicions as to the background to the reallocation.

“What happened was that another SSP [Sales and Service Person]... went to [middle] management and said that they had too much work ... This person also identified _____ [a remote area]... So instead of giving me more of [the city] I was pushed out to cover _____ as well”.

This SSP points out that he will not publicise his withdrawal of full effort. Nor will he seek redress in relation to what he considers the iniquitous response to his previous year's achievement.

“I don't want to rock the boat in relation to my pay. Although I think that it's unfair. I don't want to be seen as a troublemaker ... but even the rest of the lads at the depot thought that it was unfair”.

This SSP candidly reveals that both his motivation and performance have diminished as a result. “I've put on the brakes, in terms of my effort at work. I've said this to my manager, who acted surprised. Now I'll do only as much as the other lads”. This best performing SSP has in the past been forthcoming with suggestions to enhance company profit levels. Following 'the Christmas period' he was due to take up the additional role of promoter within Solmadie of 'balloons and helium'. However at this point, if he could relinquish this responsibility he avowed that he would.

The Solmadie manager is dissatisfied with the calculation of the area-component of PRP.

“Some of the area's bonus money for PRP was blocked because of financial mis-management, following a share slump. However although the problem was not actually in the Steadyflow accounts, Steadyflow had to pick up the pieces, and the men lost £200 each”.

The Solmadie manager decided not to tell his staff of this error “or there'd be riots”. He is also dissatisfied with the non-release of the PRP results. “I had a big run in with the director ... He wouldn't announce the best team in the PRP awards. His reasoning was that he didn't want to incite envy or competition across the sites.” This was a poor justification in the view of the Solmadie manager who complained “why bother getting 'best in class' if it won't be recognised”. The area manager feels that senior management is out of touch with the operational side of the business. “The higher up the tree you go, the closer to the clouds you get”. He operates his own informal, somewhat unorthodox, incentive scheme. For example he bought “a £750 half cut diamond ring to give to the partner of the best performer”. On a night out, he passed the ring around in a bid to alert the partners of the prize that it was in the offing. He believes that the work productivity duly rose within the team. “When it became a race between the top four or five the others went back to the normal rate of working...” He

was nonetheless happy with the initial ‘spur’ that it gave the staff. In the course of his informal ‘networking’ within the Steadyflow division the Solmadie manager discovered that two other middle managers were on higher rates of remuneration. He has threatened to resign. Although he concedes that it is fact hyperbole to register his disaffection.

The basic pay of foremen is set at a higher level to SSPs. In addition they receive a PRP payment which is a proxy of the average of the team bonus. Some feel that this cumulative pay should be pitched at a higher level. The best performing SSP at Solmadie asks, “Where’s the incentive to be in management?” Equally the Solmadie foreman believes that the premise that foremen can indirectly influence their bonus, via the productivity of their team, is unrealistic.

“The idea is that they will coach all men up to the level of exceeding, but sometimes there is nothing that you can do. For example, if someone just has the attitude of not caring less”.

Despite the discontent that the PRP system engendered, this team continues to turn in a strong profit performance. The withdrawal of local competition may not be incidental.

In both of the extolled sites it was seen that the PRP practised differed from that set out in company documentation. The following section discusses this divergence.

PRP in Steadyflow: Transforming ‘winners’ into ‘losers’?

The simplicity and transparency of the individual aspect of Steadyflow’s standardised PRP scheme allows employees to track their reward. However in both sites local and ancillary bonus schemes were created. Front line managers and supervisors may seek to re-assert their control over reward and the adjudication of ‘winners’ and ‘losers’. Further by personalising the reward the Solmadie manager afforded himself access into the private sphere of the men’s lives, which he deems important in his creation of an intimate workplace. The existence of a parallel area bonus scheme in Sotton fostered dissatisfaction and jealousies. The negligible monetary amount involved appears irrelevant. In brief, a multiplicity of bonus schemes may diffuse focus and dissipate the original rationale. Senior management remain either oblivious, or unconcerned. Steadyflow lacks the comprehensive overview required to reveal these anomalies.

Steadyflow management appears unwilling to exploit opportunities for staff ‘recognition’. The Solmadie area manager is bewildered and annoyed by the refusal of senior managers to disclose the success of his team. This may be to avoid internecine rivalry, as indicated. It is also plausible that the non-disclosure of performance rankings allows management to retain prerogative on staff appointments. For example, the highest performing SSP recognises that he is not ‘the sort’ that Steadyflow wants to promote. Even though the Steadyflow system was designed with

the explicit aim of minimising subjectivity, we can see that in practice management prerogative prevails. This may be exercised through the allocation of sales territories. Further, it has been suspected that lobbying or pressure from individual SSPs may be enough to persuade front-line managers to use such discretion.

The propensity of service personnel to concentrate on revenue to the neglect of the service element exists within Steadyflow's PRP scheme. This is exacerbated by the expanding customer base, which puts additional strain on staff. As the service person in Sotton revealed it is not in his interest to provide coaching to customers on product use. This would distract from his raw mission to sell. The erosion of the service element places Gasco into the same league as its competitors, who compete on the basis of price not service. Given that Gasco prices are higher this is not a recipe for long term viability.

As one service person indicated, the objectives of service staff and foremen can also be at odds. When covering for their 'team' members there is no incentive for the foremen to make more than a superficial replacement of cylinders. The consequence of this is that more runs have ultimately to be taken at a cost to Steadyflow. As was clear in Sotton the interests of individuals within the 'team' may also conflict. Service staff are keen to minimise their hours (especially since the annualising of overtime). Hence they may prefer to offload emergency calls onto weekend staff. Emergency calls are rarely as beneficial in revenue terms as the routing is more chaotic and thus uneconomical.

The best performing newcomer at Solmadie resolved, that following his disadvantageous reallocation of territory, that rather than confront his managers he would reduce his work output. Thus the perceived inequity was redressed at the level of the individual. His decision not to express his grievance formally was based on his reluctance to earn a 'bad name'. This reflects the practice that has developed within Steadyflow whereby conflict is not dealt with through union channels. The origins of this appear to be a combination of the apparent aloofness of the trade union (copperfastened by their shows of intimacy with management at leadership level), but also a perception by employees that the 'professionalism' of the Steadyflow business would be compromised by recourse to the union. Thus conflicts that arose were dealt with through clandestine means, or not at all.

Brown (1962) makes the point that management frequently fails to comprehend the motivations of employees to work productively without a 'carrot' dangling in front of them. Thus they perhaps mistakenly overstate the role of incentive pay when units perform effectively. It is plausible that much of Steadyflow's successful performance is rooted within the unique culture of customer commitment (perhaps despite the PRP?), alloyed with the benign market. The role of PRP in the creation of value may be overstated.

CONCLUSION

This paper demonstrates that, even in relatively successful workplaces, the rhetoric and the reality of PRP may diverge. Schemes introduced under the banner of objectivity, and openness are informally amended to allow subjectivity and stealth. In the Industrial division there may have been pressure to appease managers who experienced a drop in PRP when company performance slumped. In Gasco Steadyflow front-line managers and supervisors sought to devise informal systems of sanction and reward. It may, in practice, be naïve to assume that company-wide standards and sanction suffice. Judiciously used global and local reward schemes may co-exist. However to the recipients of payouts or prizes it should not sully the worth of their achievements or send confusing signals as to what are valued behaviours.

This paper contends that the chasm between the rhetoric and reality of PRP evidenced owes to a combination of poor planning and informal local action. However such fractures are frequently obfuscated, or slow to emerge. Through tradition and volition, employees in Gasco Steadyflow have rendered latent the sanctions that the Industrial division use to exert influence with management. Thus discontentment with the PRP system remains unresolved. It may be argued that these grievances will remain dormant as long as Gasco Steadyflow performs well. However should the level of performance pay plunge frustrations could erupt.

In conclusion, even the high performing ‘teams’ within the successful division evince the incoherence of company plans and actual practices. The gap between the rhetoric and the operation appears wedged apart by an amalgam of factors from myopic planning, through to manipulative and self-serving action, to external economic forces. Against this, strong product markets may shroud shortcomings in the original design and implementation. Any rigorous attempt by management to evaluate PRP schemes or establish causality is eschewed. Success is attributed to the deployment of PRP. Against this PRP ‘failures’ rarely invite questioning of the appropriateness of PRP. Rather the expiration of existing plans becomes simply a clarion call for similar schemes.

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