Organization-Wide Variable Pay: The Missing Link in Managing the Value Chain

William D. Presutti, Jr. *
Duquesne University Pittsburgh, PA. U. S.A.

Introducing an organization-wide variable compensation system based on overall company performance is one of the key initiatives that should be pursued in the efforts to effectively manage the value chain. Yet, the subject is largely absent in any discussion of value chain-related issues. The value chain involves interdependencies, cooperation, and group performance. Compensation systems need to be designed to reinforce those behaviors to more tightly tie the identity of front-line workers to the goals and objectives of the firm. Organization-wide variable pay for everyone can boost productivity and profitability that generates a return on investment that essentially makes the system self-financing. A vast literature exists on the issue of organization-wide variable pay that provides important lessons. Changing the structure of compensation in American enterprise can make a meaningful contribution to repairing the productivity-pay bargain for front-line workers that has been breaking for the past 30 years.

*Corresponding Author. E-mail address: presutti@duq.edu

I. INTRODUCTION

Disparity in income distribution is receiving increasing attention in American society and for good reason. Hacker and Pierson (2010) present evidence that shows, in the period 1979-2006, the top one percent of income earners saw their incomes rise an inflation-adjusted 260 percent while the increase for everyone else averaged 27 percent. Reich (2010) notes that the $45,000 median income of males today is the same as it was 30 years earlier in inflation adjusted terms. At the same time, CEO compensation has grown inexorably in the past thirty years when compared to the average front-line worker. Today, it is estimated that U. S. CEO pay is in the range of 240-400 times what the front line worker is paid causing MIT's Peter Senge (2010) to comment that "the disparity is disastrous to any attempts at intra-firm collaboration. That collaboration is a necessary condition for the effective management of the value chain.

Although many reasons exist for this income disparity, for purposes of this discussion Reich (2010) provides the most cogent. He observes:

> "Americans no longer have the purchasing power to buy what the U. S. economy is capable of producing. The reason is that a larger and larger portion of total income has been going to the top. **What's broken is the basic bargain linking pay to production. The solution is to remake the bargain.**" (emphasis added)

The foundation for remaking that bargain is the focus of this article. We need to fundamentally change the nature of the compensation system in U.S. companies to include organization-wide variable pay that more closely links pay to production. The concept of the value chain will be used as the basic unit of analysis on which to base the case for a more equitable sharing of financial rewards. The value chain may be used as a metaphor for shared commitment. It follows, then, that the financial gains emanating from the successful conduct of value chain activities, culminating in increased competitiveness and profitability, ought to be likewise shared through organization-wide variable pay. There is little question that if this were to happen, income disparity would not be as severe as it is today. Reich (2010) speaks directly to this issue:

> "If the gains in productivity in the U. S. economy had been shared equitably over the past 30 years, the typical worker would be more than 60 percent better off than he or she was in 2007."

This article will provide a brief overview of the value chain concept and explain why it provides a good starting point for a discussion of the more equitable distribution of productivity gains. Key elements of identity theory and the concept of identity economics will be presented with some evidence to show that the American workforce's identity with employers is eroding. Without that identity, the level of collaboration and commitment required for effective value chain management cannot happen.

Effective collaboration will help to define the cultures of successful organizations as we move through the 21^{st} century. As Goleman (1995) observed, "it is teamwork and cooperation…that will drive competitive success." Therefore, it is imperative that compensation practices evolve to reinforce the importance of those attributes in the value chain.

The best way to help to remake the pay-for-productivity bargain is to introduce a variable pay component for front line workers as part of the compensation package. A general discussion of and justification for a variable component is presented along with an example of how a typical system would look. It is one thing to recommend a radical restructuring of compensation practices in U. S. industry but quite another to put in place the framework to make it happen. Here again the existing literature will be called upon to provide guidance. The problem today is not a dearth of prescriptive literature. Thousands of citations are available that identify the design issues, challenges, benefits , and results of compensation practices available to effectuate the more equitable sharing of productivity and profitability gains in U. S. companies.

The literature on managing the value chain is essentially devoid of any discussion on the role of compensation systems. It is hoped that the special contribution of this article will be to help fill that void.

II. THE VALUE CHAIN

Porter (1985) formally introduced the concept of the value chain to describe the activities of an organization, how those activities are performed and the linkages among them as a source of competitive advantage. His value chain model categorizes activities as either primary or support. (See Figure 1). The idea of horizontal linkages among activities within the firm and vertical linkages with a firm's external partners, especially its customers and suppliers, was a fundamental contribution to management thought helping to view the firm as a holistic entity rather than a collection of discrete, siloed activities. The focus here will be on the horizontal linkages.

Those linkages imply close collaboration laterally among value chain participants at the same level of the organization and between management and non-management employees. Without internal collaboration, the value chain breaks down and resembles more of a collection of silos making any attempts at effective external collaboration difficult. For example, collaboration between what Porter identifies as the support activity of Procurement and the primary activity of Operations is important so that those in Procurement may effectively negotiate delivery schedules with outside suppliers to assure a continuous flow of incoming materials to minimize disruptions in operations, especially important in a just-in-time environment. This type of collaboration is critical throughout all value chain activities if a firm is to create a competitive advantage leading to sustained profitability. However, effective internal collaboration depends in large measure on how closely the individuals participating in value chain activities identify with the organization.

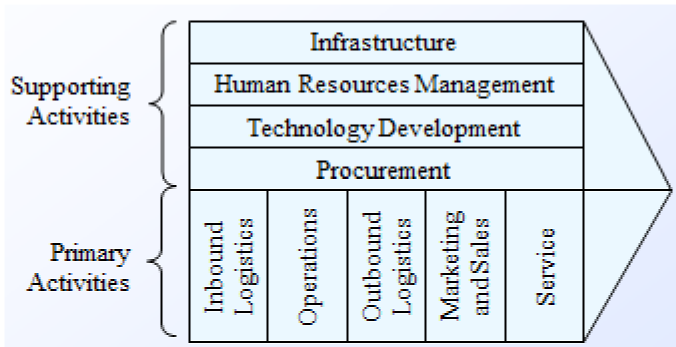

Figure 1. Porter's Value Chain.

III. IDENTITY AND COLLABORATION

How closely value chain participants identify with the goals of the firm will determine their willingness to engage in the collaboration necessary to promote competitive advantage through value chain management. In their work on identity economics, Akerlof and Kranton (2010) note, "effective management encourages workers to be insiders who identify with the goals of the firm rather than outsiders " who do not. They note that ethnographic studies show that identification with the firm is important for workers at all levels and conclude that "worker identification may therefore be a major factor, perhaps the dominant factor, in the success or failure of an organization."

In terms of collaboration, each participant in value chain activities assumes a role with the organization with which he or she can identify. Stets and Burke (2000) suggest that identity theory puts those roles in an interaction context where "if each role is to function, it must be able to rely on the reciprocity and exchange relation with other roles."

Does pay play a role? A study by Bewley (1999) found that firms kept pay high out of concern for workers' capacity to identify with the firm and internalize its objectives. Therefore, there is some evidence that pay helps non-management workers see themselves as insiders committed to the goals and objectives of the firm and that firms may be willing to develop compensation systems to promote that insider view. This position is consistent with Akerlof and Kranton's view in identity economics that a firm would be willing to invest in a worker through added compensation to convert that worker from an outsider to an insider. They note, "the issue is how the fruits of success of an organization should be equitably shared to increase the sense of identity that is a necessary condition for (sustainable) competitive advantage." There is some evidence to suggest that identity has been eroding. For example, in a 2010 survey, eighty four percent of employees polled indicated that they intend to actively seek a new position, up from 60 percent in 2009. The poll views these results as a measure of employees' trust in management and commitment to the job.

The objective, of course, is to create a culture where everyone throughout the value chain sees himself or herself as an insider. One of the key ways of creating this insider view is to develop in all of the participants in the value chain a true sense of ownership in the enterprise. In essence, what we need to do is make every person a capitalist. Although the average value chain participant does not invest financial capital in the firm, he or she invests something equally valuable—time and talent. There needs to be a return on that investment over and above a wage or salary if that personal identity with something larger than a wage or salary is to occur.

Since effective value chain management requires collaboration among participants and since this collaboration requires a sense of identity by participants as meaningful members of the team, then reward sharing linking pay to production must become part of the discussion when issues involving managing the value chain are discussed.

IV. IDENTITY AND MOTIVATION THEORY

As we've seen, Akerlof and Kranton define workers as insiders if they are committed to the goals and objectives of the firm. That commitment will help to facilitate the collaboration required throughout the value chain to attain those goals and objectives. Integrating this view of identity with established motivation theory, specifically the extension of expectancy theory developed by Porter and Lawler (1968), may help to provide additional support for a variable compensation system. Figure 2 provides an overview of the Porter- Lawler model.

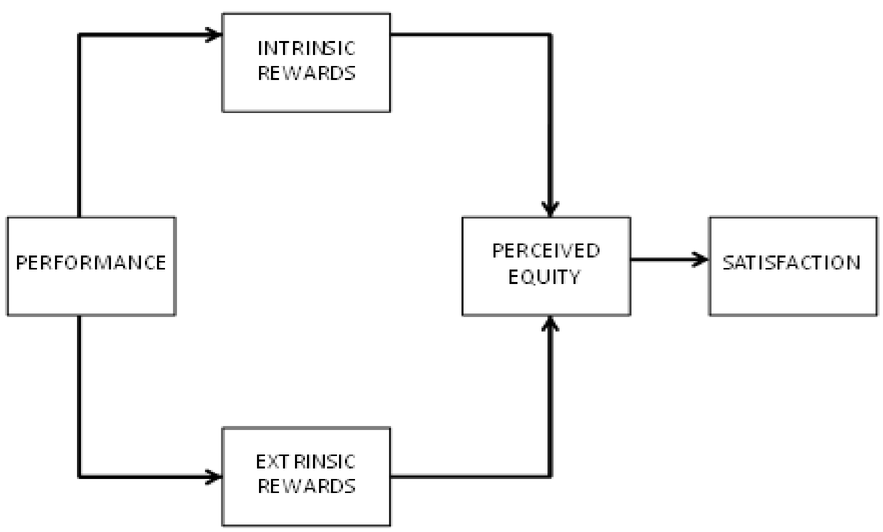

Figure 2. Porter-Lawler Expectancy Model.

Essentially, the model suggests that it is performance that leads to satisfaction on the job. Performance, in turn, leads to more intrinsic rewards like self-esteem and feelings of accomplishment and extrinsic rewards, the most important of which is pay. It assumes that if performance in an organization results in equitable and shared rewards, satisfaction on the job will increase. It is interesting to note that the focus on equitable and shared rewards is identical to the point made by Akerlof and Kranton as a necessary factor in increasing worker identity.

In that sense, identity may be viewed as an important instrinsic reward leading to more on-the-job satisfaction. For this discussion, the key extrinsic reward is pay and a key to improving perceived equity here is organization-wide variable pay that relates a portion of a worker's pay directly to organizational performance.

However, the worker performance that leads to the rewards-perceived equity-satisfaction outcomes in the Porter-Lawler model does not just happen. It requires, as already noted, "effective management (that) encourages workers to be insiders who identify with the goals of the firm." One of the keys to developing this insider mentality is the opportunity to be involved in decisions that impact organizational performance. As we will see later in this discussion, an involvement system is a critical component of organization-wide variable pay. Involvement in the decisions made closest to the action throughout the value chain is critical to boosting the performance of value chain participants and, in turn, the overall performance of the organization.

It should be noted that the notion of identity may be viewed in two ways as it relates to the Porter-Lawler model. It may be argued that workers as insiders who identify with the goals of the firm will be inclined to perform at a higher level and it is that performance that initiates the chain reaction that the model describes. Or, it may be argued that higher levels of performance are facilitated by an involvement system inherent in any effective organization-wide variable pay plan and it is the increased level of involvement that leads to the intrinsic reward of identifying with a successful organization. As already explained, it is the latter view that is taken here.

V. THE VOID IN THE VALUE CHAIN MODEL

Although Porter presented a comprehensive model of the value chain that included the support activity of human resource management, his discussion related to that activity is silent on the issue of reward sharing as is the existing literature on the value chain. Here is where the human resource management component of Porter's value chain model needs to play a prominent role. Its role, however, will be dictated by the organization's leadership and the kind of culture that the leadership will ultimately create. Yet Porter's model is silent on the leadership and culture dimensions that are necessary conditions if a firm seeks to change its compensation structure to promote the sharing of organizational success.

An alternate view of the value chain includes both the leadership and culture dimensions. Presutti and Mawhinney (2009) suggest that culture (and the people recruited to work in it) make up one of the foundation pillars of the value chain. See Figure3. The culture is one dominated by collaboration. Compensation systems should be in place to reinforce that cultural value.

A fundamental issue, then, is what compensation strategies should U. S. companies pursue that reinforce the identity and collaboration necessary to effectively manage the value chain and distribute more equitably the fruits of the resulting organizational success to help repair the broken bargain linking pay to production. There is thus a chain reaction and reinforcement process initiated by the identity and collaboration required for effective value chain performance culminating, through an appropriate compensation structure, in a heightened awareness that the workers have a true ownership stake in company performance. (See Figure 4)

VI. SHARING REWARDS THROUGH VARIABLE COMPENSATION

"Variable pay plans are organizational systems for sharing economic benefits of improved productivity, cost reductions, quality, and overall business performance in the form of regular cash bonuses." (Schuster 2007) The cash bonus, paid monthly, quarterly, semi-annually or annually is recommended as a key way to help repair the broken link between pay and production. The bonuses may be based on specific productivity formulae, overall company profitability, or a combination thereof, or another system on which agreement may be found.

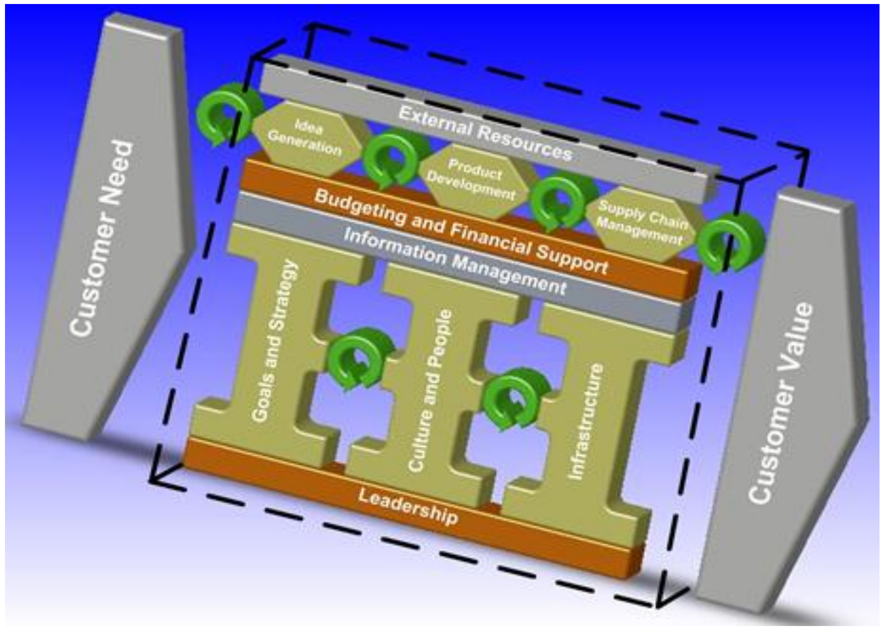

Figure 3. An Alternative View of the Value Chain.

Whatever approach is taken, variable pay ties a portion of a person's compensation to overall company performance and, thereby, gives the value chain participant a stake in that performance reinforcing the importance of collaboration brought about by a heightened sense of identity with the organization. This approach is much more productive than the continual focus on individual rewards that are typically not closely connected to productivity or profitability and what passes for a compensation system in most U. S. companies. Unfortunately, the focus on individual rewards can reinforce the silo thinking and thwart collaboration, both anathema to the effective management of the value chain. Compounding the issue is the near impossibility of closely observing a worker's performance daily to determine degrees of difference in performance. In addition, it is practically never the case that an individual's performance is based on his or her efforts alone.

If effective collaboration is what is needed to promote the linkages among activities in the value chain, then continuing to focus on individual rewards is akin to "rewarding A while hoping for B." (Kerr 1975) If companies are interested in moving beyond the silo thinking that limits value chain effectiveness, then they will need to get beyond the compensation practices of the past and present and work toward a system of compensation that reinforces the importance of collaboration and build's the worker's identity with the organization. Overcoming the inertia to change pay practices may be a challenge but it is a change justifiable by the evidence.

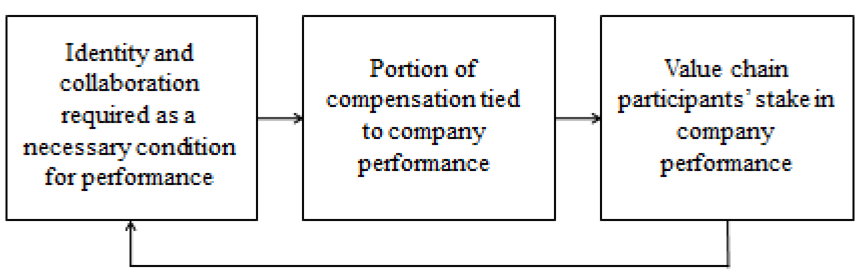

Figure 4. The Chain Reaction and Reinforcement.

VII. VARIABLE COMPENSATION PAYS FOR ITSELF.

Akerlof and Kranton's model of identity economics suggests that the profits of a firm are likely to increase from an investment in worker identity and that the firms are most likely to invest in inculcating identity if it is "cheap." A variable compensation component in a firm's reward structure is a "no cost" way of helping to increase identity. It is the ultimate pay for results system.

Zingheim and Schuster (2007) note, "The winning solution for implementing a HR program that adds proven value to the bottom line is a variable pay plan for everyone in the company. (emphasis added) No human resource program compares with variable pay in terms of generating a high performance place to work, creating a culture of performance and getting value to the business through ROI as variable pay. Short-term annual variable pay is justified for everyone in the organization because every employee should influence some key measure of short-term performance." As for the impact on ROI, they note that well-designed variable pay programs return four times the cost of the bonuses paid. Even in systems that may not be ideally designed , the ROI is two times what it costs the organization in terms of bonus payouts. In short, bonuses are paid if the company is profitable. If it is not, the bonuses stop or at least vary based on the level of profitability. Therefore, all workers have a stake in working together to promote successful organizational performance.

There is, however, more to the system than the compensation itself. Although much is made of not paying simply for effort, it is important to recognize that processes must be in place for results to occur. Therefore, an organization-wide variable compensation system must be accompanied by an involvement system where everyone can be included in identifying and addressing the barriers that may exist to profitable company performance. For this system to work, there needs to be lots of information sharing throughout the organization that trumps the typical "need to know" mentality that permeates much of corporate America. When one considers the importance of identity and collaboration, the "need to know" mentality is out of step with those important dimensions of effective value chain management.

Consider this experience by the author. On a trip to Japan to visit Japanese companies and academic institutions, a session was scheduled at a mid-size company that manufactured night vision equipment. During the presentation to a group of U. S. visitors by the company executives, the managing director of the facility shared the company's sales, significant cost items, and profitability. When, during the subsequent question and answer session, an American colleague commented that in the U. S. this information is shared only on a need to know basis, our Japanese host was perplexed. How, he asked, do you expect the people working in the company to understand how what they do impacts the company performance if you do not share information with them? And how do you provide the focus for the ideas on improving the company's performance that the management expects? As is the case with many large and mid-size Japanese companies, workers are paid semi-annual bonuses based on company profitability. They essentially considered all of their employees managers who are in line to share in the success of the company both through the intrinsic reward of making meaningful contributions to the success of the organization and the extrinsic reward of sharing of the profits they help create. This attitude reflects the thinking on what can be done to maximize the chances of success in an organization-wide system of variable compensation. People in the trenches of the value chain need to know how the company measures financial success, the factors driving financial success and, of those factors, which they can most likely impact. Involvement as an element of an organization-wide variable compensation system helps to contribute to the performance levels that lead to a pathway for the equitable distribution of financial rewards as the Porter-Lawler model demonstrates.

VIII. MODELS OF VARIABLE COMPENSATION

Companies interested in adopting an organization-wide variable compensation system may draw on a vast literature that addresses design issues, challenges, benefits, and results. On one approach alone, gainsharing, Google identifies nearly 20,000 works that address it conceptually and in significant detail. Common characteristics exist among the different approaches. Successful organizational performance is based, in large measure, on the intellectual involvement by front-line workers in how their jobs are done and a significant bonus payout based on the organization's profitability.

Much has been written about the variable compensation system of the large Japanese companies. First, there is an expectation that front-line workers will contribute productivity-boosting ideas through a well-developed system of quality circles. This expectation is built on the belief that the ideas of many front-line workers are often better than a dictate from management. Company profitability results in bonus payouts paid twice a year, typically in July and December. that may, for the year, average anywhere from two to six-months pay. For example, the 2010 winter bonus for private sector workers averaged $8840 (Y718,986 converted to dollars based on prevailing exchange rates).

Experience with organization-wide variable compensation is hardly a Japanese phenomenon. The first significant and lasting American experience with organization-wide variable compensation dates to the 1930's with the introduction of gainsharing. It was conceived and developed by Joseph Scanlon. Scanlon was employed by a troubled steelmaker. He developed a system that promoted worker-management cooperation and increased productivity to help save the company. It was a system through which the company and employees would share in the gains (cost reductions) if productivity was improved. Employee involvement in decision making was also part of the system. Production councils were organized made up of representatives of front-line workers and management to attack production efficiencies and set productivity goals. Bonuses were paid if the goals were exceeded. Seventy-five percent of the bonus pool went to the front-line workers and twenty–five percent went to management.

Scanlon became an official of the United Steelworkers Union and continued his work on his gainsharing plan. Early applications of what came to be called "the Scanlon Plan" saw bonuses of as much as 27 percent over and above base pay for front-line workers. In the years after Scanlon introduced his plan, companies in various industries had adopted it, "in industries were profits were excellent and non-existent, where relations between management and workers were good and bad, and where productivity was easy or hard to measure." (Time 1955) Although Scanlon developed his plan for application in a union environment, it is applicable to any environment and all workers including service-oriented organizations and the public sector. (Mericle and Kim, 2004)

Several factors point to gainsharing as the most successful approach to introducing organization-wide variable pay to an organization because it offers the largest return on invested payroll with an expected zero net cost to the organization, employee acceptance, no entitlement expectations, and more positive work practices that provide for greater dignity and respect in the workplace. Bonuses are tied directly to improvement in business processes over which front-line workers have some control. (Hill, 2001) Overall, it is not the performance measurement formulae that are the keys to the success of gainsharing. The most critical factors are management commitment, supervisory support and front-line worker involvement.

Unfortunately surveys indicate that only 13 percent of companies are using gainsharing. Surveys also indicate that, of those companies using gainsharing, 81 percent reported positive overall performance. (Mericle and Kim, 2004)

Gainsharing is not the only approach to organization-wide variable compensation. Lincoln Electric Company offers its Lincoln Incentive Management philosophy that evaluates its employees on work quality, dependability, ideas generated, cooperation and output. Bonuses are based on an employee's performance evaluation. A formal involvement system is in place and a percentage of profits is set aside in a bonus pool to be distributed among the employees. The bonus payout is significant. Based on 2008 data, the average individual bonus paid to eligible employees was $28,873 representing the 75th consecutive year of bonus payouts. It is interesting to note that cooperation and ideas generated are two critical criteria by which employee performance is evaluated, two of the same criteria important in all organization-wide variable compensation systems.

IX. A RECOMMENDATION

Simplicity, a culture of collaboration, and management commitment are key features of the model recommended here. Simplicity requires avoiding arbitrary, convoluted, and difficult to understand performance standards on which bonus payouts are to be based. It is critical to success that performance standards be clearly communicated to front-line workers. The lessons learned from gainsharing systems are useful here.

Joint committees of management and non-management staff should work together to establish productivity standards. That approach assures that both constituents have a voice in the final decision on standards. When the standards are exceeded, monthly bonus payouts are generated. This helps to more closely tie performance to reward to help repair what Reich (2010) calls the productivity-pay bargain.

In addition to the monthly payouts, management should commit to setting aside a percentage of annual profits for year-end bonus distributions. This is part of the very successful approach used for decades by the Lincoln Electric Company. The profit set-aside feature complements Lincoln's individual incentive system that may generate bonuses for front-line workers if they exceed productivity targets during the year. As is the case at Lincoln, the set aside amount must be large enough to make year-end payouts meaningful.

This raises the issue of how the year-end bonuses are to be distributed. Lincoln Electric uses Individual performance evaluations which has worked well for them over the years. It takes a great deal of management skill to use the individual performance review constructively. In the view of some experts in the area, few companies possess that kind of skill. Cuthbert (2010) notes, "When it comes to performance reviews, there's no question that nothing is better than something. That's how bad they are…If teamwork, esprit de corps, and open, trusting, straight talk relationships are your criteria, it's hard to find a single positive that comes out of performance reviews…Getting rid of the performance review is a big step forward in allowing a boss and the boss's direct reports to communicate candidly about what's needed for better results on the job." He recommends the performance preview to get to a discussion of expected results.

It appears on the surface to be more equitable to provide bigger bonus payouts to those who score higher on performance reviews. This is easier to do if, as Cuthbert notes, "you have people doing identical, strictly definable jobs operating in similar situations." We know that isn't the case in the dynamics of managing the value chain. In addition, trying to make often impossible distinctions in performance to justify various levels of bonuses creates an environment that may stoke competition among value chain participants where internal competition may be disastrous to overall value chain performance.

His solution contributes to the simplicity on which the model recommended here is based. He notes, "Give everybody the same bonus and you encourage employees to share their competencies rather than cover them over for tactical gain."

Overall, one of the key ways to improve overall profit performance is for front-line workers to continuously improve productivity that helps the organization compete on the four dimensions of competitiveness—cost, quality, response time to market, and flexibility in meeting the market's changing demands. Both bonuses earned throughout the year and the year-end bonuses help to reinforce the front-line workers' identity with the organization and gives them a tangible and significant stake in the success of the business.

Management also needs to demonstrate its commitment to establishing a culture of collaboration. If collaboration among front-line workers is rare, an education program for those workers is in order to assure that they understand their roles in the value chain. In too many cases, workers are hired to fill a specific position without understanding how the position impacts and is impacted by upstream and downstream activities in the value chain, In addition, it is important that the firm pay close attention to hiring decisions to get, as Collins (2001) recommends, "the right people on the bus." In this context, it simply means hiring people predisposed to collaboration. Without these efforts, creating an involvement system will have little impact. The culture of collaboration transcends the horizontal relationships among front-line workers. It also includes the relationships among management and non-management workers. Management must be committed to taking the input from the cross-functional problem-solving teams in the involvement system seriously.

Creating an organization-wide variable compensation system, if properly designed and implemented, will deliver a comprehensive set of intrinsic and extrinsic rewards, including closer worker identity with the goals and objectives of the firm and meaningful bonuses based on company profitability. The leadership of the enterprise needs to be committed to providing those rewards to its front-line workers if it is to serve the best interests of all major stakeholders including its shareholders. (See Figure 5)

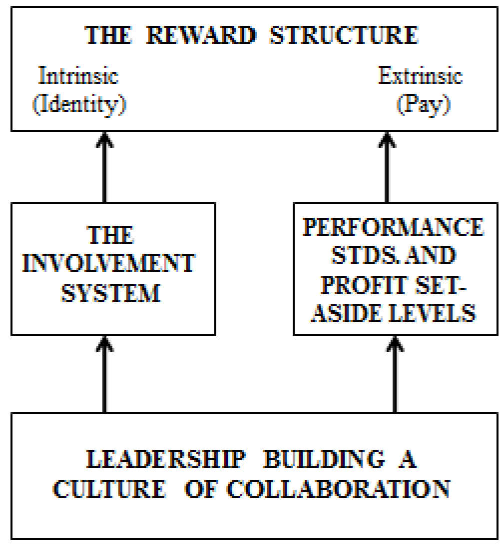

Figure 5. A Model of Organization-Wide Variable Compensation.

X. CONCLUSION

A vast literature is readily available to any company interested in organization-wide variable pay. The recommended model offered above is an attempt to distill the lessons from the literature to provide a simple and straightforward view of the contents of an organization-wide system of variable compensation.

However, the important point is not the specific form that an organization-wide variable compensation system should take. Over the years, much has been written about gainsharing, the Lincoln Electric Incentive System, and other forms of variable compensation. The important point is that it should be done and included more universally in compensation systems throughout the American economy to help repair "the basic bargain linking pay to production." It should be done as part of a company's efforts to effectively manage its value chain because of the interdependencies, cooperative behavior and group performance required. (Mericle and Kim, 2004) Study and discussion of the value chain is incomplete without addressing the issue of organization-wide variable compensation in the value chain and its applicability to all value chain participants.

XI. REFERENCES

Akerlof, George A. and Kranton, Rachel , *Identity Economics,.* Princeton University Press, Princeton NJ, 2010.

Bewley, Truman F., *Why Wages Don't Fall During a Recession,* Harvard University Press, Cambridge MA, 1999.

Collins, Jim, *Good to Great,* HarperCollins Publishers Inc., New York, 2001.

Culbert, Samuel A., *Get Rid of the Performance Review, Bu*siness Plus, Hachette Book Group, New York, 2010.

Goleman, Daniel, *Emotional Intelligence, Bantam Books, New York, 1995.*

Guze, T. "Average income in Japan 2010 - winter bonus time," http://www.withinjapan.com (accessed May 29, 2011).

Hacker, Jacob S. and Pierson, Paul, *Winner Take All Politics,* . Simon and Schuster, New York, 2010.

Hill, Brad, *"Assessing Variable Compensation Readiness."* Fay, Charles H. (ed.) *The Executive Handbook On Compensation*, The Free Press, New York, 2000.

Kerr, S., "Rewarding A While Hoping for B," *Academy of Management Journal,* 18, (December 1975), 769-783. "Management: The Scanlon Plan," *Time, LXVI (13), September 26, 1955.*

Mericle, Kenneth and Kim, Dong-one, *Gainsharing and Goals Sharing: Aligning Pay and Strategic Goals,* Praeger Publishers, Westport, CT, 2004.

Porter, L. W. and Lawler, E. E., *Managerial Attitudes and Performance,* Richard D. Irwin, Inc., Homewood, IL, 1968.

Porter, Michael, *Competitive Advantage,* The Free Press, New York, 1985.

Presutti, W. D., Jr. and Mawhinney, J. M., "The Value Chain Revisited," *International Journal of Value Chain Management,* 3 (2)m 2009, 146-167, PRNewswire-First Call, "Lincoln Electric distributes 75th consecutive profit-sharing bonus," http://www.stockanalyst.com, December 12, 2008 (accessed June 13, 2011).

Reich, Robert B., *Aftershock,* Alfred A. Knopf division of Random House, New York, 2010.

Schuster, M. H., "Aligning compensation strategy," http://www.jobfunctions.bnet.com, 2007, (accessed April 1, 2011).

Senge, Peter, "Reshaping Business," *BizED,* 1(3), 2009, 18-23. Stets, J. E. and Burke, P. J., Identity Theory and Social Identity Theory," *Social Psychology Quarterly,* 63 (3), 2000, 224-237.

Zingheim, P. and Schuster, J., "What are Key Pay Issues Right Now?," *Compensation and Benefits Review,* May/June 2007, 51-55.