amount of money is not so important," says Avakian. "It has provided a really good vehicle to educate people about the goals and plans of the hospital."

**Over 1,000 ideas**

Since the hospital adopted the Scanlon Plan, well over 1,000 ideas have been submitted for improving hospital operations. The savings created by many of these ideas can be readily calculated, as for instance, if the suggestion results in fewer supplies being purchased. With other ideas that have been implemented, the savings that resulted are less obvious but may show up indirectly.

For example, a physician suggested that a routine blood test ordered regularly for patients by resident physicians need not be administered to every patient. Her suggestion saved the equivalent of one full-time laboratory technician's time, says Avakian. She adds that the financial savings this idea generates cannot be calculated in a specific way. Eventually, however, the savings may show up indirectly because the hospital may not have to hire another lab tech.

If the direct savings generated by an idea cannot be determined, then that particular idea is not considered in calculating gain-share. However, employees are recognized in other ways for their contributions, says Avakian. "The thrust is to get people working collaboratively to solve problems."

Beth Israel gives annual awards to individuals and teams whose ideas best exemplify the goals of PREPARE/21. "More important than these awards, however, is the weekly recognition given to participants and their ideas," Rabkin says. "Less important--but not insignificant--are the financial gains made by the hospital as a result of suggestions that cut costs."

Beth Israel is now in its fourth year of implementing its particular version of the Scanlon Plan. In implementing this or any total quality management plan, hospitals have to keep three thoughts in mind, Rabkin warns.

First, it should not be taken as a religion. Organizations have a tendency to apply total quality management as though there is only one way to do something. There are many ways people are motivated to commit themselves to a hospital.

As Rabkin puts it: "I believe it is wrong to abandon all the other ideas about the way a hospital is managed. You must keep your sensitivity to other management issues."

Second, implementing total quality management must be a continuing process and should be evaluated every five years.

The third thought is echoed by the quality experts. "If it does not come from the top management with a true commitment, you can just forget about it," says Rabkin.

A frequent contributor to this publication, Andrienne Clark is a reporter for the *Sentinel & Enterprise* in Fitchburg, MA.
time for a way to get our employees involved in the corporation.” He explains that the Scanlon Plan formalizes the “unspoken culture” of the hospital and provides a framework for change.

Nevertheless, Beth Israel did not introduce this new management strategy the way one would add mustard to a hamburger.

“What we did was quite distinct from taking a methodology and saying, ‘Let’s do it,’” Rabkin says. “We decided to look at the nature of the workplace, educate all employees—and with their approval—make changes gradually. Eventually, it led us to some of the statistical techniques of total quality management. But we approached those from an effort to rework the sociology of the workplace—a lengthy, never-ending challenge.”

Before the plan was implemented, a small group of senior managers and physicians spent a year defining the challenges the hospital was facing and studying the application of the Scanlon Plan in industrial organizations to see if it could be applied at Beth Israel, Avakian says.

After they completed their work, they held a referendum among hospital employees to determine if the hospital should continue to explore the Scanlon concepts. Voting was by secret ballot so that no one would feel co-opted. “It was an overwhelmingly positive response,” says Avakian. Following the vote, the hospital formed a committee comprised of 75 persons to map out a plan.

The result is PREPARE/21, an individualized version of the Scanlon Plan, according to Avakian. "PREPARE/21 raises the idea we have to prepare for the 21st century. The letters stand for the elements of the plan...Participation, Responsibility, Education, Productivity, Accountability, Recognition, and Excellence."

In 1988 the hospital’s management and board of trustees approved the plan, and it was put into effect in October 1989. The heart of the plan is the work team, comprised of a division head and all employees who report to that person. Every worker belongs to a team and is encouraged to submit ideas to prevent waste, improve the quality of operating systems, reduce costs, or improve patient care.

Ideas are reviewed in one of two ways, says Margaret Egan, PREPARE/21 communications assistant. If the idea affects only one department, then the appropriate work team leader reviews it. If the idea would affect more than one department, then it is forwarded to the PREPARE/21 office, which assigns it to the person who is best qualified to review it.

PREPARE/21 emphasizes employee education and communication. Several in-house publications such as Rabkin’s weekly Employee Newsletter and Dear Doctor letter; the staff newspaper, BI Examiner; and a monthly Period Performance Report keep employees posted on the goals and accomplishments of the plan, how the hospital is doing in terms of its budget, and gain-sharing percentages.

A portion of the financial gains that result from improved efficiency and productivity is shared with hospital employees.

Gain-sharing is an important part of the plan. A major reason Beth Israel implemented PREPARE/21 was to save money by improving the hospital’s efficiency and productivity, according to Avakian. A portion of the financial gains that result from improved efficiency and productivity is shared with hospital employees.

In calculating the amount of the gain, says Avakian, four factors are considered: 1) how well the hospital has performed relative to its budget; 2) how well the hospital has been able to control expenses; 3) how much has been saved from ideas suggested by work teams; and 4) whether the hospital received more money in research grants than anticipated.

"If we do better than budget in each area, then the surplus goes into gain-sharing,” Avakian explains. The gain is split 50-50 with the hospital and the employees.

The gain-share is paid quarterly as a percentage of the employee’s annual wages or salary, according to Avakian. However, gain-shares are not calculated on salary earned above $55,000. The percentages paid have been small—less than 1 percent in each of the last three years.

Although the amount employees receive is small—$90 a quarter has been the largest single amount awarded—employees appreciate receiving the extra money. "The
The Scanlon Plan is similar in some ways to the theories of total quality management put forward by W. Edwards Deming, Joseph Juran, and Philip Crosby. Quality, these men said, is the concern of the entire organization, not just a few managers. Employees at all levels should be involved in the process of maintaining and improving the quality of the organization’s product or service.

Since the late 1980s, hospitals have been scrambling to adopt these management concepts. *Hospitals* magazine reported in its June 5, 1992 issue that 58.5 percent of the nation’s hospitals have total quality management or continuous quality improvement programs in place. Many others plan to implement them, according to the magazine.

**A continuation of management style**

In adopting the Scanlon Plan, 504-bed Beth Israel became part of this trend, but with one important difference. At some hospitals, the involvement of employees in the decision-making process represents a departure from past practices. At Beth Israel, however, implementing the Scanlon Plan was not a departure from, but a continuation and fulfillment of its traditional management style.

"We have always been a participatory organization, an organization that tried to push decision making down in the organization," says David Dolins, executive vice president and director.

"Whenever I talk to employees, I always make the point that whenever I can go a week without having to make a major decision, I think I’ve done a good job, because my job is to help others who have more knowledge than I do to be able to make good decisions for the organization," Dolins says. "I’m not the only one who feels that way. The whole top management does."

Beth Israel has always had a fairly open management style, according to Gene C. Wallace, chief financial officer. A major reason for this, he says, is the leadership and the example set by Rabkin, who has been president of Beth Israel since 1966.

"I think he had a lot to do with making it all work. It was somewhat there, but he brought it all together. Dr. Rabkin has been here 26 years and most of the work force have worked only under his leadership," says Wallace.

This open management style is revealed in many ways. Rabkin points out that administrative offices are not sequestered, but are located near the cafeteria and gift shop.

At the heart of Rabkin’s managerial style is his concern for the patient and the quality of care the patient receives. "Dr. Rabkin articulated years ago he wanted patients treated in the most humane way possible and that technical excellence was a goal," Wallace adds.

Under Rabkin’s leadership, the hospital in 1972 adopted a “Statement of the Rights of Patients.” At the time, it was considered a radical step.

In 1975 Beth Israel took another radical step and instituted hospital-wide primary nursing, a new model of delivering care to patients. Under this system each nurse has charge of a group of patients from the time they enter until the time they leave. Nurses are responsible for developing, delivering, and overseeing a plan of care for each patient. Primary nursing is an approach that recognizes the nurse’s knowledge and professionalism. In effect the hospital has said to its nurses: “We respect your judgment. Your judgment counts.”

Rabkin has been concerned with excellence in other areas besides patient care. Beth Israel is a major teaching hospital for Harvard Medical School and a large research center.

"It was important that the hospital achieve excellence in all areas and that everyone be working toward this goal," Rabkin says. "The question is, how do you create an environment in which everyone is identifying with the mission of the hospital?"

Getting everybody working together became even more necessary as prospective payment came into effect in Massachusetts, says Laura Avakian, vice president of human resources. Hospital officials began looking for a way to increase productivity without losing quality, she reports. At first they looked at what other hospitals were doing but did not find many effective strategies. Officials then decided to find out how private industry approached the problem. Their research led them to Herman Miller, where hospital executives observed how the Scanlon Plan had been applied there.

"We came to the conclusion [the Scanlon Plan] fit with our culture," says Dolins. "We were looking for a long
Beth Israel Adapts the Scanlon Plan in Tailoring Total Quality Management to Hospital Culture

by Andrienne Clark

A furniture factory would seem to be an unlikely source of information about strategies for improving hospital operations. Yet in the mid-1980s, Beth Israel Hospital in Boston turned to Herman Miller, a furniture company in Zeeland, MI, to learn about a management concept known as the Scanlon Plan.

The plan is named for its originator, Joseph N. Scanlon, a lecturer at the Massachusetts Institute of Technology from 1946 to 1956. Scanlon, a trained cost accountant, had also been a steelworker and director of research and engineering for the United Steelworkers of America. His plan evolved from proposals he developed to foster labor-management cooperation.

Scanlon thought employees could apply their talents and energies to solving an organization’s problems if they had sufficient information and were encouraged and motivated to do so. His plan called for: 1) educating employees about the business of the organization and the work of their individual departments; 2) encouraging employees to take personal responsibility for helping the organization to solve its problems and improve its product or service; 3) providing employees with a means to voice their ideas and suggestions; and 4) sharing with employees some of the financial gains that resulted from their ideas.

In 1989 Beth Israel became the first hospital to adopt the Scanlon Plan. Hospital president Mitchell T. Rabkin, M.D. describes the Scanlon Plan as "a reworking of the sociology of the workplace." Most employees, he says, are "pretty good guys and like to do well but don't do as well by virtue of the work environment."

Underlying Scanlon’s ideas is the awareness that the individual who does the job knows the most about it, Rabkin says. "Given the opportunity for input, employees will feel some responsibility. It doesn't subvert the role of managers, but empowers employees to contribute where they can."

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