

QUALITY MANAGEMENT OF HUMAN RESOURCES

*Providers Should Begin by Focusing on Education,
Performance Management, and Reward Systems*

BY CAROL S. BLAIR,
MICHAEL FORDYCE, &
STEVEN M. BARNEY



Ms. Blair is vice president, human resources, Mercy Health Services, Farmington Hills, MI; Mr. Fordyce is vice president, human resources, Sisters of Charity Health Care Systems, Cincinnati; and Mr. Barney is senior vice president, human resources, SSM Health Care System, St. Louis. This article is based on the findings of a consortium of human resource executives.

Adopting a quality management approach represents an organization's commitment to enhance the philosophy, mission, and values of the Catholic healthcare ministry.

The core values of Catholic healthcare provide a solid foundation to effectively implement quality management processes, transform work cultures, and further the mission to make affordable, high-quality healthcare services accessible to all.

Introducing a quality management approach into a healthcare organization can be overwhelming. Human Resources Executives, Large Catholic Systems—a consortium of 11 human resource executives from large, multi-institutional Catholic healthcare systems (see **Box**)—found that, for a quality transformation to occur in an organization, it had to be introduced incrementally.

Early in the quality management process, human resource leaders must encourage their organizations to challenge existing human

resource policies, programs, and practices. To ensure alignment with quality management principles, they should look at the following areas:

- *Education and development:* Integrate concepts and tools of quality management with traditional management development programs to support the transformed organizational culture.

- *Performance management:* Emphasize team and organizational goals, involvement of those served, and continuous learning and development.

- *Recognition and reward:* Achieve closer alignment between organizational performance and employee rewards. Recognize the need to experiment, to give up the old ways.

EDUCATION AND DEVELOPMENT

Education and development are perhaps the most important human resource management functions when implementing quality management principles and processes in a healthcare organization.

Summary For a quality management transformation to occur, a healthcare organization must focus on education and development, performance management, and recognition and reward systems during the first years of implementation.

Education and development are perhaps the most important human resource management functions when implementing quality management principles and processes because behavioral changes will be required at all organizational levels. Specific programs that support an organization's quality management effort will vary but should include the conceptual, cultural, and technical aspects of quality management.

The essence of quality management is to always satisfy the customer and to continuously improve the services and products the organization offers.

The approach to performance management should therefore rely on customer feedback and satisfaction. An organization committed to quality management should base its performance management approach on customer orientation, process improvement, employee involvement, decision making with data, and continuous improvement.

Managers and trustees are being challenged to provide innovative recognition and reward systems that reinforce the values and behaviors consistent with quality management. Such systems must also be aligned with the behaviors and outcomes that support the philosophy, mission, and values of the Catholic healthcare ministry. The following components should be considered for a recognition and reward system: base pay, incentives, benefits, and nonmonetary rewards.

An organization's educational programs must follow the concepts inherent in quality management, aligning with the organization's mission, philosophy, values, and strategic and operational objectives. In addition, a thorough assessment of educational needs and the use of a broad range of evaluation methodologies are necessary to ensure continuous improvement in the quality of an organization's educational services.

Education is critical when implementing quality management principles and processes because behavioral changes will be required at all organizational levels. Organizations may need to allocate additional financial and human resources to educational programs and realign educational priorities to support an organization's quality management effort. For example, routine manager and supervisor development programs may need to be revised to reflect quality management principles. This is typically a responsibility of human resources, with the organization's quality executive reviewing and approving the changes.

Education should play a key role in the design and delivery of programs to meet the needs of an organization's customers—patients, residents, families, employees, volunteers, physicians, purchasers, suppliers, and other providers of care. Essential to a quality management transformation are educational programs on quality for governing boards, executive-level managers, middle managers, first-line supervisors, employees, and volunteers.

Specific educational and development programs will vary depending on the audience but may include the following:

- *Conceptual aspects:* definition of quality, fit with mission and values, process thinking, customer focus, variation and statistical analysis, systems theory, and integration of quality assurance and quality improvement

- *Cultural aspects:* empowerment theory, team development, facilitation skills, conflict resolution, value of diversity, recognition and reward, meeting facilitation

- *Technical aspects:* quality improvement tools and methods

All educational and development offerings, such as general and departmental orientation, preservice and in-service training, continuing education, and manager development, should reflect quality management principles. The clear articulation of a participative, empowering management philosophy and style; a deeply held commitment to high-quality, customer-focused ser-

HUMAN RESOURCES EXECUTIVES, LARGE CATHOLIC SYSTEMS

Human resource executives from some of the largest Catholic-sponsored, multi-institutional healthcare systems in the United States meet periodically to discuss significant human resources issues. In 1992 they decided to study the implications inherent in the introduction of quality management processes and concepts into Catholic healthcare institutions. They believe human resource leaders need to examine all current approaches to human resources and management and acknowledge that quality management will require new systems and approaches. The consortium members (whose names follow) also believe that Catholic healthcare organizations are uniquely positioned to implement quality management principles.

Ronald J. Baril
Vice President, Human
Resources
Mercy Health System
Cincinnati

Steven M. Barney
Senior Vice President, Human
Resources
SSM Health Care System
St. Louis

Carol S. Blair
Vice President, Human
Resources
Mercy Health Services
Farmington Hills, MI

Jeff Beckman
Vice President, Human
Resources
Holy Cross Health System
South Bend, IN

Susan Byington
Director of Human Resources
Sisters of Providence
Corporations
Seattle

Michael Fordyce
Vice President, Human
Resources
Sisters of Charity Health Care
Systems
Cincinnati

Michael Groves
Vice President, Human
Resources
Sisters of Charity of
Leavenworth Health Services
Corporation
Leavenworth, KS

Lawrence Kreh
Corporate Director, Human
Resources
Catholic Healthcare West
San Francisco

Gloria Ludtke
Vice President, Human
Resources
Sisters of Charity of the
Incarnate Word Health Care
System
Houston

V. Brandon Melton
Vice President, Human
Resources
Catholic Health Corporation
Omaha

Kevin Pennington
Vice President, Human
Resources
Sisters of Mercy Health
System—St. Louis
St. Louis

vices; and an orientation to continuous quality improvement are central to an organization's comprehensive leadership, management, and supervisory development initiatives. Manager development programs are critical to transforming managers from the more traditional management roles of planner, controller, and director to those of coach, teacher, facilitator, and servant-leader.

Quality management principles should be applied when educational and development programs are designed and presented. For example, using a plan-do-check-act cycle to work with customers will ensure that program content responds to their needs.

PERFORMANCE MANAGEMENT

The essence of quality management is to always satisfy the customer and to continuously improve the services and products the organization offers. Customers include patients and their families, as well as internal customers such as intradepartmental and interdepartmental co-workers. It

should follow, then, that a quality management culture in a healthcare organization would necessitate an approach to performance management that relies on customer feedback and satisfaction.

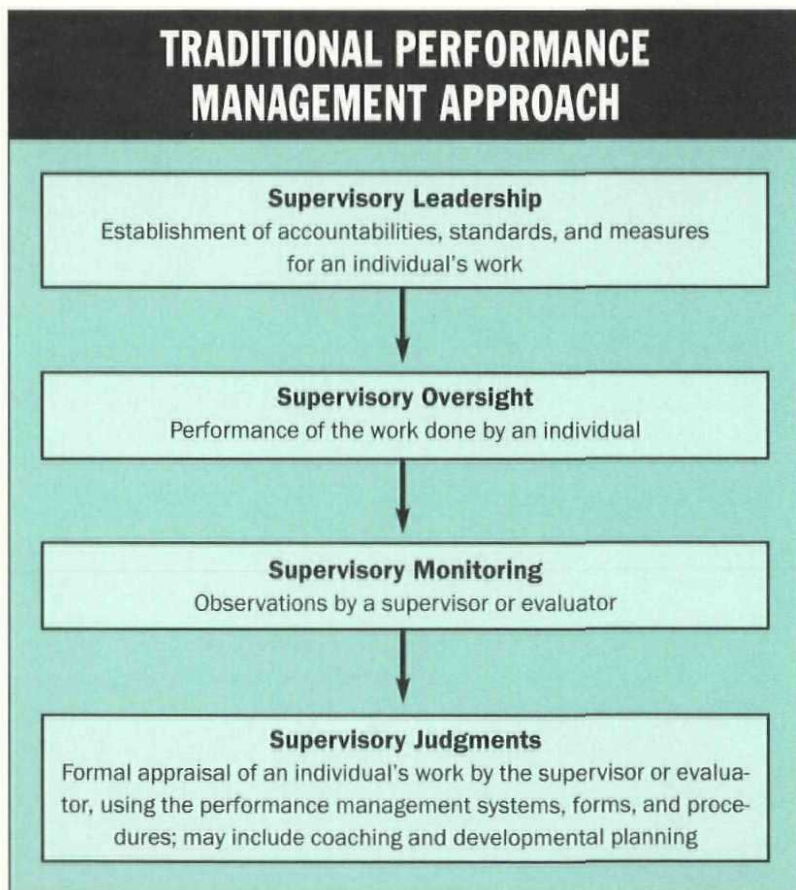
However, many current performance management systems are at odds with quality management tenets and principles, particularly when they emphasize individual performance and are tied to individual rewards. Also, most current systems only involve annual reviews, rather than regular, ongoing feedback. In this scenario, performance management has usually been defined as "a process by which employee performance within an organization is planned, managed, and evaluated." The **Figure** to the left depicts the traditional, widely used approach to performance management.

The traditional approach to performance management has hundreds of variations, with different steps and activities used by different organizations or different segments of the same organization. No matter how well a particular approach is carried out, it is based on individual-to-individual communication from supervisor to subordinate.

Because current performance management programs emphasize individual performance and fail to recognize how processes and systems affect individual performance, quality management experts seem to agree this approach needs to change. But experts' opinions differ greatly, from doing away with performance appraisal altogether to appraising group performance only. The human resource executives consortium believes performance management should be redefined as "a process by which employee performance within an organization is planned, managed, and evaluated to meet customer needs and provide for continuous improvement." This means that performance management must be considered on its own, apart from its traditional placement in recognition and reward programs.

In an organization committed to quality management, its performance management approach should be based on the following principles (Wyatt Company, Southfield, MI):

- *Customer orientation*: meeting the needs of those served—patients, other employees, physicians, payers, the community
- *Process improvement*: reducing unnecessary variation to improve processes and outcomes
- *Employee involvement*: empowering employees to improve processes and outcomes for those they serve, and celebrate their accomplishments.
- *Making decisions with data*: gathering and analyzing information for decision making (other



than subjective opinions) to measure improvement over time

- *Continuous improvement*: participating in continuous learning, fostering innovation, striving for constant incremental improvement

Each organization will instill these principles in its own way. For example, some organizations have revamped performance management procedures to ensure that individuals' performance planning and appraisal are based on feedback from their internal customers and suppliers, as well as the supervisor or team leader. In some pilot programs, employees seek customer input, using surveys or other feedback tools, and then share this feedback with their supervisor. Organizations with self-directed work teams might replace or enhance existing performance management approaches with an ongoing group process that includes peer feedback. In any case, a quality management approach to performance management should evolve toward group communication and collaboration, as shown in the Figure to the right.

The group communication and collaboration approach to performance management would contrast with the traditional approach in several respects as follows (Wyatt Company, Southfield, MI):

Traditional Approach	→	Quality Management Approach
Focus on result	→	Focus on process that leads to desired results
Single evaluator	→	Multiple evaluators
Annual review	→	Ongoing review
Evaluation of individual behavior/performance	→	Evaluation of group and individual behavior/performance
Assessment model	→	Developmental model

Changing to the group approach would require altering some of the traditionally accepted objectives for performance management programs.

Traditionally accepted objectives that may need to be addressed by other means include the following:

- Determination of pay increases
- Determination of promotions or transfers
- Identification of career development needs and potential

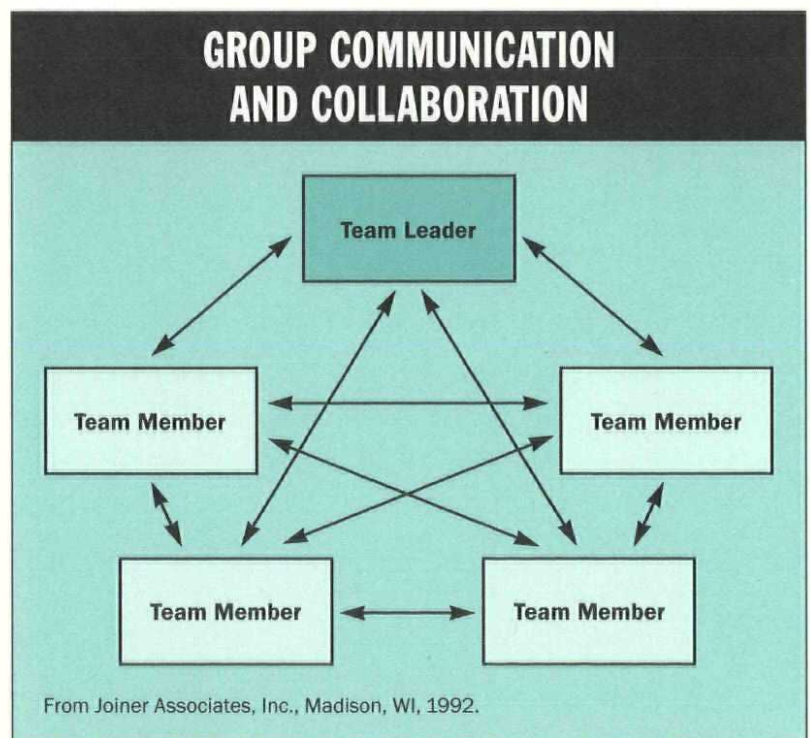
- Provision of periodic feedback on work performance and work direction

Potential new objectives include the following:

- Enhanced communication within work groups
- Group and multidimensional evaluation and enhancement of work output
- Collaboration on problems and opportunities
- Determination of group and individual recognition and rewards
- Continuous learning and development

Depending on the current approach to performance management being used, establishing a quality management approach could mean a significant change for an organization. Incremental steps to introduce group communication and collaboration could involve the following steps (Don Berwick, "Appraising Appraisal," *Quality Connection*, August 1991, pp. 1-4):

1. Analyze the current performance management approach for obvious toxicities (e.g., encouraging competition where cooperation is needed).
2. If rewards are granted, be sure they reward behaviors that are complementary to quality management.
3. Support intrinsic motivation as well as extrinsic rewards.



4. Recognize and celebrate teams.
5. Recognize and celebrate learning.
6. Experiment with different ways of rewarding and recognizing people (i.e., groups or individuals).
7. Maintain a logical relationship between how people are paid and human nature (i.e., Will reward system really lead to the final results desired?).

Allowing for transition time, healthcare organizations need to begin adjusting their performance management approach if they are to successfully enter into quality management. The human resource executives consortium decided it is too early in the quality management journey to know exactly what to do. Organizations such as Ford and Xerox are still experimenting after 10 or more years on the quality journey. Like them, we believe that trying new approaches and being prepared to make ongoing improvements will add momentum to an organization's quality transformation.

RECOGNITION AND REWARD SYSTEMS

Recognition and reward systems, especially levels of pay and benefits, and the nature of individual

and group recognition programs are a major topic of debate in Catholic healthcare organizations. In implementing quality management, managers and trustees are being challenged to provide innovative recognition and reward systems that reinforce the values and behaviors consistent with quality management. Of equal importance, reward and recognition systems must be aligned with the behaviors and outcomes that support the philosophy, mission, and values of the Catholic healthcare ministry. The human resource executives consortium considered the following components of the recognition and reward systems: base pay, incentives, benefits, and nonmonetary rewards.

Each organization committed to quality management must establish its own compensation philosophy. What is essential is that the philosophy emanate from organizations' mission and values, culture, and strategic direction. The best compensation philosophy will evolve only if organizations are willing to be innovative and to take risks.

Base Pay Most organizations develop their compensation systems to attract and retain qualified and committed employees. Pay systems rely on external, or market, data and internal comparisons to establish salary (or base pay) structures that recognize differences in job scope and responsibility. Quality management further requires in-depth analysis of internal comparative data to ensure that base pay structures do not inhibit teamwork and empowerment. For example, too many pay grades within a job family (e.g., secretary I, II, III, IV, V) may lead persons to work from a hierarchical perspective rather than as a team.

Organizations may wish to pilot test base-pay programs that encourage team members to develop new skills or competencies. Possible approaches include "broad banding" (consolidating numerous pay grades into fewer but wider salary ranges) or providing movement within a salary range based on (1) range movement and (2) the development of new skills or competencies, rather than typical merit pay. An approach that involves knowledge-based pay increases is consistent with quality management.

Many organizations committed to quality are questioning the continuance of merit pay programs. Although the idea of rewarding persons who work harder and smarter is part of the U.S. business culture, no definitive research demonstrates that these programs positively affect all aspects of performance: individual, team, and

QUALITY MANAGEMENT

A commitment to quality has always been part of the Catholic healthcare tradition. Quality management is a process that applies traditional values in new ways. The principles of community and collegiality are supported by quality management group processes and the emphasis on teams. Serving others—our patients, one another, the poor, and our communities—is best approached with a customer focus. The principles of involvement and empowerment reinforce the core Catholic values of dignity of person and subsidiarity. Quality management emphasizes measurable and continuous improvement and effective and efficient use of human, financial, and environmental resources, supporting the core value of stewardship. Using quality management tools should improve Catholic healthcare organizations' ability to provide access to needed healthcare for all persons and to promote a society that fosters health and healing.

Above all, implementing quality processes involves change. It means:

- Transforming work cultures to become participative and team oriented
- Improving service by meeting customer expectations and improving outcomes through the systematic application of specific techniques and methods
- Changing traditional structures to create an environment where people, tools, and systems facilitate personal development and continuous organizational improvement

organization. For example, some organizations are trying "go/no go" programs. For most people, "go" would mean an increase that includes a range adjustment and a modest increase for skills development. "No go" would mean no increase in a given year for individuals or perhaps for an entire organization based on performance. Only time and careful study will lead to workable

approaches in an organization that has been transformed by quality management.

Incentives Because quality management calls for greater emphasis on teamwork to change processes and continuously improve outcomes, existing incentive pay programs must move from rewards for individual performance to rewards for organizational and team performance. Philosophically, quality management calls into question the appropriateness of incentive plans that single out executive and manager performance rather than providing team incentives based on improvements in service. Incentive programs must achieve a balance between organization, team, and individual rewards that are both consistent with the organization's culture and supportive of quality management.

Because quality management involves a long-term commitment to continuous improvement, longer-term, organization-wide incentives that include quality measures may be appropriate. Some organizations have already decided not to provide executive-only incentives because these programs are inconsistent with quality management principles. Other organizations are piloting "gainsharing" or other group incentives. Again, the most appropriate approach will depend on an organization's culture. When and if incentives are used, however, they must be structured to reward measurable and continuous improvement.

Benefits Employee benefit programs are a key part of total compensation planning. A well-designed benefit program provides a foundation that permits employee choice and flexibility in selecting benefits to meet individual and family needs. The flexible-benefits approach recognizes

Many organizations are questioning the continuance of merit pay programs.

the employee as an internal customer, is responsive to employee needs, and results in efficient and effective use of organization resources to manage costs over time.

Nonmonetary Recognition

Nonmonetary recognition, which rewards team accomplishments, is probably as important as compensation in supporting quality management. Nonmonetary recognition approaches should be

employee or group driven. Gestures as simple as written letters of thanks, personal letters from executives, and photographs posted in common areas have a tremendous impact. Individual and team success stories should be told in writing, through story boards, and in employee forums. Certificates, pins, and small gifts carry important messages. New approaches to employee suggestion programs should be explored.

THE QUALITY MANAGEMENT JOURNEY

Although this article focuses only on education and development, performance management, and recognition and reward systems, myriad human resource programs and policies need to be closely examined to ensure they are consistent with quality management philosophy and processes. These include new employee selection, orientation, leadership continuity, labor and employee relations, job design and structure, organizational assessment and development, measurement (e.g., employee, patient, and physician surveys), employee empowerment, accountability, cultural diversity, transition to lay leadership, language, and culture.

Quality management has no definitive starting and ending point; it represents a transformation of the work culture. It is a journey that takes time, energy, and resources. Quality management will affect virtually every work policy, process, procedure, and practice.

Human resource leaders must prepare to challenge current approaches, involve others, be creative, and continuously improve their services to the many people who serve and those who are served by the Catholic healthcare ministry. □