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DESIGNING PAY SYSTEMS FOR TEAMS

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Abstract

As organizations have moved towards an involvement approach to management, they have increased their use of teams. Three different approaches to teams can be identified--parallel teams, project teams and work teams. The implications of these three approaches for the design and management of pay practices are described. In general, team based organizations require different pay systems than do individual job based organizations. They call for rewards based on team or unit performance, skill based pay, open communication and participation.

The most prevalent approach to designing work organizations calls for hierarchical decision making, simple repetitive jobs at the lowest level, and rewards based on carefully measured individual jobs and job performance. This "control approach," appears to be losing favor (Lawler, Mohrman and Ledford, 1992). Numerous articles and books have recently argued that organizations need to move toward a more involvement or commitment oriented approach to management (e.g., Lawler, 1992). The advantages of the involvement approach are said to include higher quality products and services, greater speed, less absenteeism, less turnover, better decision making, better problem solving, and lower overhead costs; in short, greater organizational effectiveness.

Employee involvement approaches to organization design generally argue that three features of an organization should be moved to lower organization levels. Briefly the features are:

>   (1) **Information** about the performance of the organization and the ability to bring information about needed organizational changes to attention of key decision makers.

>   (2) **Knowledge** that enables employees to understand and contribute to organizational performance.

>   (3) **Power** to make decisions that influence organizational direction and performance.

Types of Teams

Teams have emerged as a widely used vehicle for facilitating the movement of power, information and knowledge to lower levels of an organization. National survey data indicate that most U.S. corporations currently use teams (Lawler, Mohrman and Ledford, 1992). They do not take a single approach to teams however, three basically different approaches can be identified: parallel teams, project and development teams, and work teams. An organization that implements teams needs to understand the differences among these approaches.

These approaches to teams differ in three major ways. First, they differ as to whether the teams perform the basic work of the enterprise or tend to supplement the regular work flow. Second, these approaches differ in the degree to which they move power, knowledge, and information to team participants. Finally, they vary as to whether they are temporary or permanent structures. Because these approaches to teams differ significantly, they tend to fit different situations, produce different results, and require different pay practices. We will consider each of the three team approaches and then discuss the

implications for reward and pay practices.

Parallel Teams

Parallel teams supplement the regular organizational structure and perform problem-solving and improvement-oriented tasks. Examples of parallel teams include problem-solving teams, quality circles, quality improvement teams, and employee participation teams. Parallel teams are used more widely than any other team design; they are implemented by 85% of Fortune 1000 companies (Lawler, Mohrman and Ledford, 1992).

These improvement-oriented teams are called parallel teams, because participating employees are taken out of their regular organizations and placed in separate team structures with different operating procedures. Parallel teams usually meet regularly (each week or two) and follow a defined problem-solving or quality improvement process. Employees are trained in the use of these processes. They make recommendations that are considered by the management hierarchy. Typically no change results unless the recommendations are approved by management.

Parallel teams usually contribute useful ideas about how to improve quality and productivity (Lawler, 1986; Ledford, Lawler, and Mohrman, 1988). The popular literature reports many cases in which quality improvement teams have saved companies thousands of dollars with their suggestions. However, parallel teams have several limitations. They have difficulty achieving organizational legitimacy and must compete for time, money, information, and other resources. They are difficult to sustain and may introduce conflict between those involved and those who are not. Middle managers and staff professionals who are required to respond to and implement recommendations, often have competing objectives, and perceive the teams as treading on their turf (Lawler, Ledford, & Mohrman, 1989; Lawler & Mohrman, 1987). Over time, the costs of operating parallel team programs may outweigh their benefits.

Project Teams

Project teams typically involve a diverse group of knowledge workers, such as design engineers, process engineers, programmers, and marketing managers. They are brought together to conduct projects for a defined but typically extended period of time. These knowledge workers apply their disparate specialties to develop innovations and fulfill customer requirements. Examples of project teams include new product development teams, information systems teams, and new factory design teams.

Project teams are assigned unique, uncertain tasks, and are expected to innovate. Thus, they cannot rely on standardized procedures, because they are creating something new (Gersick & Davis-Sacks, 1990). Their products are identifiable and measurable, but measurement may be difficult because the value of the unique output may not be known for a long time after the work is completed. For example, the

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degree to which a new product meets the requirements of customers and achieves significant market share may not be known for several years.

Project teams usually have broad mandates and considerable authority. They are assigned responsibility to make key decisions within broad strategic parameters. Within these parameters, they typically have discretion over the definition of project outcomes and work methods. Members usually have the technical and business knowledge and information required to make project-related decisions. Project teams need to respond to the requirements of their sponsors and customers for their work. Therefore, they balance the need for independent thinking with responsiveness to key stakeholders and make sure that appropriate external communication occur (Ancona and Caldwell, 1988; Gersick & Davis-Sacks; 1990). Without an alignment between project team decisions and strategic objectives, projects are unlikely to be successful.

Finally, project teams are temporary structures that disband once projects are completed. In a project-based organization, members get assigned to new projects when their current project is finished. Frequently, the membership of project teams changes over the life cycle of a project. There may be a core team involved from the beginning to the end, with other contributors pulled in as needed. The composition of a project team may include contributors dedicated full-time and others who are part-time.

Work Teams

Work teams are responsible for producing a product or providing a service and are self-contained, identifiable work units that control the processes involved in transforming inputs into measurable outputs. Work teams are performing units, in which members report through the team and are responsible for the group's performance.

Work teams are found most frequently in manufacturing settings, but this design is applicable to any situation in which people are interdependent and can be made collectively responsible for a product or service. Examples include production teams, assembly teams, administrative support teams, insurance processing teams, customer sales and service teams, and management teams. The use of work teams has significantly increased over the past few years, with 47% of Fortune 1000 companies reporting that they used work teams in 1990, compared to 28% in 1987 (Lawler, Mohrman, and Ledford 1992).

In order for work team members to take responsibility for the team's performance, they must feel in control of the work processes and make key decisions about how the work is done. In actuality, the degree of management responsibility placed in the group varies significantly (Hackman, 1990). Usually work teams have discretion over work methods, scheduling of activities, and the assignment of individuals to tasks. Sometimes teams are responsible for their own support services such as maintenance and purchasing and

they may perform their own personnel functions such as hiring and firing team members. The names used to describe work teams reflect the variability in their authority, such as self-managing teams, self-directed teams, autonomous teams, semi-autonomous teams, and shared management teams (Lawler, 1992). Typically, work teams control <u>how</u> the task is performed, but not <u>what</u> is performed. Performance and quality standards are set by management.

Work teams include all the employees that work on a given product or service. All necessary competencies are located in the team. Typically, members are cross-trained so that they can do most or all of the tasks that fall within a team's area of responsibility. Team members tend to rotate their tasks on a regular basis.

The research on work teams suggest that they have a modest impact on performance and improve the attitudes of team members, but the changes are limited to the direct targets of the intervention (Goodman, Devadas & Hughson, 1988). Most studies have documented quality improvements (e.g. Pasmore, Francis, and Haldeman, 1982). The results on safety, absenteeism, and turnover have been more equivocal (Beekun, 1987; Cordery, Mueller, & Smith, 1991). The most reliable cost savings comes from the need for fewer supervisory and staff personnel. Dramatic cost savings, quality improvements, and productivity improvements are described in the popular business literature.

Summary

Table 1 compares the characteristics of parallel teams, project teams, and work teams. They differ in their tasks structures, authority, composition, duration, and potential benefits. Before discussing the implications of these three approaches for the design and management of reward and pay practices, we will describe how reward systems influence organizational effectiveness.

Pay in Organizations

Reward systems are an important part of the very fabric of organizations. As such, they must fit with the overall management style of the organization and must reinforce and support the kind of behavior and culture that is desired. How organizations handle rewards is as important as how they handle information, knowledge, and power. Our underlying assumption is that, when properly designed, the reward system in general and the pay system in particular can be a key contributor to an organization's effectiveness.

The first step is discussing the role of pay systems is to consider what behavioral impact they can have. Research suggests that they can influence six factors (Lawler, 1990).

1.   **Attraction and Retention** - Research on job choice, career choice, and turnover clearly

shows that the kind and level of rewards an organization offers, influences who is attracted to work for it and who will continue to work for it (e.g., Lawler, 1973). Overall, those organizations which give the most rewards tend to attract and retain the most people. Research also shows that better performers need to be rewarded more highly than poorer performers in order to be attracted and retained. Finally, the way rewards are administered and distributed influences who is attracted and retained. For example, better performing individuals often are attracted by merit based reward systems.

2. **Motivation** - Those rewards that are important to individuals can impact their motivation to perform in particular ways. People in work organizations tend to behave in whatever way they perceive leads to rewards they value (e.g., Vroom 1964; Lawler, 1973). Thus, an organization which is able to tie valued rewards to the behaviors it needs to succeed is likely to find that the reward system is a positive contributor to its effectiveness.

3. **Skill Development** - Reward systems help determine the type of skills that individuals develop because they influence the motivation to learn as well as the legitimacy of learning. Just as is the case with performance motivation individuals are motivated to learn those skills that lead to important rewards

4. **Culture** - Reward systems are one feature of organizations that contribute to their overall culture. Depending upon how reward systems are developed, administered, and managed, they can cause the culture of an organization to vary quite widely. For example, they can influence the degree to which it is seen as a human resources oriented culture, an entrepreneurial culture, an innovative culture, a competence based culture, and a participative culture.

5. **Reinforce and Define Structure** - The reward system of an organization can reinforce and define the organization's structure (Lawler, 1990). Often this feature of reward systems is not fully considered and as a result, their impact on the structure of an organization is unintentional. This does not mean, however, that the impact of the reward system is minimal. Indeed, it can help define the status hierarchy, the degree to which people in technical positions can influence people in line management positions, and the degree of competition and cooperation among individuals and units.

6. **Cost** - Reward systems are often a significant cost factor. Indeed, the pay system alone may represent over 50% of an organization's operating cost. Thus, it is important in designing reward systems to focus on how high these costs should be and how they should vary as a function of an organization's ability to pay.

Reward systems are made up of core values, structures, and processes. Often the major emphasis is on the structures. They include such things as the merit pay delivery system, the job evaluation system,

the pay ranges, and so forth. Process issues concern communication and decision making. In the area of communication, organizations vary from being highly secret to quite open. As far as decision making is concerned, they can use a participative strategy which allows a number of people to be involved in decision making or they can use a top-down strategy. Finally, organizations have core values with respect to their pay systems. These may be explicitly stated as they are in some corporations, or they may simply develop over time and be generally shared as part of the culture. Core values usually concern key process issues (e.g., communication) and structural issues (e.g., pay for performance). In reviewing how a pay system can be aligned with the use of various types of teams, consideration will be given to what core values, processes, and structures fit with the use of each type of team.

Parallel Teams and Pay

Because parallel teams are an extra they have the fewest implications for the reward system in an organization. They are an add on and, as such, potentially can be supported by add on reward systems. Indeed, sometimes it is argued that no reward system changes need to be made to support parallel teams. It is more commonly argued, however, that rewards can and should be used to motivate effective problem solving. Membership is not usually an issue because individuals are already members of the organization and are released from their regular often less interesting work to participate in problem solving activities.

Rewards for Performance

There is a relatively wide variety of approaches that can be used in order to reward parallel teams for the effectiveness of their problem solving work. Advocates of participative management have for a long time suggested that Scanlon plan and other gainsharing plans fit extremely well with the use of problem solving teams (McGregor, 1960). Indeed, there is now a history of over forty years of combining suggestion groups with the type of cost saving bonuses which are part of the Scanlon plan.

The research on gainsharing shows positive results. Virtually every review argues that it improves the economic performance of an organization (Lawler, 1990). It works particularly well when it is combined with problem solving groups, open financial information systems and participative decision

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making. The major weakness of gainsharing plans is that the line of sight between a suggestion and the size of a bonus is weak. A group can make a major breakthrough and receive only a small bonus in return for this because the savings are shared among all employees in an organization.

The alternative to gainsharing is to give bonuses to specific teams for their suggestions. A number of organizations have used this approach which, in most respects, is simply a derivation of the classic individual suggestion program approach. An estimated savings amount is calculated and individuals who contribute to the idea are given a percentage of the estimated savings. It closely ties the development of the idea to the financial bonus. It involves a number of risks, however. Often the estimated savings are not realized, thus individuals are rewarded even though the company does not gain. Further, individuals may feel that they are not fairly rewarded because they only get a percentage of the savings. There are also almost always issues of who should be included among the recipients of the bonus. Finally, most useful suggestions have to be accepted and implemented by many people   The classic group suggestion program does not reward people for accepting and further developing the suggestion, thus they may not have the motivation that is needed to produce gains.

What clearly is incompatible with parallel suggestion teams is the use of individual suggestion systems that give individuals rewards for suggestions. They are in direct conflict with the idea of teams developing ideas. They reward the wrong kind of behavior and directly compete with group suggestion and problem solving approaches. A number of organizations use recognition to reward teams for the successes they have. Unfortunately, there is virtually no evidence to indicate whether recognition rewards are effective in this application. The variety of recognition vehicles used is enormous. Some companies emphasize appearances before senior executives, while others give tokens that, in some cases, involve significant outlays of money. An educated guess concerning the effectiveness of recognition rewards is that they can be quite powerful if they are astutely used. The key, of course, is to give them when groups accomplish something significant, and to deliver a reward that is valued by the group.

Determining what is valued by a group can be a challenge. There are obviously cultural differences in how much various types of recognition rewards are valued. For example, there may be differences within a group as to how much a trip to a ballgame or a chance to present an idea to the CEO is valued. With the exception of the issue of how much recognition rewards are valued, most of the other considerations with recognition reward programs are the same as those that are involved in giving financial rewards for producing an idea.

Base Pay

Encouraging individuals to learn horizontal skills can give them much greater insight into work processes and procedures and ultimately make them better members of a team. In addition, if they are trained and rewarded for learning problem solving and analytic skills they can be a better team member. Thus, although it is not usually stressed or done, there is a logic for combining skill based pay and parallel teams. One problem with doing this, however, can be that the cost benefit analysis may turn out to be negative. If parallel teams only involve a few hours of an individual's time each week, and their membership on a team is transitory, then paying them for the skills needed to operate effectively in a team may not be practical. In essence, the individual is paid for skills that are only used a few hours a week and perhaps never used again once a parallel team stops meeting.

Communication and Participation

It was noted earlier that the Scanlon plan, as well as some other problem solving suggestion approaches, emphasize the importance of an open information system about pay and other issues, as well as a commitment to participative decision making. The argument for these is two fold. First, they tend to increase the line of sight between the behavior of an individual and the payments received. Secondly, they are important to the credibility of the plan. In the absence of open information about how rewards are determined and who gets them, it is very difficult for individuals to develop a perception that problem solving will result in significant rewards.

A participative approach to the management of work system change can help make parallel groups successful. In the absence of the ability to influence work processes and work methods, engaging in suggestion behavior itself is likely to be a very discouraging process. Not only must individuals have the opportunity to make suggestions, they need to see those suggestions implemented, otherwise much of the intrinsic motivation to make suggestions will be lost because they will not have a chance to see their ideas put in to action.

Project Teams and Rewards

The use of project teams present a particularly interesting challenge for reward systems. They often require a reward system that is specifically designed to support them.

Rewards for Performance

Traditional pay for performance systems focus on individuals and tend to measure and reward performance on an annual schedule. Both of these practices are inconsistent with motivating project teams. The obvious first choice for motivating a group is a reward system in which metrics are established for successful group performance and rewards are tied to the accomplishments of the group. It is also desirable to have the rewards distributed at the time the group completes its project. One factor which may make rewarding an individual team's performance difficult is if the membership of the team changes during projects. It does not make sense to reward everyone equally when some individuals are there for 10% of the team's activities, while others may be there for 100% of the team's activities. Unequally rewards are a possibility, but it can be difficult to determine how large they should be. One alternative to rewarding group performance at the end of each project, is to rely on a gainsharing plan or a collective pay for performance system that covers a total organizational unit. This may be the preferred alternative to rewarding individual teams when, in fact, the teams' activities have a major impact on the effectiveness of the unit, and it is difficult to measure the effectiveness of the team. It also may be a preferred alternative if project teams are

in existence for short periods of time and, as a result, the timely measurement and rewarding of performance of individual teams is difficult.

Sometimes it is necessary and desirable to focus on individual performance in a project team environment. The best approach is to measure the contributions of individuals to the team's effectiveness and to measure each individual's performance at the completion of each project. Individual ratings can be modified by the success of the overall project. In many cases, peer ratings as well as customer satisfaction ratings need to be used. Peer ratings are particularly critical because, in most project teams, peers are in the best position to assess the contribution of team members. Over the course of a year an individual may accumulate a number of ratings that reflect their contributions to each project that they worked on. Performance pay treatment then becomes a simple derivative of how effectively they performed on each of the projects that they were part of. Alternatively spot bonuses can be paid at the end of each project.

Base Pay

In many respects skill based pay fits a project based organization better than does job based pay (Lawler, 1990). Indeed, in a true project based organization it is often not clear what an individual's job is. What is clear, or needs to be clear, is the skills that the individual has. Often the critical organizational effectiveness issue is developing the right skill mix so that projects can be staffed with individuals who are competent to execute them.

Skill based pay can help create the right mix of skills in two ways. First, it can provide incentives for individuals to learn skills that are needed so that the organization will have a configuration of skills to match its project needs. Skill based pay can also help through attracting and retaining individuals who have the right skill mix for the organization. Indeed, it can encourage individuals to develop those idiosyncratic skills sets that make an individual particularly valuable to an organization, but not as valuable to competing organizations.

Skill based pay can also play a role in getting individuals to learn skills that are horizontal to the

work that they normally do. In project work often a key issue is the integration of different technical skills in order to facilitate individuals working together. In traditional job based systems there is little that encourages individuals to learn what other specialties bring to a project. A skill based pay structure can be created that encourages people to learn horizontal skills and, thus, to be better integraters. This, in turn, can lead to individuals learning the kind of skills that makes them good project managers.

Particularly in organizations that do most of their work through project teams, the opportunity exists for developing sophisticated skill inventory systems which are closely tied to a skill based pay system. This information system needs to contain a matrix that highlights, the types of skills that individuals have, and the types of project experience that they have. It can also be used to project the skill needs of the organization, and map the skills of the individuals presently in the organization relative to the needs of the organization. It also can support the maintenance of the skill certification process so that attention is paid to individuals updating their skills and keeping them current.

Compensation Mix

In some project organizations the issue is not long term retention and creating a culture of permanence and security, but rather it is getting individuals to make a strong commitment to working effectively on a single project. In this case, the correct compensation strategy may well be to simply pay high amounts of variable cash compensation based on the performance of individuals or project teams. Little emphasis should be put on benefits and indeed a total cash compensation approach may well be the appropriate one.

Participation and Communication

Project teams are often in a good situation to participate in the administration of the rewards that affect team members.   Earlier it was mentioned that peers are often the most knowledgeable with respect to the performance of individuals on a project team. This creates the possibility for teams making pay and reward decisions. They can, for example, take responsibility for most of the performance management

activities and certainly for some of the distribution of the rewards. They may not be in a good position to handle skill acquisition decisions and scheduling skill acquisition opportunities for individuals. Their attention appropriately is simply on completing the project on which they are currently working. This suggests that a second administrative process needs to be in place that deals with the issue of skill acquisition and individual growth and competence. Teams may be able to provide for skill certification, but probably should not play a major role in scheduling and managing an individual's long term career skill acquisition. They also may not be able to play a major role in developing the pay system. However, it is critical that they receive considerable information about how it operates so they will be appropriately motivated by it.

Work Teams and Pay

The use of work teams requires a fundamental shift in reward practices. Traditional reward practices are designed to support individual job performance through individual pay for performance systems and job-based compensation. Both these practices do not fit the requirements of work teams.

Rewards for Performance

The most effective way to motivate team performance is to establish objectives and metrics for successful team performance and link rewards to team success. There are three ways of rewarding performance at the team level. First, rewards can be tied to team performance through the use of a merit pay system based on team performance appraisals. Second, rewards can be provided to teams using gainsharing plans. Third, special awards can be provided to teams to recognize outstanding performance.

Merit pay in the form of salary increases or bonuses can be distributed to a team based upon the results of a team performance appraisal. In order for performance appraisal to work for teams, there must be clear and explicit objectives, accepted measures, and feedback about team performance (Mohrman, Mohrman, & Lawler, 1992). Team performance appraisals provide opportunities for teams to conduct self-appraisals and obtain customer evaluations. This data can be used to assist managers in the determination of team ratings.

Frequently managers are uncomfortable with giving the same size reward to all team members and so they differentially reward individual performance. This is a mistake. Providing different rewards to individual team members can undermine cooperation and collective effort. Further, if there is high interdependence among team members, it is not possible to accurately differentiate individual performance, as a result the rewards are not based on valid measures.

If team members are not highly interdependent, then it may make sense to combine team and individual merit pay. A bonus pool can be created based on team performance with the amounts divided among members based on individual performance. For this not to be divisive, it is critical that the manager solicit inputs from team members about the relative contributions of team members (Lawler, 1992). A mature work team may be able to use a peer evaluation system to differentiate individual rewards based on individual contributions to the team's performance. It is more effective if team members assess team performance prior to individual performance, because team performance sets the framework for individual performance. Individuals will perform better if team members support one another, understand all the components of the team task, and have the opportunity to develop multiple skills (Mohrman, Mohrman, and Cohen, 1992).

The second way of linking pay to team performance is through the use of special awards or recognition programs. In contrast to target or formula-driven approaches, they reward exceptional performance after it has occurred. Special awards should only be used to recognize special team achievements. Because work teams perform ongoing and repeated work to produce products or services, performance that meets the requirements of customers should happen regularly but extraordinary performance will be rare. Therefore special rewards should be used to supplement and not to substitute for other team pay for performance systems. Special awards can be quite motivating and enhance team cohesiveness. There is a certain pride that comes from being associated with a successful team, and public recognition can solidify it.

Gainsharing is the third major approach that can be used to provide rewards for team performance. Gainsharing requires the work unit covered to be relatively autonomous, responsible for a measurable output, and comprised of members who are interdependent with one another. Gainsharing is particularly well-suited to the participative nature of work teams. It provides motivation for work teams to monitor their performance and learn about leverage points for improving performance. Gainsharing can help work teams identify ways to continuously improve their performance.

Rewarding a work team for its separate performance is not always appropriate. The critical issue here is the degree of integration and differentiation (Lawrence and Lorsch, 1967). If the team is not highly autonomous, then providing rewards at the team level may be counterproductive. For example, work teams in manufacturing plants often work separate shifts, and what happens during one shift affects other shifts. In addition, the interdependencies with staff groups may be important. When a work team develops its way of doing things and members become close, members may become myopic in their understanding of the needs of the broader organization and sub-optimization can be the result. If there are critical interdependencies that need to be accounted for between a team and other part of the organization, rewarding a team for its own performance may push differentiation too far. The use of a gainsharing or profit sharing plan that rewards team members based on the performance of the larger organizational unit can serve to integrate the team into the rest of the organization and act as an off set to the strong cohesiveness which tends to develop in a work team. In general, an organization comprised of work teams needs to make sure that its pay for performance systems motivate team performance. This can be done through the design of the right mix of team-level and organizational-level pay for performance systems. The more that work teams stand alone as performing units, the more that rewards should be focused at the team-level. The greater the interdependencies between work teams and functional groups and among different work teams, the more that pay for performance systems should operate at the organizational level.

Base Pay

Skill-based pay is well-suited to work teams. Under skill-based pay systems, employees are paid for skills they can perform rather than the specific job they are performing at a given point in time. Skill-based pay should be designed to motivate team members to be cross-trained and become multi-skilled. Skill-based pay also should be used to encourage team members to learn vertical skills, jobs normally performed by managers. For example, skill blocks may include budgeting, taking inventory, doing payroll, and leading a team. This use of skill-based pay fits teams that have significant management responsibilities vested in them. It can help work teams acquire knowledge and skills that improve their decision-making processes.

Participation and Communication

The use of work teams provides multiple opportunities for member participation in the administration of rewards. Certainly, teams can take over many aspects of performance management with members assessing each others' performance and team performance. In addition, team members can perform many of the duties associated with skill-based pay systems. They can participate on the design team that identifies blocks of skills and the certification process required to demonstrate competency in skills. They can be responsible for conducting assessments that determine whether someone is proficient in a skill and should receive a pay raise. Open communication is necessary for them to participate in the design and administration of a team based reward system.

Conclusion

Team based organizations require different pay systems than do individual job based organizations. Table 2 shows what type of pay systems fit with three different types of teams. Although there are some important differences all the approaches to teaming call for the use of participation, open communication, skill based pay, and rewards that are based on team or unit performance.

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Table 1

CHARACTERISTICS OF TEAMS

	Parallel Teams	Project Teams	Work Teams
Task	Solve problems Recommend improvements	Conduct projects	Produce products Provide services
Team Structure	Separate, supplements organization	Overlay or integrated into organization	Integrated into organization
Authority	Suggestion	Self-managing, usually broad mandate	Self-managing usually narrow mandate
Composition	Stable, may be volunteers	Stable core, changing membership over life cycle	Stable, necessary competencies in team
	Part-time	Full-time and Part-time	Full-time
		Diverse, specialized expertise	Multi-skilled
Duration	Usually temporary	Temporary but may have long life span	Permanent
Potential Benefits	Continuous Improvement	Innovation	Improved Performance

Table 2

PAY SYSTEMS FOR TEAMS

	Parallel Teams	**Project Teams**	**Work Teams**
Base Pay	Possible Skill Based	Skill Based	Skill Based
Pay for Performance			
Individual	Merit Pay for Job Performance	Possible If Team Assessed	Possible If Team Assessed
Team	Recognition or Cash for Suggestions	Possible At End of Project	Possible If Team Independent

Unit
    or
    Gainsharing
	Possible Gainsharing	Profit Sharing or	Profit Sharing
			Gainsharing

Participation	Design of Sharing Plan	Assessment of Individuals	All Aspects of Design and Administration
Communication	Open About Rewards For Improvement	Open About Skill Plan and Rewards For Performance	Highly Open