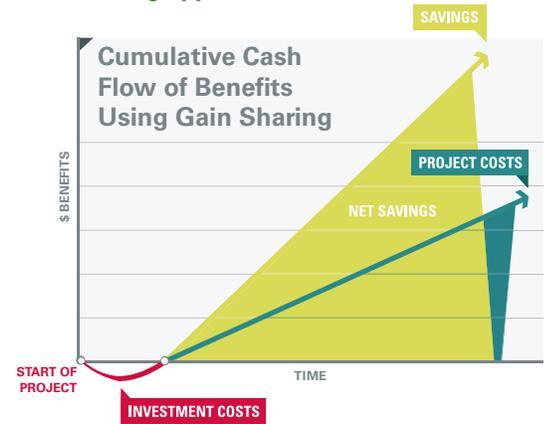




# WHITE PAPER **GAIN SHARING**

# Pay For Performance

The typical cost curve for the gain sharing approach is:



**Gain sharing** is a pay-for-performance program where the savings generated in a project is split between the client and Lean Enterprise Partners (LEP).

It is a low risk means of paying for a project as savings generate the funding for the project. The risk is transferred from the client to LEP who then receives payment in direct relationship to the savings it derives.

The initial investment in the training and design phase is charged at competitive rates. In a recent project with an automotive manufacturer, LEP conducted eight weeks of training; at a competitive rate. In this case the cost of the training was reimbursed by the state.

After the eight weeks of training were completed the remainder of the project was funded strictly out of savings achieved each week — the project became self-funding.

In a traditional engagement the client funds the entire project based on a fixed cost for a specified time frame. As a result the client is paying out funds before seeing the actual return-on-investment. It is not until the break even point that the savings began to generate sufficient returns to fund the project — the break even curve.

In the gain sharing model the client only funds the initial training and design. Thus achieving the break even point at an earlier stage of the project. Once past the break even point, all the risk for the remainder of the project is shifted to LEP; the project becomes self-funding. LEP billing is based on actual measurable savings generated during the week.

Gain sharing is a low-risk, high reward business model for the client. The purpose is to drive performance by promoting awareness, alignment, teamwork, communication and involvement. It rewards the team (client and LEP) when they exceed performance in a measurable quantifiable

area such as productivity, quality, or cost containment. The measure must be easily understood and controllable.

Employees involved in the project typically help design (the design team) the program. The team is comprised of cross-functional members who concentrate their problem-solving within the scope of the project.

Gains are accrued and paid on a weekly basis and are totally self-funding from that week's savings generated by the project.

LEP's Gain Sharing Program (GSP) the savings are split 50/50. In the case of the automotive manufacturer the average weekly savings was \$66,000. This pay-for-performance drives the group to achieve even greater returns, plus the payback is immediate.

**In summary,** SP is a self-funding pay-for-performance method of project funding with low risk to the client with high reward.

## About LEP

LEP is transforming businesses by solving today's challenges and planning tomorrow's success. We base our success on helping companies achieve real change and strategy for sustainable success.

Contact us today for more information on how the GSP can help your business.

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