

Engstrom Auto Mirror Plant

1. When and why did dissatisfaction with the Scanlon plan begin at Engstrom? What were the reasons for worker disaffection with regards to the Scanlon plan and its bonuses?
January 2007 the employee's morale started to drop.

The firm stopped paying the bonuses.

The bonus was paid as a percentage of their salary. This created a sense of unfairness because the managers salary was much higher.

family to institute a Scanlon Plan at the plant. The choice proved propitious: the Scanlon Plan, which paid bonuses to workers for increased productivity, had been the primary catalyst of Engstrom's own turnaround.

Distrust of bonus calculations: Although all employees received a detailed explanation of the process and could easily access the bonus calculations, some employees thought that the company might be "playing with" the numbers. The complex nature of the calculation itself, which some felt was "full of bean-counter jargon," also caused distrust.

Question of fairness: Some employees felt that supervisors should have received a reduced bonus because they were "not working as hard as we are."

2. Do you notice a difference between the earlier and later stages of implementation of Scanlon? Referring to the various elements of the Scanlon Plan philosophy, how do you evaluate the implementation of the plan at Engstrom? (Ref. p. 435-36 of text 11 and pp. 2-5 of case). What could have been done differently?

Bent believed in the group incentive plan so he rewarded the whole group. They saw how other companies the Scanlon plan did, so the employees and the managers had a meeting on how to implement the plan. Also, 75% of the employees must accept the Scanlon plan. 81% of the employees votes yes for the plan.

At the start, the Scanlon plan was incentives through production goals but later it was revised to thinking creatively. People were now getting bonus for bringing creative solutions.

The people lost interest in their bonus, because their jobs were getting boring and non-interesting. Or they found out that they got the bonus no matter how many creative ideas they gave, so they did not need to put that much effort into creating many ideas. Or a lot of their ideas were rejecting.

There is a problem with measure the bonus and when it should be given.

Cost savings from increase in productivity are shared among employees and the company based on a formula (e.g., payroll expenses divided by total sales in the Scanlon Plan).

3. What is the existing bonus based on? What is the strategy and what are the assumptions underlying this calculation? When is it likely to work and when not likely to work? Why is it not working for Engstrom now?

The assumption is that we will need high productivity because there is high demand. The plan will be effective when there is high demand but not when there is low demand. Can we change the frequency the people get their bonus. Example make it yearly to prevent seasonal factors and boom and bust periods. And not make it monthly when giving bonuses.

There is a lack of trust between the workers and managers. Time and delivery issues. There is a problem with the culture, the workers are custom to receive a bonus. There is a negative association with the bonus program. They get whipped when they do not perform well.

Quality of the products is also decreasing. They fly their products which increase costs.

Production per labor hour. When production increased they will receive a bonus. Calculated as $(\text{total payroll costs plus vacation and holiday accruals}) / \text{sales value of production}$.

Det vil ikke virke når medarbejderne begynder at fokusere på rewarden fremfor opgaven. It is not working for Engstrom because the workers focus too much on the reward.

4. What are the present issues that Engstrom needs to address urgently? How can Bent address these in the short-term? Could Scanlon be revised in some way to suit Engstrom's present needs? What long-term strategies could be adopted to deal with worker disaffection at Engstrom?

The workers are not motivated and are to focus on the bonus which creates high anxiety. The workers were having a hard time solving how the bonus were created. Engstrom should focus on the work itself, recognition, and growth.

Some of the urgent tasks is to involve the workers and make them redefine the workspace so they can present their values. They are focusing on the money because the job does not fulfill them enough.

Giving individual rewards in short-term increase.

You can give employee stocks in term of giving them incentive to work harder and give them a common feeling.

Create a new benchmark and look and the market demand for the product and base the new benchmark on other similar players. Compare to your competitors.

Salmon

Short term, focus on quality because we need to keep our certified status. Here we will need. Some bonus scheme. The money that goes to Airshipping products should instead go to the bonus.

Also, work with task significance. The way we make task meaningful is to, example tell stories. Example say that the workers save life when making a mirror. This might also increase quality.

Notes while reading

They are having productivity problems. They were afraid to lose the certified status, which meant that Martinzes had personally authorized Engstrom products to be used on the auto lines without quality inspection.

Haley has a close connection with the employees and they are done with the Scanlon Plan. They do not believe in the bonus plan because it has not been given in months. There is a low employee morale. In 2006 Bent lay off 46 of his 255 employees and those who stayed have not received a bonus in 7 months. When the bonusses stopped the employees responded with anger.

Scanlon reinforce teamwork and cooperation across work groups while they attention on cost savings and motivating employee's wo work smarter not harder.

When things are working properly, teamwork and knowledge-sharing improve in Scanlon organizations, collaboration fosters innovation and creativity. Plants like Engstrom were focused on cost savings. The bonus was based on the ratio, production per labor. Engstrom was pursuing higher productivity.

The path to plan adoption at Engstrom

The reason why it was not successful in the late 1990's was due to lack of innovation. There was also increasingly long production delays. The plant manager lacked innovation skills and quick thinking. Bent, a successful manager was hired in 1998. Bent believe in the power of incentive programs. His incentive plan was focused on the Scalpon Plan. He wanted to build good communication.

The workers were the ones who set the stage for acceptance of Scanlon.

Plant management selected a ratio of payroll to sales volume of production. Their strategy was to start with the total sales revenues generated during a specified period and then stablish a percentage of that total as a standard or normative cost of labor.

Scanlon's Track Record at Engstrom

The firm really wanted to support any suggestion the employees might have. Bent instituted monthly communication meeting for all employees.

The workers liked the idea of getting money for thinking. People now see themselves as more cooperative workforce.

After some time enthusiasm dropped and fewer suggestions were made. People began to have distrust of bonus calculations. They started questioning fairness. People became more charged when Bent talked about layoffs.

In 2007 the layoffs created an emotional lightning rod and the epmployess were dissatisfied. A new manager was hired (Haley). When problems increased Bent started to question his own performance.