
Can You Pay for Quality Work? A Government Case Study

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*This article presents some recent developments in team performance pay using a complexity framework. It challenges W. Edwards Deming's traditional view on performance pay, which is that it takes the focus off the process and encourages competition instead of cooperation. In the past, wage payment and quality management systems were perceived as simple and discrete. As quality organizations were encouraged to develop teamwork and cooperation, most continued the old system of paying for individuals. An Australian qualitative case study is reported, which shows both improved corporate performance and greater stakeholder quality alignment. "Quality pay" was used as the transforming methodology. The qualitative data confirmed employees increasingly sharing the management's strategic intent to achieve quality and teamwork. The quantitative data showed that quality pay led to more than expected improvements in customer satisfaction, employee wellness, and business processes. The ethnographic and grounded research approach using NUD*ISI™ as the text management provided rich authentic examples of the findings in the Australian organization's stakeholders' own words. The novel quality pay assessment method using quality-trained peers gave employees confidence in the new system and helped build quality alignment. The new synergy of wage and quality systems provides valuable insights for quality researchers and practitioners.*

Key words: complexity theory, performance measurement, performance-pay, quality incentives, teams

INTRODUCTION

Quality organizations may be missing out on improved performance when they treat organizational systems as simple systems that are disconnected and discrete. Many quality practitioners have been influenced by W. Edwards Deming's demand that two such systems—wages and quality—remain separate and discrete. Wage payment (compensation) systems have been developed to encompass a range of elements, for example, base pay, allowances, annual merit increments, variable pay (bonuses), and indirect pay (employee benefits) (O'Neil 1995). Quality management systems focus on leadership (by managers and employees), customers, improving processes, and systematic measurement (Deming 1986). This research looks at an Australian government case study organization that sought to gain performance improvement through integrating its wage and quality system to generate a new synergy.

Foster, Howard, and Shannon (2002) assert that there is relatively little literature relating to quality improvement in government and suggest that labor rigidities and internal motivation of public sector employees are two of the differences between government and business. A Western Australian government department, which first introduced quality management in the early 1990s, developed a very different approach. It had already received recognition and quality awards but wanted to further improve its performance and quality deployment. The department introduced flexible team-based employment conditions and a cash bonus system for all its employees. Quality pay (Qpay), the name given to this new cash bonus, was paid to teams for their quality work, as evaluated by self-assessment and peer review. This article presents the qualitative research into the experiences of workers,

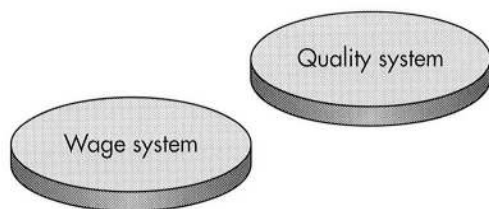
managers, and executives with the transforming methodology Qpay and how it brought the formerly separate wage and quality system together in a government setting. It provides a best-practice model for those wanting to rapidly expand their deployment of quality and improve corporate performance.

DEMING VIEW ON PERFORMANCE PAY AND A WORLD OF COMPLEXITY

In his early work Deming (1986), adamantly opposed pay systems that focused on measuring outputs. He argued that pay for performance or piece-rates encouraged individual employees to meet their own personal and professional goals at the expense of the organization. While individual competition to perform may increase, cooperation, teamwork, and dedication to improving the process necessary for quality management to succeed may decline. Individual employees will focus on pushing product out the door with little regard for the quality goals of the organization.

Deming argued that better leadership motivates people, and that pay dollars should be directed to an equitable base pay that should minimize differences between people. Leadership should generate improvement through focusing on the system, understanding system variation, and applying statistical thinking. Pay systems and QM were seen as *simple antithetical systems* that should be kept apart for the sake of quality (see Figure 1). Eighteen years later it was unchallenged as a foundational issue of quality and performance pay, with systems thinking and variation being seen as the appropriate response to changing labor markets (Gruska 2000).

Figure 1 Deming simple system view.



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“In order to develop a management system which handles the altered labor market, managers must have an appreciation of a system and the knowledge of that system.”
(Gruska 2000, 5)

As more organizations adopt a quality management culture, however, their employees are asking how their organizational actions impact themselves (see Kellogg’s Case in Whiteley 1995). So while quality organizations were encouraged to develop teamwork and cooperation, most continued the old simple systems’ view of paying individuals. Later, when asked about the benefits of using team-based incentives, Deming replied:

“...incentives for a team backfires, creates competition, depresses morale, output and quality, in the same way as incentive pay for individuals.” (Rigg 1992, 26)

From this reply it was clear that his interpretation of incentives remained narrowly defined as piece-rates and failed to take into account new incentive paradigms.

An alternative view to the simple discrete systems view is that these two systems are both complex and paradoxical (Stacey 1995; Kallinikos 1998). Rather than being separate, each already contains an element of the other embedded within it. Paradoxically, quality organizations *do* pay their workers and variable pay systems *can* pay for quality performance. What if clever performance pay design and measurement could: 1) improve quality deployment and 2) corporate performance, and 3) build teamwork and cooperation?

This article explores what can happen when these two systems come together in a government setting in a world filled with complexity (Coveney and Highfield 1995). Harnessing the power of complexity by designing, disseminating, and evaluating performance criteria within an organization has been argued to support the growth and spread of organizational performance (Axelrod and Cohen 1999). *Qpay*—a new performance system based on quality management—was used to integrate the wage and quality system in the complex environment of government. The synergy produced an entirely new concept of “transformed stakeholders” in the employees and managers of the case study organization.

THE CHALLENGE OF QUALITY PAY

As organizations strove to implement quality management they found that their existing remuneration systems did not seem to reinforce quality management goals and even thwarted them. How can members of cross-functional and multilevel teams be best rewarded for their teamwork rather than their initial job description? The move to flatter organizational structures led to flexible work roles and group contributions that required new team-based rewards (O'Neil 1995).

These concerns led to a number of writers arguing for a new system of performance pay or gainsharing that links the organization's quality goals with its wage payment system. These quality-based performance pay systems have been variously named *Strategic Pay* (Lawler 1990), *New Pay* (Zingheim and Schuster 1992), and, more recently, *Quality Pay* (Bickley 2002).

"Quality pay (QPay) supplements base pay for individuals with a team-based bonus paid to all team members and uses quality measures and processes to evaluate performance."

(Bickley 2003)

QPay rewards teams rather than individuals, since delivering "quality is a team sport" and "improvement in quality depends on collaboration" (Zingheim and Schuster 1992). A study of Canadian, German, Japanese, and U.S. private sector quality management-adopting firms found that they were greater users of team and non-financial performance data than other firms (Ittner and Larcker 1995). Quality practice was beginning to move away from the Deming view on performance pay.

DESIGNING QPAY: A QUALITY COMPATIBLE PERFORMANCE PAY

While team-based bonus payments can reflect organizations' adoption of flexible team-based work systems, they also present the greatest challenge to reward systems designers (Saunier and Hawk 1994; Atkinson 2001). Several writers have provided a list of reward criteria consistent with quality management including customer and employee satisfaction, product and service quality measures (recovery from failure, reliability and

consistency, rework and rejects, warranties and adjustment measures), and financial measures (Wilson 1995; Shin, Kalinowski, and El-Enein 1998).

Measures are usually a mix of "hard" metrics (for example, defects rates) and "soft" metrics (for example, customer satisfaction) (Wilson 1995). While some of these measures may have no direct short-term cost effect, they are important to the strategic thrust of the business and are partially or fully under the control of participants (within what is called the "line of sight"). The difficulties in measuring some quality measures are acknowledged, but "problems of valuation and imprecision of measurement should not stand in the way of rewarding behaviors that are critical to the execution of the company's business strategy" (Belcher 1994). This apparent imprecision is indeed part of the quality journey since total quality management (TQM) is seen as an adventure in trust building (Zingheim and Schuster 1992).

One major challenge in designing quality rewards is to achieve a common or shared understanding of both the intent and outcomes of quality in an organization. There have been several quantitative survey studies that have reported that perceptions of "quality" are not a "shared understanding" but varied by organizational level, department, and quality implementation experience: (Weeks, Helms, and Ettikin 1995; Yavas and Burrows 1994). More recently, the survey sponsored by the American Society for Quality (ASQ) of 600 U.S. executives in four industry segments again showed that definitions of quality vary (ASQ 2004). While the quality management literature emphasizes managers and employees all sharing the same quality goals, McConnell (1994) noted that there were few qualitative (interview-based) studies about how quality management was perceived. Since employee perceptions influence actions, this was seen as a critical research gap that this qualitative study sets out to address.

THE AUSTRALIAN CONTEXT OF QUALITY PAY

Until recently there were significant cultural and institutional differences between Australia and the

United States regarding wage setting. Australia has been a nation with a highly regulated and centralized wage setting system since the foundation of its national arbitration system in 1904. Wages were set centrally at the national or state level for most types of employees, with little or no U.S.-style decentralized bargaining. Government wages in particular were implacably fixed by central arbitration. It was not until global changes forced a rethinking of the industrial relations environment in the 1990s that the development of any kind of gainsharing system was even possible.

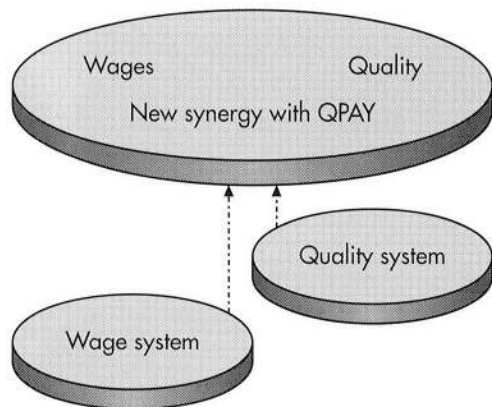
From the mid-1990s private enterprises had the opportunity to develop customized reward and assessment processes relevant to their own business rather than be subject to national or industry awards. However, a study of Australian enterprise agreements in 1995 found that the majority (97 percent) *did not* take this opportunity, with only 3 percent of agreements including any form of gainsharing (ACIRRT 1995). Another study of 833 Australian certified agreements found *no* group-based gainsharing pay schemes within the public sector, a situation that the researcher suggested was appropriate for these “jobs with nonquantifiable outputs” (Brown 1997). A study of public sector performance pay in Canada, New Zealand, the United States, Sweden, and Australia found little measurable performance despite widespread optimism about such a system (Eisenberg and Ingraham 1993). Common salaries for government employees, regardless of agency, were the norm in the 1990s. Researchers argued that Australian public servants cherished the intrinsic rewards of “public service” and were generally antithetical to performance pay systems (Halligan 1994). The Australian public sector was not unique in this regard with Foster, Howard, and Shannon (2002) asserting that labor rigidities and internal motivation of public sector employees were two major differences between government and business. They went on to lament the relatively scant literature on quality management in government. Given this context the introduction of a quality-based gainsharing program in a single government agency was almost inconceivable in Australia in the mid-1990s until one agency led the way.

THE CASE STUDY ORGANIZATION IN WESTERN AUSTRALIA

Transforming performance pay into QPay paid dividends for one highly innovative organization in Western Australia. In the 1990s the state’s public works agency—the Building Management Authority (BMA)—was involved in unprecedented changes that permeated almost every aspect of its function, structure, and culture. Government initiated a range of reform platforms that led to wave after wave of simultaneous change on the ground. The department responded to the industrial relations reform program by introducing flexible ways of working and new employment contracts, called *Workteam Agreements*, to resolve labor rigidities. It responded to the construction industry reform program with new ways of relating to its customers and suppliers based on quality management. And it responded to public sector reform by introducing performance measurement and formal accountability for that performance. It simultaneously undertook extensive contracting out and downsizing. All three responses were strategic and made tangible by the phenomenon of QPay. QPay was at the same time: 1) a team-based wage payment system, 2) a focal point for cultural change, and 3) an exercise in self-assessment. It was the missing “transforming factor” that brought together the wage payment system and its quality management system (see Figure 2).

After several years on the quality journey the BMA received recognition for its quality approach and customer service from award-giving bodies, the Customer Service Association, and the Australian Quality Awards (AQA) Foundation (Mills 1995) founded in the same year as the U.S. Malcolm Baldrige Award. It wanted to go further and dramatically improve performance and more completely deploy its quality program. It was to be the first government department in Australia to develop a quality-based bonus system. In leading the way it faced not only the difficulties of public sector labor rigidities and fears about performance pay (renamed risk-pay by unions), but also the lack of experience Australian organizations have with collective bargaining. Added to this was the significant

Figure 2 Alternate complexity view with Quality Pay as transforming variable.



downsizing, which was around 25 percent during the first QPay period including the complete closure of its construction division. How was it going to overturn the international evidence that managers and employees in different divisions rarely share the same view of what constitutes quality performance? These unique challenges required a bold response.

DESIGN AND MEASUREMENT OF QUALITY PAY

QPay was the BMA's bold team-based gainsharing program that paid everyone in the department—senior executives, managers, and employees—a bonus based on his or her work team's performance against previously specified criteria. It broke the traditional pay classification hierarchy associated with the public sector by using 23 teams within the department. Each team was distinguished by discrete services or customers and had an identified team leader (formerly called managers).

The bonus pay criteria were based on both quantitative quality outcomes and qualitative quality processes. Four criteria—customer satisfaction, quality processes, financial performance and processes, and health and wellness performance—(see Figure 3) were used to encourage and reward both management and employees, which was an Australian first. Each criterion was allocated 10 points, with 40 points representing the maximum bonus of 5 percent of annual salary.

Figure 3 Quality Pay criteria (Building Management Authority 1994).



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Lower point scores would receive a proportionately lower bonus. For more details of the QPay criteria see Appendix 1.

Being a government agency led to some complexity in customer definitions since the agency's customers were other government agencies. For example, although there were three construction design and project management teams, each serviced a unique market segment (health, education, or justice and community services) where customer satisfaction using SERVQUAL survey methodology (BMA 1995) could be independently assessed. Customers were defined as immediate customers (for example, the central education department) and end-user customers (for example, teachers and school boards) for survey clarity. By focusing on customer service, QPay supported the BMA employees' strong public service orientation and effectively linked intrinsic and extrinsic factors. Other measures focused on saving public money (waste) and improving government efficiency and effectiveness (processes and measurement). These proved more acceptable than private sector notions of profit sharing as the basis of performance pay.

PERFORMANCE ASSESSMENT OF QUALITY PAY

The assessors of team performance were BMA peers in six teams of two employees and two team leaders (managers), nominated by all employees for their quality knowledge and experience. These assessors received training in assessment methods. Each work team first undertook a self-assessment before being visited by an

assessment team. All assessment team recommendations to the chief executive officer (CEO) were endorsed.

Employees received an average payout of 4.17 percent of annual salary as their first bonus in late 1995. Individual team payments varied from 3 percent to 5 percent. The QPay bonus later rose to 6 percent in 1997 with evolving criteria and assessment processes.

THE RESEARCH STUDY: METHODS AND ANALYSIS

Although the QPay process provided the BMA with *tangible* changes in performance, it wanted to evaluate the more important *intangible* changes in attitude and culture. The resulting independent research sought to understand the perceived meanings that BMA stakeholders held about the QPay phenomenon, including why it had been introduced (intent) and what outcomes had resulted from its introduction. The constructivist research sought to interpret participants' experiences with this integrative compensation/quality system. Extensive qualitative data were gathered to understand personal and group constructions of meaning through a grounded research approach using content analysis (Whiteley 2000).

A computer-based meeting support technology—Group Support System (Whiteley and Whiteley 1996)—was used to gather the perceptions of all six executives and the 25 managers in six focus groups. A theoretical sampling strategy led to almost 40 percent of employees being interviewed in 48 focus groups. These groups were stratified by level, department, gender, and relative amount of QPay awarded based on a theoretical sampling decision and preliminary focus groups. Interviews were tape recorded, transcribed, and NUD*IST™ software (Richards 1996) used as the text management system. Organizational documentation and quantitative performance data were also collected and analyzed using triangulation techniques (Jick 1979). Constant-comparative-group analysis (Glaser and Strauss 1967) was undertaken to discern any similarities or differences in the perceptions of executives, managers, and employees. Interviews were analyzed and many codes (findings) emerged from the data.

THE RESEARCH RESULTS

Four major findings of the highly iterative, grounded analysis are reported. These findings emerged during the content analysis when the initial codes were grouped into robust constructs that provided insights into the meaning of the QPay experience of employees, managers, and directors. The grounded research approach provided rich authentic findings in the organizational stakeholders' own words rather than statistical tables. Examples of these participant views are provided using “” to indicate different speakers.

QPay Built Corporate Alignment around Quality and Teamwork

The qualitative interviews confirmed BMA employees shared the management's strategic intent to achieve quality, performance, and teamwork. Executives, managers, and employees across all divisions identified similar reasons for QPay's introduction and, had similar viewpoints about its achievements in the organization. Importantly, they developed a shared meaning of quality for their own organization. All organizational levels said that the outcomes of QPay were *enhanced quality and teamwork* and a *performance incentive for teams and teamwork*.

- **Executives** “A good concept to get a focus in the organization on teamwork and quality. I am pleased that we went for it.” “It was the process that was the issue. People felt motivated by the participation and a sense of a realizable objective, which a person can grasp [or] see it. It was real versus abstract or indirect. Most of our other [quality] aims are at a pretty high level and people feel it's beyond them to have a real impact.”
- **Manager** “People were encouraged to participate. . . worked more closely together and we've developed a greater sense of team.”
- **Employees** “[because of QPay] I was trying to think about quality and trying to achieve a lot of those things. It was an extra that people had never done before. And also everyone in our work team became much more business aware, of what the

business was on about. [In the old BMA] the directors used to go away and work that all out, and it was filtered down to you as a task of some kind. If you were lucky, you might work out exactly what that task was ultimately for, but half the time, you didn't even know which part of the organization actually needed it. As I said, you just did these things because you thought you had to do them. You know, it was sort of self-motivating. Now, I mean with the strategic business plan and quality planning, there are objectives laid out and you know you've got a role in trying to achieve them—now you have a better idea of what you're there for and what you're trying to achieve." "We really were a team; we helped each other and picked up each other's phones if someone wasn't there...we improved answering correspondence and logged all complaints, and sat down together and reviewed them." "We now understood why [another work team] needed that information."

Their responses showed that *all* levels and *all* departments agreed that the outcomes matched the strategic intent of the QPay initiative. Alignment had been achieved. Furthermore, QPay enhanced rather than diminished teamwork. Enhanced teamwork and cooperation occurred both within local work teams and across work teams as they recognized internal customers and work processes extending into other work teams.

Accelerated Quality Deployment

The findings showed that there was very strong support from all stakeholders for the view that QPay improved quality. Clear evidence that the BMA had achieved enhanced quality management deployment over the entire organization came in the comparative analysis of responses across different organizational levels and departments. Many interviewees talked of ways they had implemented quality initiatives—some for the first time, but most building on their past initiatives. There was not one of the 23 work teams that had not made significant progress. Project managers connected better with customer/client requirements, waste in maintenance work was tracked and reduced, phones

and correspondence were replied to faster and with greater care, phones were answered promptly, and the old "not-in-the-office" reply was eliminated by the establishment of "buddy" systems where employees covered for each other during lunch breaks or leave periods, and wellness seminars and health checks were well patronized. Rather than taking focus off the process, these workers clearly focused on the process and reaped the rewards. It is even more remarkable that this extra impetus of the bonus was identified in an organization that had already been distinguished by winning national quality awards.

- **Employees** "It gave our quality program a real turbo boost." "I suspect that [the corporate executives] were getting a bit frustrated in the lack of adequate progress, and this brainwave was a very astute thing to do. They immediately put the whole work force behind this drive for quality improvement. The reality is that if there are gains at the end of the process you have the support of the workplace." "For the first time everyone had to think "Who are our customers?" and "What are our key processes?" "It helps you focus exactly where your energy should be and that hadn't been done before, as far as I know." "We surveyed our customers...and we really worried about the results. We shared the results and acted on them."
- **Manager** "It raised awareness of the quality concepts across the organization, and a number of people who previously had no exposure to these concepts became [quality] leaders."
- **Executive** "I honestly believe it brought us forward in a consistent way—it deployed quality."

QPay Acted as a Performance Incentive

Despite the prevailing view that government employees don't perceive performance pay as motivating, all BMA levels and departments identified the incentive value of QPay. BMA employees focused on providing quality service and teamwork because "it now meant something," namely a bonus. Their comments provide clear evidence that public sector employees are not

only motivated by intrinsic rewards but also by bonus pay when that pay design takes into account their commitment to public service (in this case by focusing on customer satisfaction and saving public money).

- **Employees** “The desired state in the end is to have a quality organization. They needed some sort of incentive. QPay worked as that incentive, and so a lot of it (quality management) has been taken on board.” “It is an extremely powerful means of linking corporate objectives and initiatives to reward systems.” “Would we have adopted some of the principles if we hadn’t had QPay or a quality approach? We would have adopted some of them because we were already practicing them, but they certainly wouldn’t have been put together in any sort of structured or formalized way.” “I think it’s great. Anything that puts money in my pocket I’m interested in [laughter].”

The development of the QPay system and its adoption by the work force through voluntary workplace agreements is a sharp departure from the Australian industrial relations experience (ACCIRT 1995). While unused to American gainsharing-style bonus payments, the BMA employees embraced the QPay concept enthusiastically.

QPay Provided Measurable Improvements in Corporate Performance

While the focus of the research was the construed meanings of participants, BMA documents provided evidence of QPay quantitative data that were used in triangulation analysis (BMA 1996). This report showed that QPay contributed to more-than-expected improvements in customer satisfaction, employee wellness, and business processes compared with previous performance. The average bonus of 4.17 percent for the 23 teams represented 33/40 QPay points. The departments’ external auditors (KPMG) endorsed the QPay process. Validated BMA customer survey results support the improvements in customer service spoken of by stakeholders. Corporate data indicate a 3 percent increase in

satisfaction scores (from 88 percent to 91 percent of customers registering 5, 6, 7 on a seven-point Likert scale in customer surveys) in the first year of QPay and a continued improvement thereafter.

The safety and wellness measure targeted building trades workers who previously took, on average, nine days paid sick leave per year out of an allowance of 10 paid days. (Australia is noted for its generous paid leave provisions.) The BMA reported a halving of sick leave taken by these employees! This amounts to a reduction of some 4.5 days per year, per construction worker—a remarkable result. The financial processes criterion included a requirement for teams to pay all supplier accounts within a period of 30 days of invoice receipt to meet government fiscal policy requirements. This stringent 95 percent performance measure was met by 17 teams (compared with five in the year prior to QPay), and all remaining teams scoring over 89.7 percent. This was an exceptional improvement.

DISCUSSION OF THE RESEARCH FINDINGS

The results of the research into the introduction of QPay at the BMA are clear.

1. QPay built rather than destroyed teamwork and cooperation.
2. QPay further enhanced quality management deployment in an organization already acknowledged as a quality leader.
3. QPay improved corporate performance in intended strategic areas.
4. Government agencies can use incentives to deploy quality, even in Australia where performance pay and incentive bonuses are rare.

The BMA achieved these results by using QPay as an incentive to align everyone’s efforts in this government agency. The quality literature (Gruska 2000) has long advocated the strategic role of senior managers in achieving an agreement (alignment) on corporate aims that extends throughout the organization. The research provides conclusive evidence that, unlike *all* other findings in the literature (Yavas and Burrows

1994; Weeks, Helms and Ettikin 1995; ASQ 2004), stakeholders in the BMA shared a common view concerning the strategic intent and outcomes of quality regardless of organizational level or department. They shared an ownership for quality performance (Shin, Kalinowski, and El-Enein 1998) developed from a new synergy between wage payment and quality management systems. The research provides powerful evidence of an entirely new concept of “transformed stakeholder” in the employees, managers, and directors of this quality organization. From the viewpoint of the complexity literature, QPay acted as a transforming agent in this quest for alignment.

So what are the lessons learned from this case study, and can it provide a best practice model for other organizations both public and private? A review of the development and implementation processes of QPay at the BMA identified five critical implementation features.

1. *The QPay measures were “fit for purpose.”* The four criteria and each component within these criteria were carefully tuned to the context of the organization. The BMA gave its government workers measures, which were a best fit with the language and culture of both quality and public service. The measures were not simply borrowed from the private sector or another agency but answered the critical question of “what does quality work mean for this organization at this time?” This premise then allowed the organization to retune its criteria every few years to reflect new answers to this question.
2. *QPay was process tested during the critical design stage.* During the extended design period the BMA first considered and then simulated the impact of QPay on other organizational spheres— industrial, strategic, and financial—using statistical techniques and qualitative theory. Second, the department’s executive board repeatedly asked itself the question whether the criteria would reinforce or undermine its quality management culture. They wanted to encourage short-term behavior and performance that was consistent with their long-term quality directions.
3. *QPay requirements were clearly communicated to employees.* The publication of the four criteria and the work teams’ efforts to achieve the bonus enhanced communication and ensured greater clarity about organizational priorities. The criteria with point scoring system was communicated to all employees, questions and answer brochures were provided, and briefing sessions were held to ensure that the process was well understood. These three processes are entirely consistent with those advocating an adaptive complex systems approach (Axelrod and Cohen 1999). Each team came together to develop its plan to meet the criteria and achieve the bonus. Teams talked to each other about their work and built robust within- and across-team communication channels. They undertook a rigorous self-assessment prior to lodging their claim for the bonus—so there were few surprises in the final outcome.
“To improve quality a company must decide which dimensions of quality it is trying to improve, communicate clearly that dimension and determine how to measure quality once it has been defined.” (Derrick, Desai, and O’Brien 1989, 27)
4. *Leadership was critical to ensure there was quality management-values driven implementation.* The organizational leaders—its executives, managers, and quality mentors—provided critical cues to their workers about the meaning of the criteria consistent with the organization’s quality culture. Whenever employees questioned the application of the criteria in their specific work team these leaders helped with interpretations that were driven by the “spirit of the criteria” rather than any misunderstanding based on word interpretations. They were the guardians of the long-term quality culture intentions of the BMA. The research did identify some unintended outcomes from the QPay initiative that included employees in some teams apparently placing peer pressure on fellow employees who had paid sick time off work. This

usually occurred in teams with less robust team cultures that lacked this leadership clarity.

5. *Previous experience with quality awards provided expertise and confidence in internal peer assessment of performance.* One of the most distinguishing features of the BMA QPay system was the use of employee peer assessors rather than the usual managerial control. The BMA experiences with AQA self-assessment and external assessment processes greatly influenced its later QPay assessment process. BMA teams undertook a self-assessment, which mimicked the organization's previous self-assessment used in quality awards (for example, AQA). Finally, employees were asked to nominate peer assessors (management nominated peer managers), who were noted for their quality knowledge and leadership and had experience in more than one section of the BMA. These peer assessors were trained and placed in teams of four (two employee and two manager peers) and asked to review and recommend the bonus for work teams in which they were not currently working. Six teams undertook the 23 assessments, building confidence and organizational skills along the way. All recommendations of the assessor teams were endorsed by the CEO. This peer assessment feature was one of the most successful elements of the QPay initiative in terms of effectiveness and employee commitment to the outcome. There is no previous history of assessments for the payment of public sector bonuses for quality performance being paid in Australia or overseas on the recommendation of teams of internal peer assessors reported in the literature. This innovative BMA implementation experience supports the importance of this corporate "social activity" through the effective involvement of employees in self-assessment, nomination of judges, peer judging, and team celebrations at bonus time.

"The result of such activity is to increase the use of criteria embedded in the prize, which can sometimes be far more effective than direct advocacy of the criteria." (Axelrod and Cohen 1999, 158)

CONCLUSION

The article points to a shortcoming of Deming, that his narrow interpretation of performance pay as piece-rates only led to his failure to identify the power of transforming agents or methodologies from wage payment/compensation systems in achieving quality management. This view represents a simple systems approach where quality and wage/compensation systems remain discrete and where their intersection is seen as antithetical to the achievement of quality.

But when an Australian government agency, the BMA, took the lead implementing a quality-based bonus system called QPay it demonstrated that complex adaptive systems perform better in today's ever-changing business environment. That paradox, as identified by Deming's view, has possibilities. By accepting the apparent contradictions inherent in complex systems as a positive organizational force, a new synergy can be developed where employees and managers share alignment and ownership for quality performance. This alignment and shared ownership represents new possibilities for organizations courageous enough to use the power of paradox in a complex world.

The "transforming agent" in this case study was a new agent—QPay, which offers a methodological model. The case study provides some "frame breaking" insights (Eisenhardt 1988) for other quality organizations that may embark on this path—that paying for quality work does work when well thought out design and metrics, process testing, leadership, communication, and assessment strategies are supportive of a quality philosophy. Developing a consistent and compatible reward scheme that changes daily work practices can transform quality organizations. That this innovative scheme occurred in the government sector—with its traditions of labor rigidities, internal motivation (Foster, Howard, and Shannon 2002), multiple simultaneous change initiatives and significant downsizing—is all the more remarkable. QPay's success challenges quality and human resource/compensation practitioners to work together to achieve a new synergy in organizations.

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BIOGRAPHIES

Maureen Bickley is intensely interested in what makes organizations, systems, and people perform better in the long term. The role of rewards in the Australian industrial context is a focus of her teaching, research, and consulting at the Graduate School of Business, Curtin University of Technology, Western Australia.

Bickley has held senior positions in the Federal and State Public sector in the departments of Prime Minister and Cabinet, Education, Building Management Authority (BMA) & Contract and Management Services (CAMS). Her responsibilities included human resources, strategic planning, quality and audit performance, and finance and information systems. Bickley played a lead role in BMA/CAMS, receiving recognition for their quality journeys and customer service from the Australian Quality Awards Foundation and the WA Customer Service Awards. Her doctorate at Curtin University looked at team-based performance pay systems in the public sector that are based on corporate strategic and quality priorities (Quality Pay). Bickley researches and teaches in business process measurement and performance, employee relations, remuneration, cross-cultural management, and strategic planning and implementation. She was the Curtin Business School Cross-Cultural Teacher of the Year in 2002. She can be reached by e-mail at bickleym@gsb.curtin.edu.au.

Alma Whiteley's great interest is in the human resource management (HRM) discipline. She began her career as a shopfloor worker and has kept up her interest in how organizations manage and reward workers. The idea of rewards presents some interesting challenges for organizations. Her passion is managing change and she is currently working with a multinational organization, using her core-values methodology to effect a radical change program. Theories such as complexity and chaos as they apply to HRM are of current interest, and Whiteley is developing a model for HRM built to resemble a complex adaptive system.

Whiteley began her academic career in Hong Kong and has sustained her interest in cross-cultural management. She taught HRM for several years, mostly at the graduate level, and during these years consulted extensively with industry and the public sector. She is professor of international human resources and inaugural director of the Doctor of Business Administration program (Graduate School of Business, Curtin University) in Australia, Hong Kong (in partnership with Lingnan University), and Thailand. She teaches philosophy and business management, and organizational research methodology, and has taught international business research methods in Australia, Hong Kong, and Thailand.

APPENDIX I Detailed quality pay criteria

Criterion	Points	Comments
Customer satisfaction criterion:	10	Teams received a scaled bonus based on the percentage of satisfied/highly satisfied customers. If this percentage was equal to or greater than 90 percent, 10 points were received. (Note: the BMA had robust customer service surveys based on QUALSERV methodology, supplemented by some local service surveys.)
Quality approach criterion:	10	Teams were required to demonstrate that they had collectively undertaken eight quality activities including—identifying all customers, mapping key processes, developing performance indicators, and developing team action plans consistent with the organization's strategic business plan and quality matrix. Ten points were awarded when all these quality processes were documented and used by the team.
Health and wellness criterion:	10	This criterion measured team's average absenteeism due to illness/injury and awarded 10 points when this was equal to or below three days per worker per year. (Note: Although the BMA's occupational health and safety had significantly improved, some sections of the work force had high absenteeism—assumed to be unnecessary "sickies," that is, bogus absenteeism).
Financial performance and processes criterion:	10	Teams were required to demonstrate that they had collectively undertaken eight financial improvement activities including—sharing their monthly income/expenditure reports and annual budget, achieving the target for accounts payable performance, reviewing overheads, and identifying opportunities to reduce waste. Ten points were awarded when all these processes were documented and used by the team.

Source: Building Management Authority 1994