Preparing Employees For the Future With a Plan They Can Embrace

I'm not aware of any organization that knows precisely what its business targets will be five years from now. That's why every organization must be fluid and flexible—it must be able to deal with whatever shifts happen in its market," says Laura Avakian, senior vice president of Human Resources for CareGroup and Beth Israel Deaconess Medical Center (Boston, MA). Avakian, who received the 1996 Society for Human Resource Management Award for professional excellence for large organizations, is a former president of the American Society for Healthcare Human Resources Administration and a former member of the Massachusetts Healthcare Human Resources Association advisory board.

With other members of Beth Israel's leadership, Avakian implemented a plan that not only helped the hospital become more efficient and effective in times of corporate budget cuts, but also received employee participation and support—both crucial to an organization's success. "You need highly competent and knowledgeable people in every job—people who can adapt to various circumstances," Avakian says. "Employees caught off guard by changes in their specific industry or company grow to fear the unknown. Good employees will leave an organization that doesn't actively prepare them for the future."

Beth Israel, which implemented its successful plan in 1989, merged with New England Deaconess Hospital in 1996 to form Beth Israel Deaconess Medical Center. For 10 consecutive years, Working Mother magazine has selected Beth Israel as one of the top 100 companies in the United States. The hospital was also named one of the top 10 workplaces in the country in The 100 Best Companies to Work for in America.

Formalizing a plan

The successful merger was the end result of more than 10 years of planning. In the early 1980s, Beth Israel Hospital began experiencing regulatory changes that would shape its future. Third-party payers adopted reimbursement plans that paid on the basis of what the care should cost, rather than on the cost of care actually provided. As a result, Beth Israel began making cuts to meet its budget, according to Avakian, who admits that the hospital did not have a prescribed reduction plan, except to trim a certain percentage from each department. "After a few years of taking the cheese-slicer approach, we became concerned that continuous cost-

June 21, 1997
No. 1882

Inside:
Addressing lifestyle needs for relocating employees......................5
Management Is Talking About... Structuring compensation packages for top execs.................4
Breakthrough Thinking: solving problems intuitively .....................................7
Q&A
How to tell if your performance management system is working..............8
In Court:
Court questions DOL interpretation of FMLA.................................9
National origin discrimination: several factors can apply ......................9
When the same person hires and fires ...........................................10
ERISA: How far is too far?.....................................................10
Must employees return money before going to court?.............11
Quick Locks .................12
cutting efforts would lower staff morale and the quality of hospital services," she says.

While searching for an alternative to ongoing budget problems, Beth Israel formed an advisory committee in 1985 to study how other industries were handling cutbacks. Avakian served on the committee. "In our search, we came across the American Productivity Association (Houston, TX), a clearinghouse for organizations that focus on productivity improvements," Avakian says. "Their material included information about the Scanlon Plan, which caught our interest. We invited the author, Carl Frost, to come talk to us.

The Scanlon Plan, which is based on participative management principles, was developed by Joseph Scanlon, a steelworker and union leader. In 1930, Scanlon was working at a small steel company that was near folding. He convinced company leadership and employees to try his management principles, which ultimately saved the company. When Scanlon later worked for the United Steel Workers, he developed some significant improvements in union-management relationships. Scanlon went on to teach at the Massachusetts Institute of Technology, where Carl Frost was a young faculty member.

Guiding principles

"When I first met Carl Frost, I asked him to show me a Scanlon Plan, and he refused," Avakian says. There is no standard "template" for the plans. Although all Scanlon Plans have some similarities, such as processes for education or the establishment of work teams, each plan develops from the organization's unique personality and sense. As different as they are, however, three principles guide every plan:

1. **Identity.** Everyone in the organization must understand who and what the organization is. "Employees must know the organization's history, its current reality, and its future plan," Avakian explains. "Employees must be aware of the organization's business challenges and customers, as well as where they fit into the organization. The company's business is everyone's business. The organization must have some means of educating employees about its mission and their roles."

2. **Participation.** Employees must "own the problems" once they understand the results mandated by the organization's mission. They must be equipped to make positive changes. This encourages employees to continually improve the quality and efficiency of their work. "Employees must have ways to participate in the decision-making process. However, this doesn't mean everything is open to popular vote," Avakian says. "Scanlon said employees should participate according to their competency levels, not just their job levels. Employees should stretch beyond the narrow parameters of job descriptions to embrace more fundamental issues."

3. **Equity.** "What's in it for me?" is a reality in employee participation. Everyone should have some stake in the outcome. Most Scanlon Plans include gainsharing. Employees are paid part of the savings their ideas create. "At first, we weren't sure gainsharing made sense for Beth Israel, because we're a not-for-profit organization and there are never big gains to pay. As it turned out, the concept fit. Gainsharing really helps reinforce the principle of education," Avakian explains. "When monthly financial reports are issued and employees look to see if a gain will be paid, they start understanding the consequences of performance."

Looking toward the future

When Frost arrived at Beth Israel to discuss the Scanlon Plan, his first question was, "Where is your CEO with all of this?" "Our response was that we had not told him yet," Avakian says. "We wanted to explore the idea and see if it made sense." Frost refused to discuss the plan unless he was assured the CEO would commit to its principles.

Beth Israel's senior leadership group met regularly to study the plan. In 1986, senior managers began meeting with groups of 15 to 30 employees to explain the challenges the hospital was facing and to outline the Scanlon Plan. After each meeting, employees voted on whether the hospital should pursue the Scanlon approach. They overwhelmingly supported it.

Employees elected a 75-member ad hoc committee to further explore the plan and its implementation. In 1989, Beth Israel became the first hospital in the United States to use the Scanlon Plan, which traditionally had been used in manufacturing industries.

Beth Israel called its plan PREPARE/21—
participation, responsibility, education, productivity, accountability, recognition, and excellence for the 21st century. The acronym gave employees a focus on how the organization was preparing them for future challenges.

Creating success

Avakian says organizations implementing a plan such as PREPARE/21 will have more success if they do the following:

Hire team players. Most good work is accomplished by teams who can affect the problem and solution. Managers in particular must be skilled in leading and coaching teams and have a philosophy that supports collaboration. Beth Israel Deaconess puts managers through an intensive five-day training program to teach them about good meeting management and how to engage employees in creative problem-solving. All new employees go through an orientation that emphasizes teamwork.

Encourage employee participation through work teams. Organizational structure must help employees come together to solve problems. Beth Israel established two types of work teams: traditional teams consisting of the supervisor and employees who report to him or her and ad hoc teams that come together to address particular problems they identify. For example, one ad hoc group worked on reducing patient stays after vascular surgery. The team’s efforts reduced the average stay from 11.1 to 5.7 days. Ad hoc teams involve the chief shareholders in any given process. Team members often cross functional lines, and there are no status differences among participants. Beth Israel has had hundreds of ad hoc teams. Avakian says the teams have improved internal communications and employee relationships, as well as employee self-esteem.

Discourage red tape. If the organization has a local problem and solution, let the team implement the solution. Some solutions are global with costs requiring budget approval. Even in these cases, keep written documentation simple.

Create an idea form. This allows employees to submit individual ideas without becoming directly involved with their solutions. For example, an employee can submit a suggestion that building signs be made more understandable to customers. Avakian cautions, “Our experience has been that most ideas, especially the ones that make a big difference, do not come through as singular ideas. Rather, they come from teams. However, our idea form is available to every- one. The training department routes the forms to the appropriate areas.”

Recognize success. A PREPARE/21 advisory committee consisting of representatives from throughout the organization reviews nominations and determines winners of an annual Spirit Award and team awards. The Spirit Award recognizes an employee, nominated by his or her peers, who excels at applying PREPARE/21’s principles. Five team awards are given in the categories of collaboration, education, innovation, quality improvement, and overall excellence.

“What’s in it for me?” is a reality in employee participation. Everyone should have some stake in the outcome.

Allow employees to own the plan. “It’s natural for HR to take a leadership role in organizational dynamics, such as management training and employee communication. However, HR cannot own the plan. The idea is to first get real ownership of the plan throughout the organization. Then, HR can take a behind-the-scenes facilitating role,” Avakian explains.

Avoid getting overly programmatic. “Although a Scanlon Plan does have programmatic features, it is important to recognize that it is a philosophy and approach to problem-solving. It involves leadership skills and competency,” Avakian says. “A Scanlon Plan does not define everything and put it in a three-ring binder.”

Evolve. “With a Scanlon Plan, the organization begins with a few basics and then constantly makes enhancements and modifications. For example, the gainsharing formula that worked for Beth Israel the first year did not work so well the second,” Avakian says. With Beth Israel Hospital and New England Deaconess Hospital now merged, all aspects of PREPARE/21 are being reviewed by the new entity’s employees. Even the plan’s name may change.

Be patient. “A Scanlon Plan isn’t about quick results. It may take several years before real concrete results show up,” Avakian says. “A Scanlon Plan is a commitment to an approach to work. Once the plan is in place, however, it would be difficult to remove it from the organization. The plan enhances employee pride.
in performance. When Beth Israel went into the merger, I heard over and over from employees that they did not want to lose PREPARE/21."

**Communicate, communicate**

Clear communication processes are at the center of any Scanlon Plan. "It is critical that employees receive information about the organization and how their jobs fit in," Avakian says. "Nothing can happen if that comprehension is not there. Strong, ongoing mechanisms must be established for giving information to everyone in the organization and for allowing everyone to respond to ideas." She offers these communication tips that have proven successful in her organization:

*Share success stories.* They can be teaching models for other teams. For example, use periodic performance reports to highlight a team's accomplishments.

*Develop communication material.* Beth Israel developed a PREPARE/21 handbook. Like most other employee communications, the booklet was written in three languages—English, Spanish, and French Creole—to reflect the ethnic mix of employees. Other communication vehicles include the president's weekly employee newsletter, a public affairs house organ, a monthly performance report, and a video for new employee orientation.

*Give gainsharing checks their own identity.* Beth Israel used bright purple checks inscribed with "Thank You" to emphasize the importance of employees' participation to improve quality.

*Explain why an idea cannot be used.* Be specific.

*Publicize your organization's openness to ideas.* The environment should encourage idea sharing. "It's important to have as many ideas in the mill as possible so that there is ongoing improvement," Avakian says.

**A bright outlook**

Every year since committing to the Scanlon principles, Beth Israel Deaconess has reduced expenses in proportion to revenue. "We have not laid off any employees, even with our recent merger, and we've been able to sustain a very high quality of work life," Avakian says. "A highly engaged workforce has been the major contributor to these accomplishments."

*For more information about the Scanlon Plan, contact Scanlon Plan Associates (Lansing, MI) at (517) 332-8927.*