Beth Israel participative management program bridges trust gap

When Beth Israel's president first heard about a management technique that values employees' opinions as much as the bottom line, he was skeptical - and amused.

Here was Mitchell Rabkin, head of a major nonprofit hospital in Boston, considering a new management idea that seemed, well, a little trendy.

But after touring Herman Miller Inc., a fast-growing office furniture manufacturer in Zeeland, Mich., Rabkin saw the concept in action and became a convert. His hospital now uses the system, called, "participative management." In it, all employees are asked to help come up with solutions to problems, and are recognized for successful ideas.

What impressed Rabkin at Herman Miller was that every single improvement in furniture manufacture came from ideas from workers on the factory floor - not from the office of some midlevel executive or engineer.

Rabkin also met workers who clearly felt they had a stake in the company and its problems.

Rabkin eventually introduced the idea to his 4,500-member staff at Beth Israel, asked them to mull it over in focus groups and suggested a vote for or against. They bought it.

In 1989, the hospital became the first in the country to use the so-called Scanlon Plan, named after the US steelworker and MIT lecturer who invented participative management more than 60 years ago. In the past two years, the hospital has cut costs by about $1.5 million per year, according to the hospital, with a good part of that attributed to the plan. Of those savings, 50 percent were shared with staff in small quarterly bonuses, and the remaining 50 percent was reinvested by the hospital.

Today, management specialists say big business could learn a thing or two from Beth Israel.

At a time when many employees are losing faith in top management, the nonprofit hospital is bridging the trust gap.

The financial gains from the plan at Beth Israel are not huge - an employee earning $20,000 received about $35 per quarter last year in bonuses from savings from the plan. But specialists say "gainsharing" - or paying employees part of the savings their ideas create - is important because it gives workers a sense that they can affect the bottom line.

"Gainsharing is just one part of the plan and not a major piece," noted management consultant Eileen Shapiro, author of "How Corporate Truths Become Competitive Traps."

"The real goal is to get everyone to understand that they are a part of
a company or an institution, that their ideas and the way they do their jobs count."

Instead of relying on missives from the boardroom, Beth Israel's janitors, orderlies, laundry and kitchen staff, aides, clerks, nurses, technicians and doctors often hash out problems together on work teams.

While the concept may sound like a lot of rhetoric, when employees got together at a work meeting recently to discuss how to prevent patients from pilfering diapers and other items from the hospital, the sense that everyone—from nurses' aides and maintenance workers to professional staff—had a stake in solving the problem was palpable.

After attending several meetings, Sydney Talbot, head of housekeeping, came up with a solution: Install plexiglass doors over a double sink where towels and other items are stored. Then, Talbot invited carpenter Fred Pfeil to a meeting to see if the idea was plausible.

"This is a more creative way of doing things," Pfeil said. "Everybody talks it out and comes up with the best solution."

Use of the Scanlon Plan may vary from company to company or from institution to institution. At Beth Israel, Prepare/21, the name for participative management used at the hospital, works like this:

Every worker is automatically a member of a work team consisting of a division head and anyone who reports to that person. All are encouraged to submit ideas that may help prevent waste, cut costs or improve patient care. Ideas can be submitted directly to supervisors, or a worker can bypass the supervisor and go directly to the executive in charge—Rabin.

Ideas are reviewed by selected individuals in various departments and published monthly, with the name of the person and whether the suggestion was accepted. Among the most recent suggestions: Venodyne antiembolism sleeves, which are tubular casings placed over casts to help increase circulation, should be recycled rather than discarded after individual use. In fiscal 1991, that idea saved $14,000.

Another successful idea was how to save time on CAT-Scan.

Beth Israel gives annual awards to the individuals and teams that come up with the best ideas. Last year, a CAT-Scan team was the overall winner. The reason? With the help of transporters, nurses, aides and technicians, the team figured out how to get inpatients to their CAT-Scan appointments faster, thereby cutting overtime and the cost of operating a machine that costs $650 an hour to use.

When problems cross departments, teams are pulled together from different sectors. For example, housekeeping, maintenance and nursing staff came together over pilfering by patients. Participants who are involved with a particular problem or issue routinely are selected to sit on the team. Sometimes a department head will ask certain people to participate, sometimes people volunteer.

Hortense Rudder, a 24-year veteran of Beth Israel whose job is troubleshooting—making sure that patients get the services or items they need—applauds the program.

"Everybody is heard," she said. "People in the kitchen, in the laundry, on the floors, they see things the top executives do not."

Still, participative management may not be for every company.

"Lots of people adopt these programs and do it as the program of the moment," noted Shapiro, the management specialist. "The result: It doesn't turn out to be the magic bullet and so they give up. What they don't realize is that there is no silver bullet. There is just commitment and elbow grease."

Even at Herman Miller, the plan initially had problems.

"For us, the downside of the plan was the expectancy gap," said John Berry, director of corporate communications at Miller. "When people hear the term participative management and they see the process, it can be construed by some as unfair—especially if a worker's suggestions are not used.

"So, we've had to make this point clear: We are really not talking about democracy. We're talking about an open environment, and there is a difference."

In practice, participative management is used more widely in Japan than the United States.

"The Japanese took Joe Scanlon's ideas concerning worker involvement and the human side and they ideas from W. Edwards Deming, who looked at quality in produc-