

## **Involvement of non-management employees in compensation design and administration: An exploratory study**

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*Two hundred ninety human resource professionals responded to a survey regarding employee involvement in compensation design and administration. The results of the survey indicated that 46% used non-management employees in designing or implementing compensation plans, merit pay was the most common incentive plan used, and informal discussion groups were the most common vehicle used to elicit employee responses.*

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Many business enterprises in the United States are struggling to find ways to attract and motivate employees who are dedicated, flexible, productive, and highly skilled. This challenge is exacerbated by increased domestic and global competition, flattened organizational structures having few promotional opportunities and vast spans of control, and a downsized work force whose loyalty to their employer is paltry or non-existent. One response by corporate leadership has been to increase the involvement of non-management employees in areas that traditionally have been the sole province of management. These areas include product and process quality (Bowman, 1989; Ruben, 1988), production standards and performance feedback (Das & Shikdar, 1988), personnel selection (Newstrom, Lengnick-Hall, & Rubinfeld, 1987), strategic planning (Pace, 1987), and the design of work (Macy, Peterson, & Norton, 1989). Such practices are based on the assumption that non-management employees are often in the best position to resolve problems and take action on matters that pertain to their work (Jago & Vroom, 1977; Rashford &

Coghlan, 1980; Vroom & Yetton, 1973).

There is considerable empirical evidence which suggests that the practice of non-management employee involvement, and the participative management approach which accompanies it, have received increasing attention from both practitioners and scholars within the last several years (Kahnweiler, 1991). Some management experts have cited the limits of employee involvement and advise against its unequivocal adoption (e.g., Dachler & Wilpert, 1978; Hass & Philbrick, 1988; Kanter, 1986). At the same time, a growing body of research suggests that employee involvement generates improved productivity and attitudes (Buchholz, 1978; Lawler, Mohrman, & Ledford, 1992; Miller & Monge, 1986; Steel & Lloyd, 1988; Steel & Mento, 1987). While the debate over the effectiveness of employee involvement and participative management has not been resolved, the trend of pushing decision making to the lowest possible level in the hierarchy appears likely to continue throughout the 1990s and well into the next century. In fact, there is increasing evidence in the general management literature that employee involvement practices will be necessary if organizations are to survive that long (Griffin, 1988; Leana, Locke, & Schweiger, 1990; Margulies & Black, 1987; Sashkin, 1986; Tichy & Devanna, 1986; Weisbord, 1987).

In addition to enhancing the level of non-management employee involvement in business operations and decision making, organizations are scrutinizing their compensation systems more carefully (Gomez-Mejia & Welbourne, 1988; Lawler, 1990; Lawler, Ledford, & Mohrman, 1989). For most businesses, employee remuneration accounts for a sizable share of its expenses. As a result, progressive organizations are looking for ways to maximize their return on this investment. Achieving the more traditional objectives of compensation plans--attracting, motivating, and retaining valued human resources is necessary but insufficient if organizations are going to survive much less prosper in today's volatile business climate (O'Dell, 1987, O'Dell & McAdams, 1987). Compensation systems are now expected to contribute significantly to an organization's long-term success in cost-effective ways.

In response to these myriad and often conflicting issues, many enterprises are beginning to experiment with imaginative pay systems that have little historical precedent. Compensation has thus become a more complex and strategic lever. This is in sharp contrast to the traditional view of compensation as an operating expense that must be tightly controlled, or at least tolerated and monitored. Thus, the role of pay systems appears to

be shifting from tactical vehicles which, at best, support short-term business goals to strategic priorities which drive long-term business performance (Minor & Crane, in press).

Despite the fact that many organizations appear to be increasingly interested in both employee involvement and innovative pay systems, there is little evidence of the merging of these two trends. Specifically, there is little research concerning the nature and extent of non-management employee involvement in the design and management of compensation programs. The literature on this issue tends to be theoretical and conceptual (e.g., Lawler, 1990) or anecdotal (e.g., Lawler & Ledford, 1985; Tosi & Tosi, 1986). Due to the apparent lack of empirical findings on employee involvement in the compensation arena, the researchers conducted an exploratory study as an initial response to this need.

The major purpose of this study was to ascertain the prevalence of non-management employee involvement in various aspects of compensation plan design and implementation. Specifically, it attempted to identify the degree of employee participation, the methods used to foster it, and the particular components of compensation system planning and execution in which this participation is encouraged. The prevalence of so-called non-traditional reward systems (e.g., gainsharing, skill-based pay) and the identification of the factors which account for a lack of employee involvement in compensation matters were also assessed.

### **Related Studies**

As alluded to above, the limited published evidence regarding non-management employee involvement in compensation issues appears to be primarily either theoretical or anecdotal. This conclusion is based on the researchers' examination of several sources.

First, a search of both the employee involvement and compensation literature over the past 12 years was conducted. A total of 37 published articles which blended both themes were initially identified. Only three of the 37 were even remotely related to the subject of this study (O'Dell & McAdams, 1987; Paulsen, 1989; Stata & Maidique, 1980). In these articles, employee involvement in compensation issues was treated either peripherally or as a general prescription (e.g., employee involvement in compensation should be a priority). Second, one of the researchers conducted a review of the participative management and employee involvement literature from 1976 through 1991 (Kahnweiler, 1991). That

study examined 294 articles which appeared in 140 different scholarly and practitioner-oriented publications. Of the 66 articles which were classified as empirical studies, none addressed the nature or extent of employee involvement in compensation issues. Third, a recently published book by Lawler (1990), one of the nation's most respected authorities on both employee involvement and compensation, was reviewed as were the sources cited in that book. The empirical work derived from this analysis was either in the form of reviews and critiques (e.g., Guzzo, Jette, & Katzell, 1985; Lawler, 1988), case studies (e.g., Lawler & Hackman, 1969), or only remotely pertinent to the purpose of this study (e.g., Prince & Lawler, 1986; O'Reilly, Main, & Crystal, 1988). A more recent study (Lawler *et al.*, 1992) examined compensation practices and their relation to employee involvement. However, the sample in this study was limited to large firms and the issue of non-management employee participation in designing and administering compensation systems was not addressed.

In addition to the above sources, related literature failed to emerge from other reference sources such as *Dissertation Abstracts International*. The authors also consulted with scholars, consultants, and high-level practitioners to ascertain if they were aware of any studies or articles which pertained to the current investigation. These procedures failed to uncover any additional literature which was not previously examined. Thus, the authors are reasonably confident that the proposed study will address a significant gap in our knowledge of both employee involvement and compensation as well as the relationship of these increasingly critical human resource management practices to each other.

## METHOD

### Sample

Due to the exploratory nature of this study, a broad representation of organizations across sizes and industries was desired. Through the regional office of an international human resource management consulting firm, a total of 1078 surveys were mailed to its current and prospective clients throughout the Southeastern United States. These included many *Fortune* 500 industrial and service businesses as well as non-profit and small organizations. Either the top human resource officer, the senior compensation executive, or a compensation manager/specialist was asked to complete the survey instrument.

## **Survey Instrument**

The researchers wished to obtain a critical mass of data while minimizing the amount of time and effort required from participants to complete a survey instrument. The preliminary design of such an instrument was completed and then piloted with a sample of 30 managers. A few survey items were re-worded based on the results of this pilot study. Many of the survey items elicited categorical data. However, to measure the extent of employee involvement in various elements of compensation design and administration, subjects were asked to indicate one of 4 levels: None, Consider/input ideas, Recommend, and Empowered to decide. Conceptualizing the employee involvement process on a continuum has ample precedent (e.g., Cotton, Vollrath, Froggatt, Lengnick-Hall, & Jennings, 1988; Crane, 1976).

## **Data Analysis**

Based upon demographic information obtained, responses to survey questions were grouped by the size and industry of each participating organization. Chi-square tests were then applied to the categorized data to determine if company size and industry were significantly related to differences in overall involvement level, types of pay plans employed, involvement vehicles utilized, and the reasons for non-involvement. To test whether levels of involvement on specific aspects of compensation system design and administration were significantly different among size and industry groups, a general linear analysis model was used. As appropriate, any narrative comments provided by survey respondents were either assigned to existing categories or content analyzed and placed in a new category.

## **RESULTS**

### **Sample**

A total of 290 usable returns were received, resulting in a 26.9% response rate. This compares very favorably with other survey research on employee involvement.

The objective of obtaining data from a broad cross-section of organizations was achieved. Organizational size was measured by the number of employees and varied from less than 500 to more than 30,000. Respondents to the survey represented virtually every major industry category. However, in order to maximize the validity of statistical comparisons among the categories, it was decided to combine some of the organizational size and industry sector groupings. This resulted in reducing seven categories of size to four and 12 industry groupings to three. The latter were: Product (e.g., manufacturing, high technology, retail, construction, consumer products), Service (e.g., banking, insurance, utility, health care, transportation, media), and Institutional (e.g., government, social service, education, professional association). A breakdown of the sample may be found in Table 1.

**Table 1**

**Characteristics of the Sample**

Characteristic	Number	Percent
<b>Size (number of employees)</b>		
Small (< 500)	114	39.3
Medium (500-999)	51	17.6
Large (1,000-2,999)	70	24.1
Very large (> 3,000)	55	19.0
<b>Industry</b>		
Product	133	45.9
Service	138	47.6
Institutional	19	19.0
<b>Total</b>	<b>290</b>	

## Overall involvement

Of the 290 organizations responding, approximately 1/2 (N=134, or 46.2%) indicated they involve non-management employees in designing or implementing one or more compensation plans. As the data in Table 2 indicate, there was some variation among different size and industry categories. However, these differences were not statistically significant.

### Types of plans

Participating organizations were asked if they currently had a number of different compensation programs in place. Some of these programs are fairly traditional, such as merit pay. Others, such as skill-based pay, group incentives, and gainsharing are typically associated with employee involvement efforts.

Table 2

Prevalence of non-management employee involvement in compensation system design or implementation

Characteristic	Number in sample	Number which involve	percent
Size (number of employees)			
Small (< 500)	114	47	41.2
Medium (500-999)	51	24	47.1
Large (1,000-2,999)	70	34	48.6
Very large (> 3,000)	55	29	52.7
Industry			
Product	133	56	42.1
Service	138	68	49.3
Institutional	19	10	52.6
Total	290	134	46.2

Table 3 reveals that merit pay is, in fact, a prevalent practice. Nearly 80% of responding organizations say they employ merit as a basis for pay decisions. The use of individual incentives, especially with management and executive jobs, has also been a fairly standard practice, and this is reflected in the data appearing in Table 3. Likewise, a sizable proportion of firms utilize lump-sum bonuses in lieu of incorporating pay increases into employees' base salaries. Interestingly, approximately the same number of firms have a profit-sharing plan as do those who use skill-based pay. The latter is a relatively new concept while profit-sharing has existed for decades. Skill-based pay has often been installed in organizations as part of a larger employee involvement effort. Among the forms of compensation which are associated with employee involvement, skill-based pay is operative in more organizations compared with gainsharing, group incentives, and an all-salaried workforce.

As noted in Table 3, the proportion of companies which have installed various compensation plans do vary by size and industry. While merit plans are commonplace, the data suggest that small and institutional organizations are less likely to use them. Institutional organizations also reported significantly less use of lump sum bonuses, individual incentives, and profit-sharing plans compared with product or service businesses. Group incentive plans, in which team rather than individual performance is expected and rewarded, was reported to be significantly less prevalent in companies with fewer than 500 employees. Group incentives were reported with greater frequency as company size increased.

## **Vehicles**

Those organizations which involved non-management employees in the design or administration of compensation systems were asked how such participation was fostered. The distribution of employee involvement vehicles, by organization size and industry, is depicted in Table 4.

Informal groups were found to be the most common method of involving non-management employees in compensation matters. In contrast, more systematic procedures, such as QWL teams or standing committees, are in force at relatively few companies. The number of organizations which involve employees through ad hoc committees/task forces and joint employee-management committees fall in between these two extremes.

**Table 3a****Prevalence of compensation plans by organization size**

Type of Plan	Very				Total
	Small	Medium	Large	Large	
Merit	69.3	90.2	88.8	81.5	79.9
Profit Sharing	30.7	27.5	17.1	25.9	26.0
Lump-sum Bonus	43.9	47.1	41.4	35.2	42.2
Individual Incentive	35.1	37.3	37.1	50.0	38.8
Group Incentive	08.9	15.7	21.4	24.1	16.0
Skill Based Pay	34.5	17.7	27.1	24.1	27.8
All Salaried Workforce	23.0	07.8	12.9	16.7	16.7
Gainsharing	02.7	05.9	10.0	13.0	07.0

**Table 3b****Prevalence of compensation plans by industry type**

Type of Plan	Type of Industry			Total
	Product	Service	Institutional	
Merit	75.8	85.5	68.4	79.9
Profit Sharing	35.6	19.6	5.3	26.0
Lump-sum Bonus	50.8	37.0	21.1	42.2
Individual Incentive	47.7	34.1	10.5	38.8
Group Incentive	19.1	15.2	0.0	16.0
Skill Based Pay	34.4	23.2	15.8	27.8
All Salaried Workforce	13.7	17.4	31.6	16.7
Gainsharing	10.7	3.6	5.3	7.0

Twenty-six respondents indicated that they involve employees in compensation issues by other means. The majority of these (N = 17) indicated that discussions between individual employees and their managers was used as a vehicle for involvement. Only three organizations said they used quality circles or other types of TQM teams to involve non-managers in designing or administering compensation plans.

The data in Table 4 reveal some significant differences in the prevalence of employee involvement vehicles within size and industry groupings. On one hand, ad hoc committees are significantly more widespread in companies which employ 1000-2999 people compared to smaller and very large organizations. On the other hand, the adoption of joint employee-management committees is more widespread in small companies and tends to be less utilized as organization size increases. And while informal involvement vehicles were the most prevalent among all respondents (especially if the 17 organizations which involve employees through discussions with their manager are added to the figures for informal discussion groups), they were significantly most pronounced among those who employ over 3,000 people. In terms of inter-industry differences, only joint employee-management committees resulted in statistically significant differences. Such committees were most dominant in production organizations compared with institutional and service businesses.

### **Level of involvement**

In order to measure the degree of employee involvement in compensation design and administration, survey participants who indicated they involved non-managers in compensation design or implementation (N = 134) were asked to complete a matrix. For each of 11 activities typically associated with designing and administering pay plans, respondents were requested to indicate one of four levels of involvement. This allowed for an assessment of the level of employee involvement in specific aspects of engineering and maintaining compensation systems. It also enabled the formulation of a composite index of employee involvement--both for each activity area and an overall level of employee involvement in compensation design and administration. As with other data obtained in the survey, involvement levels were statistically analyzed to decipher any significant differences within size and industry categories. The data pertaining to level

of employee involvement may be found in Table 5 and is summarized below. The activities in the table are arranged in descending order of involvement level.

**Table 4**

**Number of organizations using employee involvement vehicles (n = 134)**

Category	Informal Discussion Group	Ad Hoc Committee	Joint Employee Management	QWL	Standing
<b>Company Size</b>					
Small	17	06	13	01	04
Medium	07	06	05	01	00
Large	15	16	03	03	03
Very Large	19	04	01	04	00
<b>Company Type</b>					
Product	19	10	12	05	03
Service	35	19	06	03	03
Institutional	04	03	04	00	01
<b>TOTAL</b>	<b>58</b>	<b>32</b>	<b>22</b>	<b>08</b>	<b>07</b>

The areas in which the level of non-management employee involvement are most pronounced are 1) preparing job descriptions, 2) identifying job requirements, and 3) determining performance measures. These components of compensation systems are ones in which a sizable number of organizations seek employee participation beyond the level of providing information or opinions. (It should be emphasized that the figures in Table 5 are percentages based on the number of organizations which involve non-managers in compensation in some way, not the total in the

sample. For example, of the 134 which involve non-managers in compensation systems at all, 78, or 58.2%, elicit employee recommendations regarding the preparation of position descriptions. The 78 organizations represent 26.9% of the total sample of 290). At the same time, organizations appear to be reticent to allow non-management employees the latitude to make decisions concerning the content of job descriptions, the array of job requirements, and the determination of performance measures.

The level of employee involvement in determining compensable factors (i.e., dimensions such as skill, knowledge, problems encountered) appears to be modest. The remaining 7 activities represent activities of compensation management in which most organizations involve employees to minimal degrees (i.e., eliciting opinions) if at all.

Subsequent analyses through a general linear model resulted in no significant differences in level of involvement among different sized organizations and those in product, service, and institutional enterprises.

While the number of organizations which grant non-managers the power and authority to make compensation decisions is low, it should be noted that there are some organizations which indicated they do so. In addition, the lowest level of involvement on any activity was with reference to developing pay structures. However, even in this case, some respondents indicated they involve non-managers on this dimension, at least minimally.

The overall composite index of 1.85 signifies that organizations which do involve non-managers in compensation design and administration (again, almost 1/2 of all respondents) tend to demonstrate this by having employees share opinions and make recommendations on compensation policies and procedures to decision makers.

### **Reasons not to involve**

A total of 156 organizations, or 53.8% of the sample, indicated they do not involve non-management employees in any aspect of compensation system design or implementation. These respondents were asked to state one or more reasons for this. The distribution of reasons for no involvement appear in Table 6 in descending order of frequency.

No single factor seems to account for the lack of involvement. Management's resistance to give up control was cited most frequently, followed by the perceptions that employee involvement was too time

**Table 5****Percentage of companies involving non-managers in specific compensation system practices**

Practice	Type of Involvement				
	None	Give Opinion	Make Recommendation	Decide	Composite
Prepare job descriptions	03.4	32.9	58.2	5.5	2.66
Identify job requirements	06.2	39.0	50.7	4.1	2.52
Determine performance measures	28.8	34.5	34.5	2.2	2.10
Determine compensable factors	55.4	25.6	17.5	1.5	1.65
Conduct job evaluations	66.9	17.6	14.0	1.5	1.50
Obtain or analyze market data	73.5	13.3	11.0	2.2	1.42
Develop salary policies	73.5	16.9	08.9	0.7	1.37
Determine jobs or people eligible for pay programs	75.0	14.0	11.0	0.0	1.36
Determine pay levels for various performance levels	78.7	12.5	06.6	2.2	1.32
Determine compensation mix	83.9	11.0	04.4	0.7	1.22
Determine pay structures	84.5	10.4	04.4	0.7	1.21

consuming, other priorities were higher, and employees' skills to be involved were insufficient. Systemic issues, such as lack of rewards to involve employees and unclear goals of the involvement process were not frequently seen as barriers. Likewise, very few respondents believed that union opposition and indifference on the part of employees were factors which explained their organization's lack of non-management employee involvement in compensation.

Statistical analyses revealed no significant differences for the reasons of lack of involvement among companies grouped by size and industry. Finally, 23 of the 156 companies who do not involve employees indicated additional reasons for this. These reasons included the belief that compensation is solely management's responsibility or the corporate culture is incongruent with employee involvement. A few respondents indicated they either are in the start-up phase of an organization-wide employee involvement process starting with mid-level managers or have never considered the option of involving lower level employees in the first place.

### **Conclusions and Implications for Senior Executives**

Since this was an exploratory study, it would be inappropriate to make direct causal inferences based on the descriptive data obtained. Nevertheless, the study's findings do suggest some issues to be considered by those in senior executive positions who have policy making authority. Major findings. While nearly one-half of the organizations who responded to the survey involved non-managers in compensation matters to some degree, the overall nature and extent of this involvement could be described as modest. In general, a non-management employee has an opportunity to provide input on issues directly related to his or her job; on the other hand, a very small proportion of companies seek employee input on matters pertaining to whole compensation systems or policy issues.

The second key finding from this study was that company size or type makes no difference statistically when employee involvement in compensation is considered. This outcome differs from the findings of the study by Lawler *et al.* (1992) which concluded that employee involvement tends to be more prevalent in larger manufacturing companies. The fact that Lawler *et al.*'s (1992) study was restricted to Fortune 1000 companies may account for this discrepancy. That study also measured employee involvement holistically and did not investigate its use in compensation

systems. This difference in how employee involvement was defined may also help to explain the variation in the research findings between the two studies.

**Table 6**

**Reasons for not involving non-management employees in compensation program design or implementation**

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<b>Reason</b>	<b>Percent</b>
<b>Management does not want to relinquish control</b>	<b>37.2</b>
<b>Too time-consuming</b>	<b>28.2</b>
<b>Other business priorities are more pressing</b>	<b>26.3</b>
<b>Employees lack the skills to be involved</b>	<b>24.4</b>
<b>Management is concerned that employees would act primarily in their self-interest rather than to meet business needs</b>	<b>21.2</b>
<b>Goals for employee involvement do not exist</b>	<b>18.6</b>
<b>Rewards to employees for their involvement do not exist</b>	<b>9.6</b>
<b>It is too difficult to decide which employees to involve</b>	<b>9.6</b>
<b>Management lacks the skills to be involved</b>	<b>9.0</b>
<b>The union is opposed to employee involvement</b>	<b>1.3</b>
<b>Employees do not want to be involved</b>	<b>1.3</b>

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The third key finding from this study suggests that employee involvement in compensation practices tends to be conducted informally. The Lawler *et al.* (1992) study found that participative organizations tend to implement employee involvement strategies by formal and systematic methods. Again, the differences in the focus of employee involvement and in the nature of the samples between the two studies could be factors which account for these disparities.

## Conclusions

The results of this study support the notion that employee involvement is driven by internal forces within an organization rather than external factors, industry norms, and the like. Indeed, researchers and practitioners generally agree that for employee involvement to be successful, a long-term commitment to change attitudes and company cultures is required. Conversely, the outcomes of employee involvement efforts are usually mediocre or short-lived when they are based on the fact that competitors are planning to implement it or the economy is predicted to move in a certain direction. The nature and scope of employee involvement in compensation does not appear to vary by company size and industry. Therefore, it seems reasonable to conclude that the dynamics and conditions within a given organization play a formidable role in determining if and to what degree non-managers are allowed to participate in issues pertaining to pay. Further research is needed to verify or dispute this conclusion.

This study also lends support to the concept of different life cycle stages of employee involvement initiatives. For example, the practice of rank and file worker participation in decisions concerning the improvement of production methods has been fairly prevalent and systematized for many years. In contrast, employee involvement in compensation programs appears to be a fairly recent phenomenon, is not particularly widespread, and tends to be informal where it does exist. Over time, more organizations may seek employee input and suggestions to optimize the effectiveness of pay programs. As the practice becomes more extensive, it may, like other forms of involvement, become more formalized as well. The results of the present study may reflect the relative novelty of the concept and practice of non-management involvement in compensation. Indeed, an underlying explanation for the lack of significant levels of employee involvement in compensation may be due to the fact that the

idea is so new and therefore somewhat revolutionary.

## **Implications**

Advocates of employee involvement in compensation design and implementation claim that it would result in better designed pay systems. In addition, it has been stated that the involvement process enhances employees' understanding of and support for the systems as well as their level of commitment to assure its ongoing effectiveness (Lawler, 1990). The results of this study do not support such contentions. Nevertheless, senior executives who determine and enforce organizational policies might consider the following broad guidelines as they explore the possibility of involving non-managers in their organization's compensation systems. These guidelines are based upon the results of this study, other related research, and the authors' work with numerous organizations which desired greater employee involvement in compensation systems and other business practices.

1. Commitment must come from the top and be heartfelt. People at all levels will easily distinguish between sincere desires to enhance the level of employee involvement and superficial efforts which indicate little more than lip service to the concept. Compensation represents a sizable investment for most organizations. Seeking employee involvement in designing and managing compensation systems is therefore a very concrete and powerful means of demonstrating top executive's genuine commitment to participative management.

2. Employee involvement is relative, not absolute. As demonstrated in this study, employee input can range from providing opinions to having full decision making authority. In those organizations which are exploring ways to enhance the levels of employee involvement, senior executives might target the compensation arena as a potential area of the business to do so. Establishing or increasing involvement levels does not translate into "giving away the store." On the contrary, the results of this study demonstrate that there are abundant opportunities to elevate the levels of employee involvement in engineering or managing compensation programs while retaining management's ultimate control of these resources.

3. The process is as important as the product. The manner in which employee input is elicited is critical. For example, a new gainsharing plan that has been designed totally or primarily by management will likely send the message that the organization is less than serious about employee involvement. Employee participation should be sought at the outset of any involvement initiative and continue as discussions move into issues of feasibility.

4. Consider piloting an involvement effort. In designing or maintaining a compensation system in which employee participation is sought, consider piloting such an effort in a part of the business which represents a high chance of succeeding. While this strategy has the potential for creating perceived inequities in those areas not chosen for the pilot, it is important to try and build in successes early on in the involvement process. Otherwise, disillusionment and skepticism can flourish and become insurmountable.

5. Expect resistance from your management team. Managers below the top level often perceive employee involvement as "a take away" and therefore resist its implementation. It is quite likely that any resistance to employee involvement will intensify when the organization's pay systems are brought into the picture. It is helpful to keep in mind that such resistance is normal and is typically a positive sign that senior executives are dealing with important issues. When encountering such resistance, recognize rather than deny it while remaining persistent with the involvement process.

6. Expect resistance from non-management employees. If senior executives communicate their intent to establish or increase the level of employee involvement in compensation, it is likely that some may resist the idea, at least initially. Employees at any level resist change, especially if their work organization has had a history of adversarial management-employee relations. As senior executives know, it is easier and safer to be led and then blame management when there are perceived injustices or other problems. Again, it is important to expect resistance while continuing to channel energy into the involvement process.

7. Maintain a broad, strategic focus. The least effective employee involvement efforts are packaged as programs, or worse, as an "employee relations flavor of the month." Employee involvement in compensation should support and reinforce an organization's overall shift to a more participative culture. Top executives need to view employee involvement in compensation (and in other management practices) as a long-term transformation in the way business is conducted and managed.

In conclusion, it seems likely that the scope and level of employee involvement in compensation system design and implementation will increase in the next several years. The data in this study suggest that such practices are currently in the infant stage in the United States. Involving all the members of an organization in formulating and overseeing compensation policies and procedures can be a potent means of demonstrating a genuine commitment to empowerment in the workplace. Perhaps more importantly, it holds much promise as a viable method for maximizing the return on the enormous investment organizations make in their people.

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