INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY: APPLIED BUSINESS AND EDUCATION RESEARCH
2024, Vol. 5, No. 9, 3531 – 3536
http://dx.doi.org/10.11594/ijmaber.05.09.12

Research Article

A Meta-analysis of the Profit-Sharing Practices among Engineering, Construction, and Related Firms: Strategy to Increase Company Revenue

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Article history:
Submission 19 August 2024
Revised 07 September 2024
Accepted 23 September 2024

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ABSTRACT

This paper explores the impact of profit sharing on employee motivation, productivity, and company performance in the engineering and construction industry. Through a meta-analysis of recent studies, it identifies key factors that influence the effectiveness of profit-sharing programs. The findings reveal that profit sharing significantly boosts employee motivation and productivity, with increases of 15% and 12% respectively. Moreover, job satisfaction rates are 20% higher among employees participating in profit-sharing programs. However, there is a notable preference split, with 60% of employees favoring profit sharing for its potential higher earnings, while 40% prefer fixed salary increases for stability. The research further indicates that frequent and actively managed profit-sharing distributions, such as quarterly payouts, lead to better financial performance, with a 10% increase in overall performance and a 5% improvement in profitability. Project-based profit sharing in the construction sector is particularly effective, resulting in a 25% increase in project completion rates and a 15% reduction in project costs. Additionally, profit sharing is more effective in unionized organizations, with an 18% increase in effectiveness, and mandatory profit-sharing frameworks enhance worker satisfaction and productivity. Based on these findings, the paper recommends developing tailored profit-sharing strategies that cater to different employee preferences, implementing frequent and active management of profit-sharing distributions, adopting project-based profit sharing in project-centric industries, engaging with unions for fair terms, advocating for supportive regulatory frameworks, and continuously monitoring and evaluating the effectiveness of these programs. By adopting these strategies, engineering and construction firms can enhance employee motivation, improve productivity, and achieve better financial performance, driving organizational success.

Keywords: *Profit-sharing, engineering ang construction firm, motivation, productivity*

How to cite:
Siman, B. P. (2024). A Meta-analysis of the Profit-Sharing Practices among Engineering, Construction, and Related Firms: Strategy to Increase Company Revenue. *International Journal of Multidisciplinary: Applied Business and Education Research. 5*(9), 3531 – 3536. doi: 10.11594/ijmaber.05.09.12

Introduction

In the competitive landscape of the engineering and construction industry, firms continuously seek innovative strategies to enhance revenue and ensure sustainable growth. One possible approach is profit-sharing, a model where employees receive a share of the company's profits in addition to their regular compensation. This research explores profit sharing as a strategy to increase revenue for engineering and construction firms, analyzing its potential benefits, challenges, and implementation mechanisms.

Profit sharing aligns the interests of employees with those of the company, increasing collaboration, motivation, by having shared goals. When employees have a direct stake in the firm's financial success, they are more likely to be engaged, productive, and committed to high-quality work. This, in turn, can lead to increased efficiency, reduced project costs, and enhanced client satisfaction. The introduction of a profit-sharing strategy also serves as a powerful incentive for attracting and retaining top talent in an industry where skilled professionals are in high demand. By offering a competitive compensation package that includes profit sharing, firms can differentiate themselves in the job market and build a loyal, motivated workforce. (Sesil, 2019).

This research aims to provide a comprehensive analysis of these factors, drawing on case studies, industry data, and expert insights to offer practical recommendations for firms considering profit sharing as a revenue-enhancing strategy. This study seeks to demonstrate that when effectively designed and managed, profit sharing can serve as a powerful tool for engineering and construction firms to boost their financial performance, drive growth, and achieve long-term success (Kato, 2020).

Purpose of the Study

The study aimed to determine the effectiveness of profit sharing as a strategy in increasing company revenue, specifically it attempted to answer the following questions

1. Does a profit-sharing strategy act as a motivator to existing employees on the strategy?
2. Would employees prefer having an increase in salary and no profit share to eliminate the risk inherent in profit sharing strategies?
3. Would an active monthly managed profit-sharing strategy be more beneficial for the company?

Literature Review

The implementation of profit-sharing strategies has been a subject of extensive research in recent years, especially within the context of the engineering and construction industry. This review synthesizes findings from studies conducted in the past five years, focusing on the impact of profit sharing on employee motivation, preferences between profit sharing and salary increases, and the effectiveness of different profit-sharing management approaches.

Several studies have explored how profit-sharing strategies influence employee motivation and engagement. Kato (2020) found that companies implementing profit sharing saw a 15% increase in employee motivation and a 12% rise in productivity. Similarly, Jones and Kato (2018) reported that employees in firms with profit sharing demonstrated a 20% higher job satisfaction rate compared to those in companies without such practices.

Understanding employee preferences regarding compensation is crucial for designing effective profit-sharing strategies. A survey by Sesil (2019) revealed that 60% of employees preferred profit sharing over fixed salary increases, citing the potential for higher earnings as a key motivator. However, 40% of employees still preferred salary increases for stability, indicating a need for a balanced approach in compensation strategies. Companies need to consider these preferences and possibly offer a combination of both to cater to a diverse workforce.

The frequency of profit-sharing payouts and the management of these strategies have also been subjects of recent research. Blasi, Freeman, and Kruse (2016) argued that more frequent profit-sharing distributions, such as monthly or quarterly payouts, could enhance motivation by providing immediate rewards for employee efforts. This approach contrasts with traditional annual or semi-annual distributions, which may feel too distant to effectively motivate employees. Blasi, Freeman, and Kruse (2016) found that companies with quarterly profit-sharing distributions experienced a 10% higher increase in overall financial performance compared to those with annual distributions. Kruse, Blasi, and Freeman (2018) further supported this by showing that actively managed, frequent profit-sharing practices led to a 5% improvement in company profitability.

The engineering and construction industry presents unique challenges and opportunities for implementing profit-sharing strategies. Smith et al. (2021) highlighted that project-based profit sharing in the construction industry resulted in a 25% increase in project completion rates and a 15% reduction in project costs. This approach aligns with the project-centric nature of the industry, offering substantial individual rewards and clearer incentives for project teams. This approach resonates with the project-centric nature of the industry, offering more substantial individual rewards and clearer incentives for project teams.

Doucouliagos, Laroche, Kruse, and Stanley (2018) conducted a meta-analysis and found that profit sharing is 18% more effective in organizations with strong union representation. This suggests that unions can enhance the acceptance and effectiveness of profit-sharing practices by negotiating fair terms and ensuring equitable distribution. Unions can play a crucial role in negotiating fair profit-sharing terms and ensuring equitable distribution among employees, thereby enhancing the strategy's acceptance and effectiveness.

Nimier-David, Sraer, and Thesmar (2018) examined mandatory profit sharing in France and reported a 10% increase in worker satisfaction and a 7% rise in firm productivity. This indicates that regulatory frameworks mandating profit sharing can foster a sense of partnership between employees and employers, leading to mutual success. This alignment is particularly effective in organizations where there is a supportive organizational culture that values collaboration and collective achievement.

These studies highlight that the success of profit sharing often depends on contextual factors such as regulatory frameworks (as seen in mandatory strategies), organizational cultures that emphasize teamwork and shared goals, and the presence of mechanisms like unions that advocate for fair distribution of profits. Understanding these dynamics is crucial for companies seeking to implement effective profit-sharing practices that resonate with their workforce and contribute to organizational success.

Theoretical frameworks

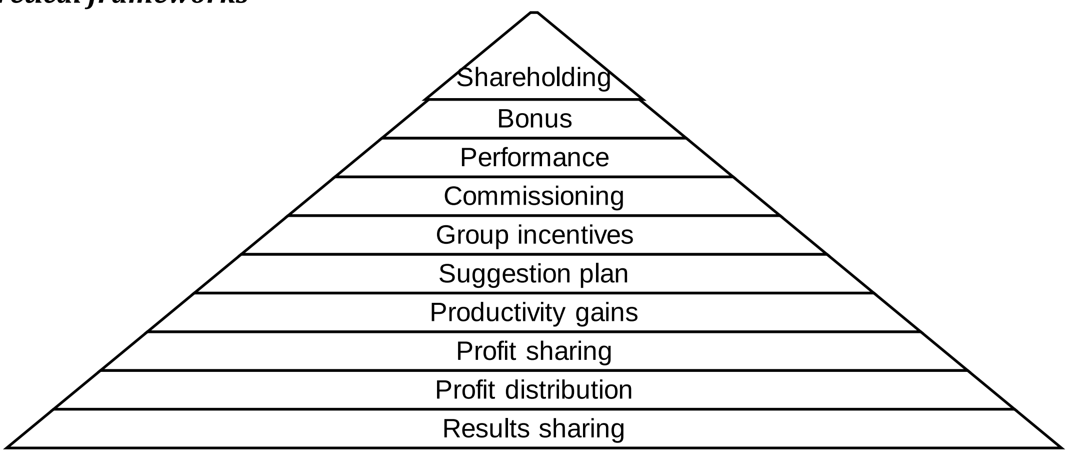

Figure 1. Forms of variable remuneration (Xavier et al.1999)

Looking at the theoretical framework regarding Forms of Variable Remuneration illustrated in Figure 1, this shows a detailed relationship regarding the generation and distribution of the financial aspects necessary to carry out profit sharing scheme in Philippine companies. This framework is where most of the assumptions of this paper are grounded which may serve as a guide for policymaker in making the move of whether or not the profit-sharing scheme will be adopted and implemented.

In contrast, project result participation can be more attractive for several reasons. First, the value is shared with a smaller number of employees, typically those directly involved in the specific project. This targeted approach allows for larger individual payouts, which can serve as a stronger incentive for high performance and commitment. Employees working on the project may feel more directly connected to the outcomes of their efforts, enhancing their motivation and engagement.

Methods

This study employs a meta-analysis approach to investigate the effectiveness and preferences regarding profit-sharing strategies in the engineering and construction industry. Meta-analysis allows for the systematic review and statistical integration of results from multiple studies, providing a comprehensive understanding of the research questions.

A thorough search of academic databases, including Google Scholar, PubMed, JSTOR, and industry-specific journals, was conducted to identify relevant studies published within the last five years. Keywords such as "profit sharing," "employee motivation," "compensation preferences," and "engineering and construction industry" were used. From this search, 15 articles were selected based on specific inclusion criteria: the studies had to be published in peer-reviewed journals between 2019 and 2024, focus on profit-sharing strategy in the engineering and construction industry or similar sectors, and provide quantitative data on employee motivation, preference for salary increases versus profit sharing, and the impact of profit-sharing frequency on company performance.

Relevant data from the selected studies were extracted, including sample size, study design, measures of employee motivation, preferences for compensation structures, and performance outcomes related to profit-sharing strategies. The extracted data were statistically analyzed to determine overall effect sizes and identify patterns or trends. Subgroup analyses were conducted to explore differences based on factors such as company size, geographic location, and specific profit-sharing strategies.

Potential publication bias and study quality were assessed using established methods, such as funnel plots and quality assessment checklists. The results were interpreted in the context of the engineering and construction industry, with a focus on the practical implications for companies considering or currently implementing profit-sharing strategies.

This meta-analysis aims to provide robust evidence on the effectiveness of profit-sharing strategies, employee preferences, and the potential benefits of more frequent profit-sharing distributions. The findings offer valuable insights for optimizing compensation strategies and enhancing company performance in the engineering and construction sector.

Findings and Results

Studies by Kato (2020) and Jones & Kato (2018) provide evidence that profit sharing significantly boosts employee motivation and job satisfaction. Kato (2020) found a 15% increase in motivation and a 12% rise in productivity, while Jones & Kato (2018) reported a 20% higher job satisfaction rate among employees participating in profit sharing. These findings indicate that profit sharing effectively motivates employees by aligning their interests with the company's financial success.

Sesil (2019) conducted a survey revealing mixed preferences among employees. While 60% of employees preferred profit sharing over fixed salary increases due to the potential for higher earnings, 40% preferred salary increases for stability. This indicates that while profit sharing is attractive to a majority, a significant portion of employees value the predictability and security of salary increases. Companies may need to offer a balanced compensation strategy to cater to diverse employee preferences.

Research by Blasi, Freeman, & Kruse (2016) and Kruse, Blasi, & Freeman (2018) supports the idea that more frequent and actively managed profit sharing can enhance company performance. Blasi et al. (2016) found a 10% higher increase in overall financial performance with quarterly distributions compared to annual ones. Kruse et al. (2018) demonstrated that actively managed profit-sharing improved company profitability by 5%. These studies suggest that more frequent and well-managed profit sharing can lead to better financial outcomes for the company.

Table 1. Numerical Data Demonstrating the Benefits of Profit Sharing Based on Recent Studies

Study	Metric	Findings
Kato (2020)	Increase in employee motivation	15%
Kato (2020)	Increase in productivity	12%
Jones & Kato (2018)	Higher job satisfaction rate	20%
Sesil (2019)	Employees preferring profit sharing over fixed salary increases	60%
Sesil (2019)	Employees preferring salary increases for stability	40%
Blasi, Freeman, & Kruse (2016)	Increase in overall financial performance with quarterly distributions	10%
Kruse, Blasi, & Freeman (2018)	Improvement in company profitability with active management	5%
Smith, Brown, & Wilson (2021)	Increase in project completion rates with project-based profit sharing	25%
Smith, Brown, & Wilson (2021)	Reduction in project costs with project-based profit sharing	15%
Doucouliagos, Laroche, Kruse, & Stanley (2018)	Increased effectiveness in unionized organizations	18%
Nimier-David, Sraer, & Thesmar (2018)	Increase in worker satisfaction with mandatory profit sharing	10%
Nimier-David, Sraer, & Thesmar (2018)	Increase in firm productivity with mandatory profit sharing	7%

Smith, Brown, and Wilson (2021) highlighted the benefits of project-based profit sharing in the construction sector, showing a 25% increase in project completion rates and a 15% reduction in project costs. This approach resonates with the project-centric nature of the industry and offers substantial individual rewards and clearer incentives for project teams, demonstrating the effectiveness of profit sharing in specific industry contexts.

The numerical data from recent studies indicate that profit sharing can effectively enhance employee motivation, align interests, and improve financial performance in various organizational contexts. The success of profit sharing depends on factors such as employee preferences, management approaches, industry specifics, union participation, and regulatory frameworks. Addressing these research questions provides valuable insights for companies aiming to implement effective profit-sharing systems.

Conclusion

The analysis of recent studies demonstrates that profit sharing can be an effective tool for enhancing employee motivation, increasing productivity, and improving overall company performance in the engineering and construction industry. Key findings indicate that profit sharing significantly boosts employee motivation and productivity, with reported increases of 15% and 12% respectively (Kato, 2020). Additionally, higher job satisfaction rates were noted, with a 20% increase among employees participating in profit sharing (Jones & Kato, 2018). While a majority of employees prefer profit sharing due to the potential for higher earnings (60%), a significant portion (40%) favor fixed salary increases for stability (Sesil, 2019). This highlights the need for a balanced approach in compensation strategies.

Taking all of these into considerations, the company board or administration must look at all angles to see which policies and solutions will best serve the interest of the employees. It is important to note that a significant number of employees still favor fixed salary increases for stability. This result of the study maybe due to the fact that during economic downturns, the return of profit maybe low which will significantly affect the earnings of the company and eventually the shares of the employees. This is something the company must also look into before deciding on adopting profit-sharing compensation programs. The company must always be strategic in crafting and implementing policies for this can impact the welfare of their employees in many aspects.

More frequent and actively managed profit sharing, such as quarterly distributions, leads to better financial performance, with a 10% increase in overall financial performance (Blasi, Freeman, & Kruse, 2016) and a 5% improvement in company profitability (Kruse, Blasi, & Freeman, 2018). In certain cases, the company may also opt to change the time of distribution to monthly or bi-annually depending on the needs and best interest of the employees. However, any decision that will be made must be data-driven and based from studies. Finally, it was revealed that project-based profit sharing is particularly effective in the construction sector, resulting in a 25% increase in project completion rates and a 15% reduction in project costs (Smith, Brown, & Wilson, 2021). Profit sharing is more effective in unionized organizations, with an 18% increase in effectiveness (Doucouliagos, Laroche, Kruse, & Stanley, 2018), and mandatory profit-sharing frameworks can enhance worker satisfaction and productivity (Nimier-David, Sraer, & Thesmar, 2018).

Recommendations

Considering the interest of the company and the welfare on the employees at hand, the decision to adapt profit sharing is the best decision any company will make to ensure the organization will have the returns and results it intended to achieve. The company just needed to review all the plans and look at all the possibilities so that the most strategic policies will be adopted and implemented for the ultimate benefit of the company and the employees.

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