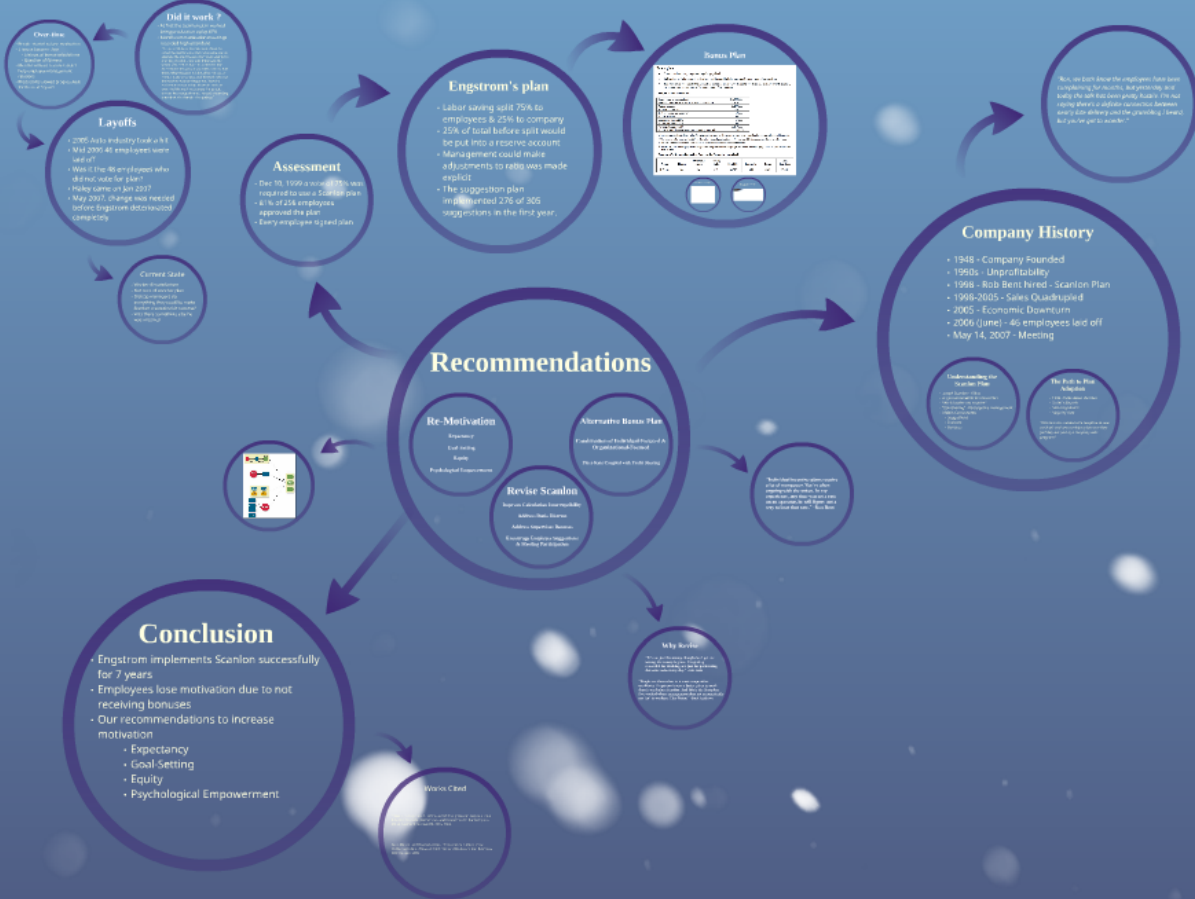
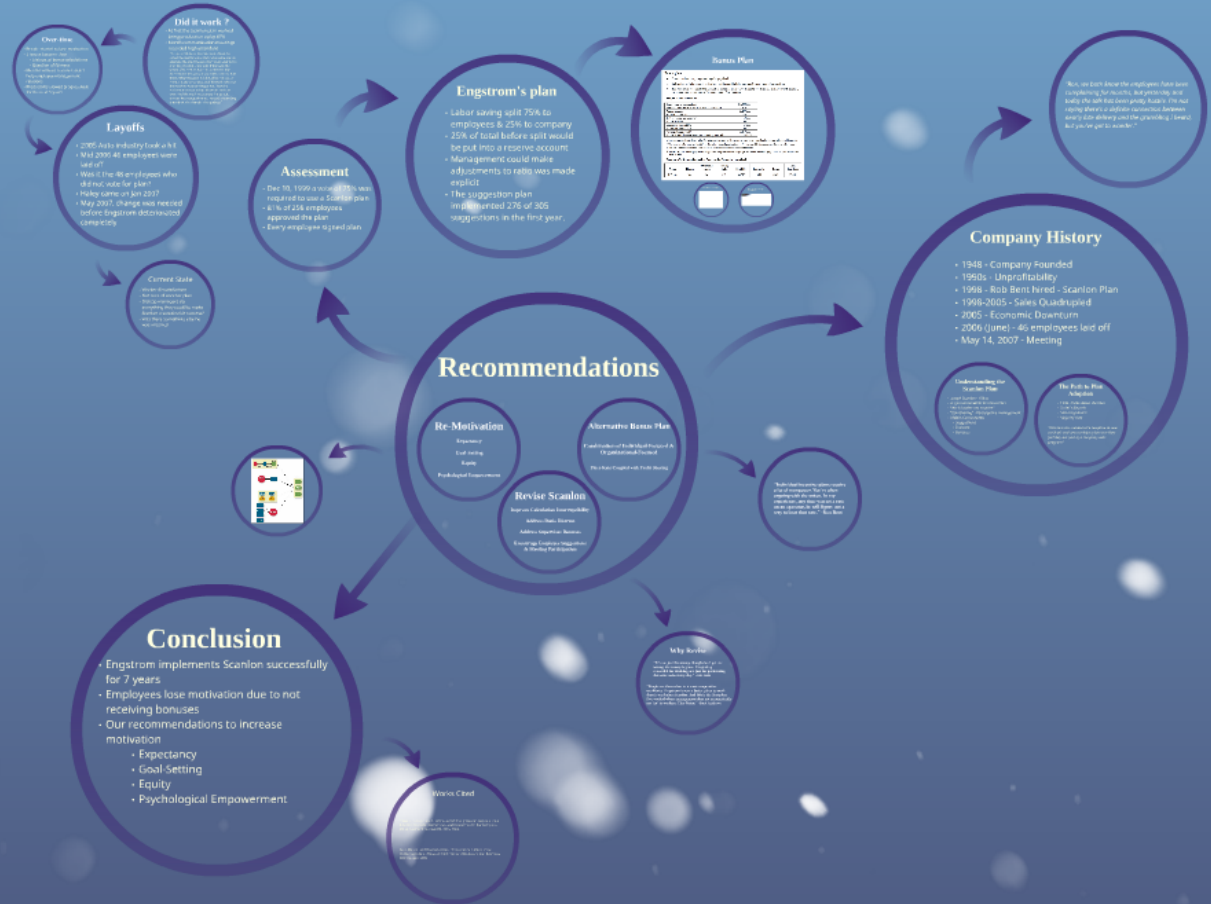


ENGSTORM AUTO MIRROR PLANT Harvard Case Solution & Analysis



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Company History

- 1948 - Company Founded
- 1990s - Unprofitability
- 1998 - Rob Bent hired - Scanlon Plan
- 1998-2005 - Sales Quadrupled
- 2005 - Economic Downturn
- 2006 (June) - 46 employees laid off
- May 14, 2007 - Meeting

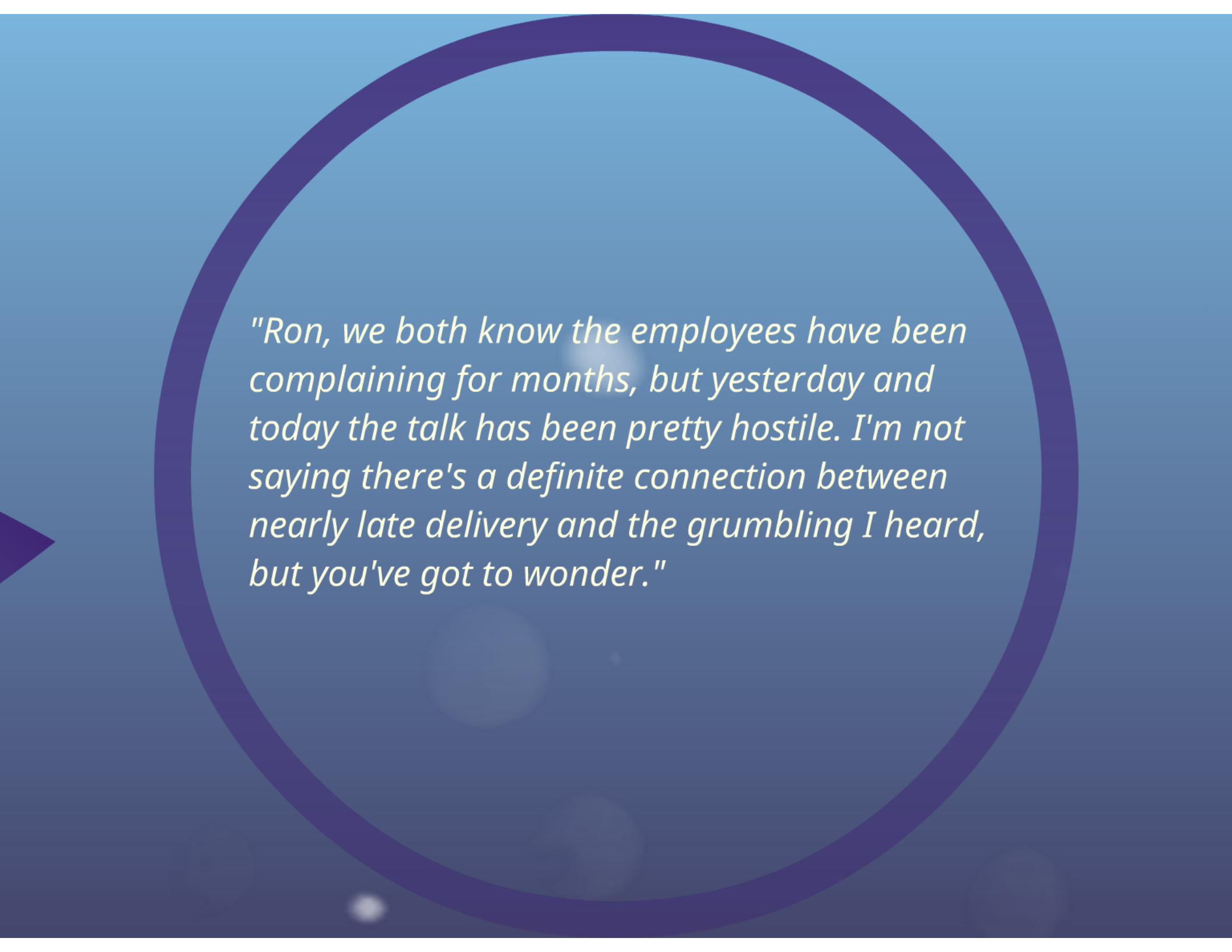
Understanding the Scanlon Plan

- Joseph Scanlon - 1930s
- Organization-Wide Incentive Plan
- "Work harder not smarter"
- "Gainsharing" - Participative management
- 3 Main Components
 - Suggestions
 - Evaluate
 - Bonuses

The Path to Plan Adoption

- 1999 - Talks about the Plan
- Bulletin Boards
- Meaningfulness
- Majority Vote

"With Scanlon, workers are receptive to new methods and new machinery because they feel they are part of a company wide program"



"Ron, we both know the employees have been complaining for months, but yesterday and today the talk has been pretty hostile. I'm not saying there's a definite connection between nearly late delivery and the grumbling I heard, but you've got to wonder."

Understanding the Scanlon Plan

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Assessment

- Dec 10, 1999 a vote of 75% was required to use a Scanlon plan
- 81% of 256 employees approved the plan
- Every employee signed plan

Engstrom's plan

- Labor saving split 75% to employees & 25% to company
- 25% of total before split would be put into a reserve account
- Management could make adjustments to ratio was made explicit
- The suggestion plan implemented 276 of 305 suggestions in the first year.