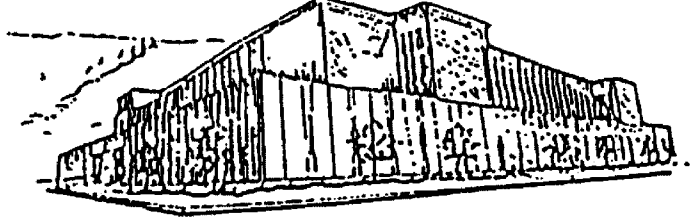
1994

The use of performance appraisal and compensation systems in total quality management

Patricia Martin
The University of Montana



Maureen and Mike MANSFIELD LIBRARY

The University of **Montana**

THE USE OF PERFORMANCE APPRAISAL AND COMPENSATION SYSTEMS IN TOTAL QUALITY MANAGEMENT

by

Patricia Martin

B.S., University of Montana, Missoula, 1993

Presented in partial fulfillment of the requirements

for the degree of

Master of Business Administration

The University of Montana

1994

Approved by

Marion L. Fleming
Chairman, Board of Examiners

Dean, Graduate School

December 29, 1994
Date

Martin, Patricia, MBA, December 1994, Business Administration

The Use of Performance Appraisal and Compensation Systems in Total Quality Management

As American businesses strive toward a higher standard of quality and productivity through the implementation of quality improvement programs, their Human Resource Management (HRM) departments must adapt and adjust to the essential changes in the way business is conducted. Proponents of Total Quality management (TQM) claim that traditional models of compensation and performance appraisal are at odds with current quality philosophies. This paper focuses on healthcare providers and their attempts to update human resource practices. While many hospitals across the nation have transformed their operations with new quality initiatives, changes in compensation and appraisals have been slow in developing.

This thesis attempts to establish benchmark practices for a hospital's human resource activities of compensation and performance review that do not conflict with current quality philosophies.

Representatives of hospitals were asked to share anecdotal information and innovative formats for performance appraisal and compensation systems. Four organizations are included and their current practices are reviewed in detail.

Two major conclusions are reached. Hospitals are encouraged to use appraisal systems to document an employee's basic competencies and guide their professional development rather than simply to judge employee performance. Additionally, it is recommended that organizations use variable pay systems to link compensation strategy with overall quality objectives.

TABLE OF CONTENTS

INTRODUCTION

Healthcare Industry at Crossroads

The term that is most often allied with any discussion of healthcare is *crisis*. The healthcare industry is under tremendous pressure to 'fix the system.' The American public is dissatisfied with the current state, quality and cost of healthcare, and is demanding that insiders resolve these problems or stand aside and allow government to do so.

Hospitals and other healthcare providers around the nation are dealing with a cost crisis, an access crisis and a quality crisis. While this thesis will not address the first two questions, it will seek to illuminate the discussion of quality in healthcare management, as it applies to general practices and specifically to human resource management practices.

Total quality management (TQM) is a management philosophy that has permeated American business and transformed many companies across the nation. U.S. corporations have struggled with productivity and growth, particularly in the service sector where most new jobs and economic growth have developed. Like manufacturing industries, more and more service industries are utilizing TQM principles to reorganize their companies. Hospitals are no exception; they too must find new ways to determine customer satisfaction, plan and manage growth, remain profitable in an increasingly competitive business arena, and meet the expectations of payors, providers, patients and regulators. While TQM principles have transformed

many aspects of healthcare management, the philosophy has not yet been fully implemented in most hospital Human Resource Management (HRM) departments. Most hospitals still use traditional performance appraisal and compensation systems and find them in conflict with the hospital-wide quality philosophy.

Following a general discussion of how TQM principles are applied to healthcare organizations, an in-depth discussion will be presented on the HRM issues of compensation management and performance appraisal systems (PAS). The focus will be on how these HRM practices can be aligned with a hospital's overall quality initiatives.

HRM professionals have been discussing and writing about quality management theory applied to performance appraisals and compensation for several years, but rarely has the discussion proceeded beyond the theory stage. No one seems willing to throw out the practice of performance appraisal, as W. Edwards Deming suggests. Few know where to begin concerning the equitable compensation of teams, or how to motivate high performance with new compensation models. This paper researches and reports on several trend-setting hospitals that have implemented the tenets of quality management in the way they conduct performance evaluation and allocate compensation. Four hospitals and one non-hospital are evaluated here, including exhibits of the new formats and policies these companies are using to sidestep typical problems with performance appraisal systems and compensation.

Total Quality Management Principles

Total quality management (TQM) is a synthesis of many previous improvement programs. Frequently the foundation is a process that is similar or identical in some cases to 'management by objective.' The key difference that the quality improvement process brings to MBO is that instead of simply identifying and reducing problems, the quality goal becomes to eliminate errors forever (Crosby, 1990). TQM is an integrated management philosophy pioneered by Deming, Joseph Juran and others. It is based on the ever increasing pursuit of customer satisfaction. "The heart of Deming's message is that organizations should strive to constantly improve the quality of their systems or processes" (Lynn and Osborn 1991). With its emphasis on employee involvement in problem solving, TQM brings about a significant change in an organization's culture, including its mission, goals, philosophy and procedures. All employees are involved in the attempt to achieve maximum efficiency, minimal error and total customer satisfaction.

While the mission and goals of the company are being promoted, the employees also seek a better quality of work life, more involvement in decision making at work and more challenge in their work responsibilities. Indeed, employees seek greater recognition and satisfaction from the time they devote to work, and TQM provides a framework to achieve those needs.

Quality management is characterized by committed leadership and structured organization which are both aimed at improving relationships with consumers. Improvement is gained by using statistical process controls to minimize both common

and special causes of variation in critical processes. Work teams monitor processes, identify bottlenecks and develop solutions to identified barriers to progress. Company hierarchies are flattened, allowing for solutions and ideas to move up through the hierarchy while responsibility for performance is pushed down through the ranks.

TQM in Healthcare

Healthcare competition is an ever-increasing reality, and related services are now being offered in new settings, such as ambulatory clinics, work sites and homes. There are fewer and fewer strategic differences among hospitals, nursing homes, physician clinics and other providers. Health maintenance organizations, employers and employer groups are making comparisons and calling for change as well. At the same time, insurers dictate to a large degree the type and duration of hospital services that will be allowed for their policyholders.

Thus it is understandable that quality has emerged as the dominant theme in today's competitive healthcare environment (Kazamek and Peterson, 1989). There is increased pressure on hospitals to do more than simply *prove* quality. They are being pressured to *improve* quality. The pressure comes from a variety of sources including the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), federal and state regulatory agencies, insurance companies, vendors, employees and patients.

Escalating price competition in healthcare has pushed providers to "scramble for outcome measures to use as indicators of minimum acceptable quality" (Lanning and O'Connor, 1990). The pressure is on hospitals to control costs and provide

indicators by which their performance might be measured and evaluated. Hospital administrators have found that unless they have "established and maintained a competitive advantage - unless they were *uniquely good* among local providers", their ability to service their market could quickly erode (Lynn and Osborn, 1991). The question is not whether this scrutiny will continue, but rather how, when and to what extent. TQM's role in establishing quality services and maintaining market share will likely continue to rise in importance.

If implemented properly, TQM can help hospital facilities simplify organizational structure. Additionally, TQM can help clarify the hospital's goals and unify employees in achieving those goals. As a result, the facility can improve its health care services, which might result in the following benefits:

- increased market share
- increased profits
- improved quality of service
- greater cost effectiveness
- positive customer/patient response
- improved relations between staff and administration

TQM in Human Resource Management

Human Resource managers in hospitals and other quality-minded companies face the challenge of applying TQM principles that, in their traditional form,

conflict with conventional theory and practice. TQM promotes the management of critical systems and processes and "minimizes individual differences between employees" (Carson, et. al., 1992). Traditional models of evaluation and compensation, according to TQM proponents, can lead to dysfunctional competition among employees for ratings and raises.

Those companies that have moved from theory to implementation of new models for compensation and appraisal argue for a simplified system that focuses on individual professional development and equitable rewards for all employees.

In the next section, issues of healthcare and human resource management are reviewed. This is followed by four case studies. The case studies analyze new performance appraisal systems and compensation models. Recommendations are offered for the implementation of TQM principles to HRM functions of compensation and performance appraisal, followed by summary discussion and concluding remarks.

II. RECONCILING TRADITIONAL HUMAN RESOURCE PRACTICE WITH CURRENT QUALITY PHILOSOPHIES

The management of human resources in organizations facilitates the most effective use of employees to achieve a company's goals. Historically, HRM's role in strategic management has been "couched in fuzzy terms and abstractions" (Ivancavich, et. al., 1994) and has not been given a significant role in a company's overall planning. In today's business climate, however, the HRM function can be tied more closely with bottom line performance and the achievement of overall company goals (Ivancevich, et. al., 1994). A key component of the new relationship is the TQM initiative.

HR professionals are forced to reexamine their own functions in order to assist in successfully integrating a quality program company-wide. Quality improvement initiatives in the profession - such as skill-based pay, broad banding, maturity curves, peer-review appraisal - challenge HRM's assumptions and practices and spur the search for new models of performance appraisal and compensation. Ideally, the "search for more meaningful ways to pay and reward people" will result in a stronger economic future for the organization (Kennedy, 1993).

Human resource functions do not appear to affect healthcare organizations any differently than they do other types of companies. There is no literature suggesting that hospitals should be singled out in terms of HR functions, specifically performance

appraisal and compensation. Most current literature is quite general in nature and addresses the attempts to develop performance appraisal systems and compensation models that do not conflict with current quality philosophies. In the following review of current literature, new concepts and models are discussed and contrasted with traditional systems. Performance evaluation, compensation and recognition programs will be discussed.

A. PERFORMANCE EVALUATION

Performance evaluation is the systematic review of individual job-relevant strengths and weaknesses. Historically, two processes are used in reviewing an individual's job performance: observation and judgment.

The traditional performance appraisal system has been said to fail because "it so strongly implies that employees must clearly be either winners or losers" (Kennedy, 1993). Indeed, many employees may feel like losers if their performance ratings and subsequent salary adjustments are ultimately determined as much by budgetary constraints as by a comprehensive assessment of one's contribution in the workplace (Kennedy, 1993). There is extensive literature that suggests a vast overhaul of appraisal systems is necessary for alignment with TQM initiatives.

Deming warns that the effects of performance appraisals, personal review systems, merit ratings, annual reviews, systems of reward, pay for performance, etc. are catastrophic. Indeed, he refers to the practice of appraisal and evaluation as one of the seven "deadly diseases of [American] management" (Evans and Lindsay, 1993). The primary failure of traditional appraisal systems is that an employee's self-worth

can be reduced to a score or a box on a form that reads "meets expectations" (Kennedy, 1993). Deming argues that where employees focus on achieving imposed standards, those standards override the primary objective of the organization -- to satisfy the customer. Further, since standards can never be exact, few workers can actually achieve them, causing frustration all around. Conversely, if work targets are too easily achievable, there is a tendency for workers to reduce their efforts (Sarin, 1993). In either event, worker satisfaction and production levels fall, and the company suffers.

Deming criticizes the very foundation of work measurement and efficiency ratings. He believes that while most 'quality problems' are the products of systems or processes, appraisal practices focus too much attention on individual achievement. As Deming's argument goes, focusing on individuals is counterproductive and ignores the causes of poor quality.

In spite of these difficulties, most companies are not inclined to scrap performance appraisals, even though their current practice may conflict with continuous improvement cultures. The performance appraisal process still fulfills several vital functions within an organization (Carson, et. al., 1992):

feedback and development - employees need to know how they are doing and what areas of performance require improvement.

administrative decision making - differentiation among employees helps administration decide who gets promoted, rewarded, recognized.

program evaluation - employee effectiveness helps the human resource professional judge the validity of recruiting, selection and training tools.

documentation - the rising rate of wrongful termination litigation requires that

companies have accurate supportive data on file to back up administrative decisions. Additionally, companies need reliable and valid data on which to base decisions of selection and promotion.

While there is little doubt that many companies spend too much valuable time "tinkering with rating scales, devising elaborate forms" to evaluate performance (Caudron, 1993), enlightened companies are reviewing their processes to focus on the *behaviors* required to achieve objectives. It is not enough to evaluate whether an employee has met a deadline or managed a budget well. The employee should be assessed on the behavior he has exhibited in achieving those goals. Did he exert a lot of pressure on co-workers in meeting deadlines or managing budgets? If so, that person probably is not in concert with the company's goals of teamwork and mutual respect (Caudron, 1993).

While performance appraisal systems have come under fire, so too have traditional compensation models been called to task for inhibiting intrinsic motivation and fostering undue competition among employees.

B. COMPENSATION

Compensation is the HR function that deals with "every type of reward that individuals receive for performing organizational tasks" (Ivancavich, et. al, 1994). Financial compensation is both direct (wages, salaries, bonuses) and indirect (benefits, vacation, insurance) (Ivancevich, et. al., 1994). Another key component of compensation is a company's recognition program. While a quality program will give people who never had it before a chance to influence work conditions, it alone will not

satisfy them. The importance of an equitable compensation system and an effective recognition program cannot be overemphasized.

The competitive nature of today's business climate, that which "maintains the primacy of the individual over the group", is still a driving force in shaping the compensation methodologies and practices (Kennedy, 1993). Reward systems are overwhelmingly geared toward the individual's achievements within an organization. Individual contingent rewards (merit pay) are based "on the notion that desired employee behaviors can be isolated from overall company performance and must be reinforced" financially (Gomez-Mejia and Balkin, 1992). Similarly, "pay for performance" (piece rate pay and sales commissions) matches the U.S. work ethic based on the belief that an industrious and hardworking individual "can achieve fame and fortune" (Kennedy, 1993).

A quality management philosophy "pushes processing costs down, improves delivery times" (Liebman, 1992) and discovers ways to improve delivery of service to customers. In most companies, however, employee raises are still based on individual performance (Liebman, 1992). As "companies increasingly organize around specific tasks and rely on interdisciplinary teams", traditional compensation policies can "[create] escalating tensions between departments" (Liebman, 1992). Rather than supporting the flatter, more fluid and customer driven organizational arrangement, "conventional incentive programs refocus the employee on pleasing the boss" (Gross and Berman, 1992).

There is little doubt that pay should be a part of any effort to improve and preserve quality. In fact, trend-setting companies are building their pay systems

around quality (Gross and Berman, 1992). There are two general approaches to compensating based on quality issues: one focuses on how the job is performed, the other on the result the employee actually achieves (Gross and Berman, 1992). Some HR managers argue for a behavior-oriented performance management system with the performance rating determining the size of the base salary increase. Behavior based performance management systems are typically built by "identifying 'competencies', the essential skills, abilities and personal attributes needed to succeed in a particular job" (Gross and Berman, 1992). Having developed a detailed competency profile, management then selects, develops and appraises individuals accordingly.

Rewarding on the "how" alone is insufficient to help reach quality goals. Tangible results and added value must be realized within the company in order to justify the effort of the quality initiative. To make this happen, variable compensation is generally considered the better approach (Gross and Berman, 1992). A recent survey of organizations with quality management programs in place revealed that 65% of the responding companies reported changes in at least one component of their compensation plans. Of those organizations reporting a "new compensation philosophy", most tended to place some pay at risk (variable pay) and also emphasized rewarding skills and knowledge (skill-based pay)(Davis, 1993).

Quality programs must add value to the business' service improvements, customer satisfaction and especially the bottom line. There must be a yield of financial outcomes or tangible results that will support the ongoing quality effort. A quality initiative generally lays the ground work for increasing profitability. Therefore, "rewards need to be linked to real, measurable business goals" (Gross and

Berman, 1992), such as improvements in productivity, profits and organizational flexibility.

1. Broadbanding

Some organizations are using broadbanding techniques to simplify their pay structures. Internal pay structures with many layers inhibit the implementation of new compensation models designed to support quality initiatives. Generally, broadbanding or "career banding" attempts to combine three or more salary grades or job categories with narrowly defined pay ranges into one functional band with a wider salary spread.

Broadbanding can be an effective alternative to typical salary grade systems used in most organizations. Traditional salary grade systems can be "overly complex and increasingly unworkable" (Compensation & Benefits Manager's Report, May 1993). Broadbanding can encourage the flatter organizational structure required for an effective quality management program (CBMR, 1993). Broadbanding also facilitates internal transfers and job mobility (Employee Relations and Human Resources Bulletin, December 1992). Moreover, a more simplified organizational structure means better teamwork, increased flow of information and removal of barriers within an organization.

Broadbanding typically reduces 30+ salary grades to eight or nine salary bands, including such career bands as "professional", "Technical/managerial", "leadership", "executive", etc. (CBMR, 1993)

Career banding in a large organization requires several critical factors be

present within that organization's culture:

-- there must be a valid business need to adapt to broadbanding.

-- there must be a reliable level of trust between management and employees in the current system.

-- managers and employees must be skilled and educated in the responsibilities they would have under the new system.

-- a sound performance management system must be in place.

-- the hospital must have effective communication channels in place at all levels of the organization.

Broadbanding is clearly a strategy to implement only when the organization has established mature relationships and communication among all levels of management. Broadbanding can be implemented along with a variable pay plan or skill-based pay to underscore the hospital's quality goals.

2. Skill-Based Pay Approach

Skill-based pay departs from the traditional model of job-based pay in that the individual (rather than the job) is the unit of analysis to ascertain value to the firm (Gomez-Mejia and Balkin, 1992). Skill-based pay rewards for an employee's versatility, how many "hats an individual can wear" (Gomez-Mejia and Balkin, 1992). The more abilities an employee has that can be applied to various tasks and situations, the higher his or her pay. Employees who learn a new "skill block" or achieve additional degrees or college credits are rewarded with a pay increase.

One of the most attractive aspects of skill-based pay is that is supports an organization's plan for a more flexible work force. Skill-based pay is often linked with work teams that are designed to improve product or service quality. Each team member is cross-trained to do the jobs of the other team members. Since pay is not governed by job descriptions, seniority does not control work assignments. Hence, management can utilize a "leaner" workforce with fewer supervisors and mid-level managers (Gomez-Mejia and Balkin, 1992). Additionally, since pay rates are associated with different skill blocks, and these rates are known to employees, some may feel skill-based pay is more fair to those employees than closely-guarded pay scales.

Skill-based pay works best under a supportive HRM philosophy "characterized by mutual trust" and an assumption that employees have the willingness and ability to perform at high levels. Participative management and job enrichment programs must be in place to support skill-based pay, for "it is unlikely to succeed as a freestanding compensation" policy (Gomez-Mejia and Balkin, 1992).

There is little empirical data to support skill-based pay plans; most of the reported advantages are speculative in nature. Moreover, there may be higher training and compensation costs associated with a skill-based pay plan. After several years of operation under such a pay plan, many employees may have mastered all the skill blocks necessary to put them at the top of the pay structure. With no further opportunity to receive pay raises, frustrated employees may leave the organization. Some organizations avoid this outcome by implementing a profit sharing or gainsharing plan in conjunction with skill-based pay (Gomez-Mejia and Balkin, 1992).

3. Variable Pay Approach

A variable pay arrangement focuses employee activities on selected goals, communicates the organization's quality values to employees more directly and rewards for actual and specific results, and can be based on individual or team performance.

Aggregate pay-for-performance systems "use group contribution as a basis to distribute rewards" (Gomez-Mejia and Balkin, 1992). Different "levels of aggregation" may be implemented to determine how output is assessed. These levels may include team performance (project bonuses), business-unit performance (gainsharing) and corporate-wide performance (profit-sharing) (Gomez-Mejia and Balkin, 1992). Among these, gainsharing will be discussed in greater detail.

For any quality initiative, the critical success factors are usually employee involvement and participation. Gainsharing and profit sharing programs are considered by many to be the most effective techniques because they call for the greatest degree of employee involvement.

Gainsharing means sharing with employees the "gains from cost reduction or increasing revenues above and beyond set targets" (Schilder, 1993). The central question of profit sharing is whether financial gain is a strong motivation for employees (Schilder, 1993). While recent studies indicate that money is not the most important motivator for employees, it still ranks among the top five (Schilder, 1993). A customized gainsharing plan that is specifically tailored to the organization goals and objectives can provide strong support for a quality initiative. "Unlike traditional

profit sharing plans - like Scanlon and Improshare which make modest provisions for employee involvement - customized plans offer employees a heavy stake by soliciting their suggestions, cooperation and enthusiasm (Gross and Berman, 1992). Additionally, a customized plan "sets reward measures based on a direct relationship between the worker and the work" (Gross and Berman, 1992).

Most gainsharing plans "tend to pay out between 5 and 20 percent of salary or about $1,200 to $2,000 per employee per year" (Schilder, 1993). Working out the appropriate percentages is a delicate balancing act for managers. It is widely understood that employees won't "knock themselves out for one or two percent ... but eight or 10 percent will get [their] attention" (Schilder, 1993).

Gainsharing plans must be based on factors over which the employees have some control, and on aspects of business that will definitely impact the bottom line: waste, absenteeism, safety issues, production costs, etc.

Critics of gainsharing plans assert that the plans are effective only in a company that is under-paying its employees. Additional problems arise when teams are formed only as a symbolic gesture rather than to accomplish substantial organizational change.

In some organizations, teams perform in a superficial manner only. New pay strategies applied to teams will work only if the teams actually have the power to make change rather than merely operationalize a quality program. "Real teams" are accountable for outcomes and achieve results of broad-based value to the organization (Schuster and Zingheim, 1993). Conversely, "false teams" have their priorities and parameters defined for them by upper management, and have no real authority to

innovate (Schuster and Zingheim, 1993). Variable pay can be a key link to the formation and operation of real teams, and can be used to recognize high-performance teams for their contributions to the organization. Those teams are endowed with a wide range of authority, creativity and innovation. Their concerns, projects and solutions are not dictated to them from upper management; rather, they have the time and resources necessary to pursue areas where they see a need for improved quality. Variable pay can create a stronger link between individual employees, real teams and the total organization in terms of demonstrating what it takes for all to succeed.

In conclusion, we are reminded that compensation's role is to create and sustain a motivated and committed workforce. And while current reward systems are geared overwhelmingly to the individual's performance in an organization, new designs for compensation may resolve the need to foster cooperation (Kennedy, 1993). Compensation practices and incentive awards can encourage behavior that directly improves performance in areas of employee involvement, teamwork and responsiveness to customer needs. (Gross and Berman, 1992).

Despite problems in implementation of compensation changes, Davis survey respondents claimed those changes have been relatively successful and have led to increased emphasis on:

- quality as a component of compensation
- customer service orientation
- customer input to performance

- continuous improvement
- team accomplishments
- the use of quality tools in everyday work

(Davis, 1993)

C. RECOGNITION PROGRAMS

In addition to establishing equitable compensation and appraisal practices, companies with high quality ideals understand the wisdom of recognizing employees for productive suggestions and positive contributions to team efforts. Recognition can take any number of forms, including:

- financial rewards
- days off
- vacation trips
- choice parking spaces
- pictures placed on the "Employee of the Month" wall (wall of fame, hall of fame)
- special projects
- free dinners
- theater tickets
- service awards
- perfect attendance awards
- good housekeeping awards
- team recognition awards
- profit sharing programs

It is up to management to arrange that the proper recognition be given to those who accomplish high performance or contribution to company goals. The recognition

step is crucial to quality improvement (Crosby, 1989). Successful recognition programs contain several key characteristics: (1) recognition is given openly and publicly, and is often published in company literature and newsletters, (2) recognition is tailored to the needs and preferences of the employee, (3) rewards are issued soon after they are earned, (4) the relationship between the achievement and the reward is clearly defined for the employee (Townsend, 1990).

Many companies encourage the submission of new ideas and improvements with monetary awards and other recognition tools. Zytec Electronics offers an employee token cash and lottery tickets for each idea submitted (Townsend, 1990). The work group with the highest percentage participation in idea development gets to display a trophy for one month. Eventually, all names of employees participating in the program are put in a drawing; the winner receives a day off with pay. Employees who submitted the top three ideas each month receive cash bonuses of $100, $75 and $50 respectively (Townsend, 1990).

At the Ritz-Carlton hotel chain, employees send each other "First Class" cards to note appreciation for anyone else in the organization for a job well done (Townsend, 1990).

Appleton Papers of Ohio grants each line manager a 'recognition budget' from which he or she can buy gifts to reward employees. The gifts must be personal in nature, and specific to the receiver's desires. It is up to the managers to determine what type of recognition would suit each employee; some find public accolades embarrassing while other employees appreciate company-wide recognition (Townsend, 1990). Exhibit 1 provides a tool to determine each employee's perceptions of what

positive recognition is to them. Additionally, managers are trained in how to give and receive recognition effectively, and employees are encouraged to recognize each others' accomplishments and contributions. Furthermore, the organization's CEO recognizes individual and team achievement on an annual basis with lucrative, high-profile recognition items;
recognition has become a company-wide activity instead of an HR function.

Granite Rock Company, in addition to company-wide newsletters focusing on employee achievement and recognition, also has in place: (1) Recognition Day, an annual celebration at each company location, (2) Incentive Recognition Awards, an annual monetary award for excellence above and beyond normal job duties and (3) Senior Recognition Program, where every employee receives a card and a small gift on the anniversary of his or her date of hire (Caudron, 1993).

It is widely accepted that employee behaviors and workplace results are significantly affected by factors that are outside the direct control of the employee. Management's challenge is to knit a stronger bond between company goals and employee efforts. New models of compensation, appraisal and recognition are said to help forge those stronger alliances, and demonstrate to employees that their role is critical to company success, and that their contributions will be fairly rewarded and recognized. There are many benefits to be realized when employee efforts are appropriately compensated and recognized. The employees' attitude about themselves and their company changes when they see themselves as competent, appreciated members of an organization involved in challenging and important work (Townsend,

1990). Human resource professionals must delicately balance both public and private methods of recognizing, rewarding and celebrating each employee's contribution to the company's vision and quality goals.

III. CASE STUDIES

Four companies - three hospitals and one construction company - are presented and discussed to further the discussion of best practice among human resource managers. The hospitals have contributed generously to the discussion by providing documentation of redesigned performance appraisal systems and new compensation models. The construction company, a Baldridge Award winner, is widely acknowledged as having a strong commitment to its employees, and shares its innovative formats for their professional development.

Shawnee Mission Medical Center (Shawnee Mission, Kansas) uses a redesigned performance appraisal format that focuses on the hospital's four "key service areas". Parkview Episcopal Medical Center (Pueblo, Colorado) attempts to remove all subjective judgment from their annual appraisal process. Its new format is by far the simplest of those reviewed. Community Hospitals (Indianapolis, Indiana) has launched a three-year plan to redesign its performance evaluation and compensation systems. Finally, Granite Rock Company (Watsonville, California) contributes its Individual Professional Development Plan for review and discussion.

SHAWNEE MISSION MEDICAL CENTER

Shawnee Mission, Kansas

Shawnee Mission Medical Center (SMMC) set out in 1990 to adapt Deming's teachings to the hospital's internal appraisal systems. In the 'old days', each employee was given specific job standards, and received points for each standard on an appraisal form - a traditional model for employee evaluation. Four points were assigned for exceeding the standard, two points for meeting the standard, and zero points for not meeting the standard. Points would then be weighted according to their importance to the position, and resulting point totals would determine the employee's raise.

A SMMC study group designed a new system to encompass TQM principles, and the system was tested in 1991. After a six month run, the redesigned appraisal system was operationalized for all 1,400+ full time equivalents throughout the entire hospital. The new system is dubbed the "personal development process", a human resource strategy designed to empower all associates to reach their individual levels of peak performance.

The annual process includes three important phases between the "associate" (employee) and the "reviewer" (boss). At the first stage, a planning meeting, the associate:

- identifies three or four primary 'customers' that the associate serves;
- reviews the hospital's key service areas (KSA's), the four pillars of the hospital's stated mission: respect, integrity, service and excellence;
- identifies three to six key service areas specific to the associate's job;
- sets individual goals;

- identifies "challenge opportunities" that would expand the associates skills.

At the second stage, the reviewer and associate meet within six months of the initial planning meeting for a formal "coaching session" to reinforce the Medical Center's key service areas and determine if the employee is focusing on those aspects of healthcare service in the performance of their responsibilities. The reviewer and associate also discuss **STRENGTHS** (reinforcing areas in which the associate excels), **STRETCHES** (areas where the associate might seek improvement) and **TARGETS** (to clarify the associate's goals). During the course of the year, the associate is encouraged to keep an ongoing record of achievements and accomplishments. During the third phase of the annual process, the reviewer and associate meet to compare associate's achievements with the established Personal Development plan. The associate is also encouraged to meet throughout the period with coworkers and team members for peer feedback.

In addition to the redesigned performance appraisal system, Shawnee has also adopted a flat wage increase schedule of compensation. At the end of the annual period, the reviewer decides whether the associate will receive an increase in pay, based on how well the associate performed on hospitalwide service areas, job-specific service areas, challenge opportunities and individual goals. Under this system, not all employees are guaranteed annual increases; all who receive annual increases get the same pay-raise percentage. Employees at the top of their pay scale may receive a lump-sum bonus in lieu of a contribution increase. (Burda, 1992). Exhibits 2 through 7 illustrate SMMC's redesigned appraisal form.

Shawnee's Personal Development Process also utilizes several other tools to further employee development. The "associate accomplishment" form establishes a record of training, education, skills, special projects and accomplishments for each employee choosing to use the tool. Similarly, the "co-worker feedback" report asks for constructive input on an associate's performance from those who are likely in the best position to observe that performance. SMMC asserts that the most insightful feedback on employee performance comes from co-workers rather than supervisors, and this tool gives people an opportunity to "catch you doing something right."

The purpose of the Personal Development Process is to help employees grow to meet the changing demands of their jobs. To avoid creating competition among associates, no grade or performance rating results from the Personal Development Process. At the end of the personal development cycle, the employee and supervisor have a formal review discussion, using all of the sources of feedback available. Based on the review, the supervisor determines whether the employee will receive a contribution increase in pay.

The hospital is designing a recognition program that may provide high achievers with a variety of extras, including unearned time off, travel, free dinners, and entertainment packages (theater tickets). SMMC is also considering a gainsharing program that would give employees a share of the hospital profits.

PARKVIEW EPISCOPAL MEDICAL CENTER

Pueblo, Colorado

Believing that traditional performance evaluations create roadblocks to employee growth, Parkview Episcopal Medical Center (PEMC) has designed a simple interaction process to provide employees and their supervisors with annual documentation for the employee's personnel file. The new process attempts to separate one's personal contribution to the job from process and system factors that affect one's performance. The new evaluation process is also said to promote teamwork and the sharing of knowledge. The key characteristic of the A-POP (A Piece of Paper) is its simplicity (See Exhibits 8 and 9). It seeks only to document that several key discussion points take place between an employee and his or her supervisor on an annual basis. The key characteristics designed into the instrument are:

- its use should be quick and easy
- it should meet outside regulations
- it should meet HR department needs
- it should be of value to the employee

PEMC also redesigned job descriptions to achieve greater simplicity. The focus changed from task orientation to system orientation: how do an employee's responsibilities fit in with and contribute to the system objectives? Additionally, the job description focus switched from an emphasis on standards to an emphasis on competencies and continuous improvement. In general, the descriptions, once replete with complex detail, now take a wider and simpler "systems view" designed to expand

the vision of the job to the concept of supporting the system of healthcare.

The basis of the APOP instrument, then, lies in its annual job description review. The annual review allows the employee and supervisor to examine and identify how closely the present "Major Responsibilities" reflect the major processes of the job. The parties also review the Competency Assessment progress of the employee. These activities provide a unique opportunity for managers and supervisors to lead employees toward a continuous quality improvement mindset and to underscore the hospital's quality objectives.

In reviewing job related processes, managers have another opportunity to recognize employee accomplishments, discuss progress and coach employee behaviors that will lead to quality.

The discussion of barriers between an employee and his or her supervisor is critical to the annual review. It has been said that the employee is best suited to identify system and process barriers that block progress or dilute their effectiveness. PEMC's APOP strives to uncover those barriers and identify possible action which might include:

- management action
- coaching/training for employee or department
- research into the problem by team leader
- assignment of a Quality Improvement Team (QIT)

The APOP continues on to encompass employee learning and education goals and concerns. The objective of this section is to ensure completion of mandatory

inservices, explore holistic learning options that will enhance both performance and understanding, and identify available resources to aid the employee. Once more, the PEMC format affords an opportunity to discuss and enforce quality and growth.

Finally, the objective of the "anything else" section is to simply compel the supervisor to become a good listener for subtle indicators. Popular psychology refers to 'doorknob disclosure', those important comments and issues raised only as one party is about to exit a meeting. This implies that the supervisor must be listening carefully right to the end of the exchange in order to capture those insights critical to employee development.

PEMC's approach to compensation has been to adopt a flat wage increase. Additionally, Parkview is testing a shared compensation program in which 25% of excess of budgeted Net Income is shared among all eligible employees (see Exhibit 10).

COMMUNITY HOSPITALS INDIANAPOLIS

Indianapolis, Indiana

In 1991, Community Hospitals Indianapolis (CHI) embarked upon a three year path to redesign performance appraisal systems and compensation policies. A primary goal for the performance appraisal system was to create a system that analyzed processes instead of rating employee performance; the compensation system was redesigned to enhance intrinsic motivation. The vision for the redesign team includes a system to foster cooperation among employees, eliminate competition, support employees' inherent motivation and foster open communication. The guiding principles of the redesign team state that the feedback process should be based on process, customer feedback and on hard data; compensation systems should avoid incentives. Additionally, both processes should be team-based and used to link the team with the hospital's overall mission and vision.

With the three-year pilot program underway in 1992, CHI is using a simple one-page feedback form (see Exhibit 11) which focuses on an individual's participation in various processes, process improvement and expanded knowledge and skills. The pilot program has experienced setbacks in its first round.

While many employees favored abandoning the old performance appraisal system, there was considerable confusion about the new feedback system. There was an apparent lack of training on the new format and its objectives. Even those employees who had been trained in "Q101" (internal quality training program) did not understand what the questions were asking, and suggested simplified wording and more direct questions.

Meanwhile, CHI's pilot compensation policy holds that incentive pay inhibits intrinsic motivation and creates competition between employees and groups. CHI hopes to foster individual motivation and reduce the forces of extrinsic motivation in the workplace with a plan that increases earnings by the same percentage annually for all employees. An additional increase is given to professionals in those areas where the market requires it for a specific discipline. These policy changes also created internal problems with implementation.

Three of the initial 13 pilot departments dropped out of the project in 1993 after one year. The reasons cited for withdrawal included:

- turnover in department leadership leading to unfamiliarity with pilot program
- staff anxiety about earning potential variances between pilot and non-pilot areas
- skill-based pay not materializing
- poor project implementation.

In spite of implementation difficulties, network-wide process-based feedback systems in lieu of performance evaluation, along with flat wage increases begin at CHI hospitals in October 1994. CHI's Network Leadership Council, in keeping with quality guidelines, continues to monitor its progress with pilot teams, and regenerates its philosophy, vision and guiding principles based upon new learning.

GRANITE ROCK COMPANY

Watsonville, California

Malcolm Baldridge Award winner Granite Rock Company has demonstrated a strong commitment to excellence and expanding service, and is widely recognized as a leader in quality management. To that end, GRC has developed an Individual Professional Development Plan (IPDP) designed to demonstrate its commitment to training, individual job growth and career advancement for its 400+ employees.

The IPDP is designed to encourage greater attention and resources to the development of rather than the appraisal of Granite Rock people. The IPDP allows each employee to set their own training and development goals, design a developmental plan for increasing job skills and knowledge and to achieve recognition for responsibilities and accomplishments. Their professional development process contains key elements of the 'management by objective' theory.

The planning process is two-fold. Both the employee and the supervisor prepare an IPDP for the employee, outlining major job responsibilities, summarizing last year's developmental objectives, identifying individual strengths and detailing developmental objectives for the coming 12 months. The employee and supervisor then meet and exchange copies of the first draft IPDP. A revised IPDP is agreed upon by the two parties and is then presented at a "Roundtable" comprised of managers, associates and executives. Each IPDP is discussed openly and constructively; additional suggestions and comments are submitted as to how the employee might be

empowered to meet objectives and goals. After Roundtable discussion, the manager and employee have a follow-up meeting in which the plan is finalized and confirmed. During the subsequent 12 months period, the manager and employee meet quarterly to review progress or to make modifications to the developmental plan, making it a "living, improving process" (Junod, 1993). Exhibits 12 through 17 illustrate first and second year mock IPDP's for a Granite Rock employee. Copies of the IPDP are retained only by the employee and the supervisor. The IPDP's are not kept in the personnel files and are not used to convey information regarding job performance.

Granite Rock still utilizes a traditional style of appraisal form, where a supervisor assesses an employee's performance using a rating scale of 1 to 5 (5 = best). Employees are expected to perform at a rating of no less than 3, and decision about salary increases are based on those numerical ratings. The IPDP is considered the cornerstone of GRC's human resource strategy, and according to Laura Junod, GRC's HR representative, their performance appraisal system is being revamped to support the HR goals of fostering development and cooperation for employees.

GRC is presently operating under a wage freeze, and as might be predicted, concerns about compensation were the number one issue on a recent employee survey.

Case Discussion and Summary

The following table recaps the basic principles of current quality management theories as they apply to human resource practices. The table indicates for each of the four case studies whether that institution and its practices are or are not addressing the quality principles through their HR strategies. Where the information is unavailable,

an "NA" designation is used; where a practice is being attempted but needs improvement, an "NI" designation is used.

PERFORMANCE APPRAISAL SYSTEM:	SMMC	PEMC	CHI	GRock
Supports customer focus (identifies the customer served by the employee)	Yes	No	Yes	NI
Simple format design	No	Yes	Yes	No
Promotes teamwork	NI	NI	Yes	NI
Focuses on behaviors that foster success (the PA process serves as a "coaching session" to reinforce key company goals)	Yes	Yes	Yes	Yes
Less focus on imposed standards/greater focus on system barriers to success	NI	Yes	Yes	NI
Professional Development component included	Yes	NI	No	Yes
Co-worker feedback included	Yes	No	No	No
COMPENSATION SYSTEM:				
Reduces internal competition (Annual flat wage increases granted)	NI	Yes	Yes	Wage Freeze
Focuses on company quality goals (Variable pay rewards eligible employees for meeting company objectives)	No	Yes	No	No
RECOGNITION PROGRAM in place	Yes	N/A	N/A	Yes

KEY: SMMC - Shawnee Mission Medical Center, Shawnee Mission, Kansas
PEMC - Parkview Episcopal Medical Center, Pueblo, Colorado
CHI - Community Hospitals Indianapolis, Indianapolis, Indiana
GRock - Granite Rock Construction Company, Watsonville, California
N/A - Information not available
NI - Needs improvement
Yes/No - Company does/does not utilize

The new performance appraisal model developed by Parkview Episcopal Medical Center is by far the simplest format of those analyzed, and is reported to have been successfully implemented. The APOP has created no substantial barriers, and the design gets high praise from supervisors and employees alike, according to Dorothy Gill, HR Director at Parkview. PEMC's straightforward evaluation process is deceptively simple: to be effective, its use must be prefaced by adequate training and commonly held objectives. Supervisors, raters and employees must be trained in the goals and objectives of the new format. Those accustomed to traditional methods of PAS may initially resist the nonjudgmental tone of the APOP, and should be fully acquainted with the tenets of TQM that support the simplified design. Furthermore, employees must be coached to think independently, to evaluate their job in terms of overall hospital goals and objectives, and to conduct honest and productive self-assessment and professional goal-setting. The PEMC APOP would be vastly improved with the inclusion of both an identification of customers and co-worker input on appraisals. And finally, supervisors must fully understand APOP's primary asset - that it promotes an important discussion rather than creating a numerical rating for the employee.

Conversely, the simplified PAS format in use at Community Hospitals Indianapolis apparently has resulted in misinterpretation and confusion. The CHI experience with its PA Redesign Task Force points up the critical need for effective communication and "just-in-time training" when implementing new quality goals and tools. The Leadership Council, which oversees ongoing developments in hospital quality programs, would be well advised to reinvest in employee training and

education to resolve any difficulties and to enhance employees' understanding of the quality philosophy, especially as it pertains to performance evaluations and compensation. Attention to ongoing quality education and training will eventually aid in the success of their new HR programs. Their new PAS will likely undergo several more transformations before resulting in a design that serves their hospital staff effectively. During each cycle of change, further testing and education will be required to achieve ultimate user satisfaction, a process that closely resembles Deming's PDCA cycle (Plan, Do, Check, Act), which suggests that the effectiveness of a new tool or process be continually measured so that the tool or process can be refined as needed. CHI's performance appraisal system would be more effective if it included a co-worker feedback component and a stronger emphasis on professional development.

While Granite Rock's IPDP is a substantial commitment to employee development, the process appears tedious, involving as many as 6 steps annually and 10 people to approve the development plan for each employee. While the system encourages plenty of supervisor/employee interaction, one wonders how many IPDP's fall by the wayside for lack of time to complete the annual process. Nonetheless, Granite Rock and its IPDP are hailed as cutting edge human resource management, so the design is assumed to be effective in its application. The format does not focus heavily on promoting teamwork, nor has it included a section for co-worker or peer assessment; these are aspects of PA practice that might strengthen Granite Rock's format.

Among those analyzed, the Shawnee Mission Medical Center PAS design is recommended as benchmark practice. In spite of its somewhat tedious length, the Shawnee performance measurement encourages more dialogue and replaces the typical "gotcha system." The SMMC employee development program utilizes all the current communication tools at its disposal to achieve maximum satisfaction for both employee and employer, and accomplishes several important things: it continually refocuses employee's attention and performance on the key service areas established by the hospital, and encourages each employee to fully understand how to adopt those KSA's in his or her job performance. The annual review also includes both self-assessment and feedback from peers; the additional information is vital to understanding the quality of the employee's effort and performance, and would likely take some of the sting out of the annual review process. The process would be greatly improved, and would likely be more successfully implemented if it were simplified. Additionally, SMMC fails to address an employee's barriers to success on the job, a critical component of current quality management theories.

In terms of compensation, Parkview Episcopal has extended their quality improvement philosophy to their pay models. PEMC has established a "shared compensation pool" from which employees will be compensated for improved hospital financial performance (see Exhibit 10). The Shared Compensation Fund was established in 1991 as a one-year trial program, and has been continued since then. Each month, Parkview communicates to employees the size of the shared compensation pool, the number of eligible employees and their estimated share value. An employee's portion of the Shared Compensation fund is allocated in addition to

his or her annual merit increase in base pay. Parkview reports that the shared compensation model has helped employees make a strong link between their personal and departmental quality initiatives and overall hospital financial performance. Meanwhile, Community Hospitals Indianapolis avoids such an arrangement, choosing not to create incentive with compensation.

Granite Rock Company's human resource developments are currently hampered by a wage freeze. New models of compensation are under study by one of GRC's internal task forces, and issues of pay remain a priority for both management and staff members.

In terms of compensation, Shawnee Mission Medical Center uses an annual contribution increase in base pay for all employees successfully completing the personal development process; while the percentage increase is the same for all employees, not all employees receive the increase. Supervisors decide whether each employee has successfully completed their goals and should be granted the annual increase. Nor does SMMC employ a variable pay component. Additional recognition tools are being tested as enhancements to the current compensation model.

RECOMMENDATIONS

Quality will likely remain a focal point of healthcare administration throughout the 1990's and beyond. There are no shortcuts or easy avenues to attaining high quality of healthcare delivery. The paradigm shift to Total Quality Management requires tenacity, flexibility and a hospital-wide enthusiasm for improvement.

The hospital that has long been administered by traditional autocratic management style will undergo serious institutional challenges when attempting to implement a total quality management philosophy. Administrators, physicians, employees, board members, and vendors all must be prepared to have basic practices, procedures and habits continually reexamined and reworked. So too must all parties be convinced of its importance in order for a TQM initiative to be successful. There must be a common and strongly held belief that the hospital will be substantially enhanced and improved by accomplishing TQM's primary goals: reducing fear in the workplace, fostering cooperation among employees and striving for continuous quality improvement. There is no room for naysayers if TQM is to take root in an organization.

Successful TQM programs begin with strong demonstrated management commitment *and* successful pilot programs that demonstrate to employees how TQM will transform their departments and the hospital in general. A widely held commitment to customer satisfaction and improved quality of work life will indeed transform a hospital, but only if backed by appropriate HR practice and ongoing training to achieve the transformation.

The implementation of a TQM program to general hospital practice has been

written about extensively, and implemented successfully in some healthcare organizations around the nation. However, TQM applied to Human Resource functions has been operationalized spottily and written about primarily in theory only. While any effort to adapt HR practices to a quality philosophy should be tailored to fit the hospital, implementation should be consistent with the following basic strategies. These strategies are drawn from a wide basis of current literature, information and observation of case studies:

1) ASSESS CURRENT STATUS of performance appraisal and compensation systems prior to the introduction of a quality initiative. Analyze their effectiveness and drawbacks, and survey employees' and administrators' experiences with current systems.

2) ANNOUNCE A CLEAR AND SPECIFIC QUALITY POLICY concerning the development of new systems for performance appraisal, compensation and recognition systems. Acknowledge the search for improved processes and invite participation. Develop a quality improvement team (QIT) to steer the HR/TQM project. If separate design teams are required to address questions of compensation and performance evaluation, those teams should work closely. The quality improvement project team members will require training specific to quality management and planning and evaluation tools (process analysis, flow-charting, etc.). Indeed, the team members must become experts in compensation and PAS, and must find ways to communicate that expertise to the employees they represent.

3) **DEMONSTRATE MANAGEMENT COMMITMENT** to the effort. Name key personnel to the quality improvement team and utilize their expertise and influence extensively. Department managers and hospital administrators should attend all quality planning meetings and QIT work sessions. Hospital leadership can also focus on quality issues and make them a priority in departmental and staff meetings.

4) **SELECT A 'QUALITY IMPROVEMENT PROJECT'** as a pilot program within the hospital. The pilot program might affect performance appraisal or compensation or both. Selecting a pilot project and determining which hospital departments will participate in the project are critical activities. The pilot project should be a high profile effort with a strong likelihood for success, as it will set the tone for other CQI efforts within the department. Moreover, the project should address all factors that are important to the hospital's overall quality initiatives:

clinical issues

employee satisfaction

waste reduction

patient satisfaction

non-clinical issues

cost reduction

There are several key strategies that will make the selection of quality improvement projects successful:

Ask the people in the process - conduct employee surveys to determine employees' expectations and current perceptions of compensation, benefit and appraisal issues.

Review existing management reports - internal records may already indicate where the greatest need for improvement will be found within the hospital.

Look for excess process complexity - Systems and processes that have been "tinkered with" over the years may be ripe for innovation and simplification.

Look for breakthroughs in timeliness or efficiency.

Steps 1 through 4 will require a six-month implementation period. Employee involvement in these steps is of utmost importance. Team members must be out among their coworkers, discussing concerns, sharing findings and inviting participation. Once the quality improvement team has conducted its research and allowed its conclusions to be scrutinized by the hospital staff, it is ready to develop parameters for the quality improvement project.

5) DEVELOP BREAKTHROUGH OBJECTIVES. Breakthrough objectives are determined by the quality improvement team to be those that will help move the hospital from its present level of performance to new standards of excellence. Suggested first-year objectives include substantial improvement in performance appraisal and compensation designs for those departments participating in the pilot

project. The QIT in conjunction with hospital administration will determine an appropriate number of departments and their personnel to participate in the pilot project. The project participants will utilize the new models of compensation and performance evaluation for a period of 12 months.

5A. Performance Appraisal Systems should be simplified and refocused to support individual professional development. Ratings and numbers are arbitrary, harmful to the ongoing quality effort and should be abolished. The PAS should contain specific language enabling a forthright discussion of system and process barriers to an individual's level of performance. Moreover, ongoing learning and improvement should be emphasized for the employee just as the TQM program calls for continuous quality improvement for the hospital. The Shawnee Mission Medical Center format is recommended as benchmark practice because it accomplishes several important things: it removes numerical ratings, focuses employee attention to the hospital's key service areas, and encourages the 'behavior-coaching' dialogue so important to improved job performance.

5B. Compensation Systems should also be updated to incorporate the goals of current quality management theory. The most straightforward approach for a large healthcare institution with 1,000+ employees includes broadbanding, flat wage contribution increases and a shared compensation component to underscore the hospital's overall quality goals. Any one of these components can be implemented independent of the others, but their joint use will complement the hospital's attempts to tie compensation to its quality philosophy, and will work to reduce tension and competition between employees and departments.

5B.1. Broadbanding is recommended as a means of simplifying the pay structures within a hospital, reducing the number of pay grades from 50+ to eight or nine. Other issues of TQM philosophy cannot be addressed effectively until the pay structure is less tedious and arbitrary.

5B.2. Flat Contribution Wage Increase is recommended in order to reduce unhealthy competition among employees for variable raises. The flat contribution wage increase would be granted to all employees whose employment status is not in question, and would be disbursed annually as part of performance review and development discussions, as is the case at Shawnee Mission Medical Center.

5B.3. Shared Compensation is recommended to support the hospital's overall quality efforts. Parkview Episcopal (Pueblo, Colorado) has established a fund from which they will reward all employees for their role in overall improved hospital financial performance. Employees will feel connected and committed to the hospital's TQM program when they understand how their efforts affect the bottom line performance of the hospital. Long-held secret financial data will become a powerful tool to educate employees on departmental and overall financial objectives and results. Moreover, it will help push down through the ranks the responsibility and reward for meeting income goals. While compensation should not be attached to rigid and arbitrary numerical goals, each department should examine ways it can contribute to improved financial performance for its own division and the entire hospital. Departments that do not create revenue directly can contribute to the hospital's improvement by establishing new efficiency or safety goals, or cost reduction goals as

annual benchmarks.

6) EDUCATE EMPLOYEES SO THEY CAN CONFORM to the new quality philosophy as it affects appraisals and compensation. Community Hospital Indianapolis' experience points up the need for thorough training to prepare supervisors and employees alike for a new evaluation format.
Lack of training will only result in more frustration instead of reducing tension, as the new designs are meant to do.

Steps 5 and 6 are closely related. Choosing and implementing strategies to achieve breakthrough objectives must go hand in hand with employee education. The joint process will require 60 days to implement, and the new formats must be in place for a minimum of 12 months before they can be evaluated for efficacy. A 24-month timeline is ideal, and would allow for various measurements, evaluations, employee and supervisor feedback and suggestions for change.

7) MEASURE AND EVALUATE PERFORMANCE of the new systems. New compensation models and performance evaluation designs should be evaluated before, during and after the initial pilot project timeframe. Such activity is in keeping with Deming's PDCA cycle (Plan, Do, Check, Act) and assures ongoing evaluation of new techniques. Additional employee surveying may be necessary to determine the efficacy of the new designs.

8) ADJUST AND AMEND NEW PROCESSES ACCORDING TO NEW LEARNING. The pilot project timeframe should be adequate to adjust the PAS and compensation formats according to new feedback data and other information that arises during the project timeline. Ongoing training, also a tenet of the PDCA cycle, should accompany any process changes or adjustments.

9) IMPLEMENT SYSTEM CHANGES HOSPITAL-WIDE where appropriate. Those elements of the pilot project that are deemed helpful to overall quality efforts should be implemented. Those aspects of new programs that are problematic should be studied further and adjusted to meet quality goals.

The role of compensation and performance appraisal remains key to designing an effective hospital-wide quality program. Though often overlooked, these are issues that can have a dramatic effect on the success of quality initiatives. Choosing appropriate compensation and performance evaluation formats will help pave the way for a new attitude about internal cooperation, teamwork and common goals of excellence. Compensation's function is to create a sense of fairness and equity in the workplace. It should attract talented people to an organization and entice them to stay. It should not create animosity among departments nor engender anxiety in employees.

The role of performance evaluation should be primarily one of behavior coaching. Management must establish those behaviors it values and make certain the appraisal system encourages and promotes those behaviors. Reward and recognition

are powerful management tools that can be used to foster teamwork, cooperation and improved overall performance.

SUMMARY OF CASES and CONCLUSION

Most organizational change is done without effective scrutiny of current practices or employee input or both. Management practice is most often designed and implemented in management's own vacuum, without benefit of the wisdom and knowledge of the workforce.

Organizations that have embraced Total Quality Management theories are called to a new approach to organizational change. Those that have immersed their workforce in the new philosophies must also apply those philosophies when making dramatic changes in basic programs like performance appraisals or compensation.

The hospitals studied in the case analyses are representative of the new effort to bring about democratic change with a high degree of employee participation and buy-in. Success of these new programs depends on excellent communication and a high degree of trust between management and employees. Those hospitals that made a strong commitment to employee participation in the change process, and backed it up with adequate training, were most successful in implementing new formats.

The non-hospital represented in case analysis, Granite Rock of California, faces the challenge of making its appraisal system as effective as its Individual Professional Development Program. While the IPDP format appears cumbersome, the company considers it an effective tool. Their commitment to the IPDP sets a high standard that Granite Rock must match in its compensation and PAS models now under review.

Community Hospitals Indianapolis should consider committing more time and money to employee training in the new model of performance appraisal. The questionnaire needs to be adjusted according to employee input and then retested for

efficacy and clarity.

Shawnee Mission Medical Center and Parkview Episcopal Medical Center appear to have developed PA systems that meet their internal needs and allow for smooth implementation. While SMMC's format is more detailed and focuses on hospital key service areas, PEMC's model focuses primarily on employee behaviors.

Adjusting management practices to current quality theories is a daunting task. The competitive American business world has long conveyed its appreciation for a pioneering spirit, "rugged individualism" and aggressive business practices. But Deming and others persist, calling for *less* differentiation among employees, claiming that any internal competition for performance ratings and raises destroys the team concept that companies are now trying to develop and encourage. Employee behavior and performance are so strongly affected by system factors that each component must be assessed for its *effect* on the workforce. Each policy and procedure must be judged for its contribution in building a corporate culture that will support a hospital's total commitment to excellence.

American business managers are paying attention to Deming's focus on long-range quality planning instead of short-term dividend performance. We have considerable evidence before us that traditional management practices do not fit with today's economic situation.

Indeed, managerial philosophies that foster competitiveness and ignore system barriers to employee success have been called the root cause of business failure in America. Total quality management proponents call for new systems that will reward

and recognize high achievers and at the same time, deal with internal problems and setbacks before they affect the entire organization. The TQM theory claims to give the employee a greater sense of dignity and joy in the workplace. Meanwhile, it works to reduce tension among employees, enhance intrinsic motivation and foster greater productivity in American business.

Management's challenge is to select the right mix of pay, evaluation, teams and work design to achieve high organizational performance and ultimately, customer satisfaction.

Bibliography

BLIERSBACH, Christopher M., MHA, CPHQ, ed., National Association for Healthcare Quality, Guide to Quality Management, 1992 edition.

CARSON, Kenneth P., Robert L. Cardy and Gregory H. Dobbins, *"Upgrade the Employee Evaluation Process"*, HRMagazine, November 1992, pp. 88-92.

CASALOU, Robert F., *"TQM in Healthcare"*, Hospital and Healthcare Services Administration, Spring 1991.

CAUDRON, Shari, *"How HR Drives TQM"*, Personnel Journal, August 1993, v72, pp. 48-60.

CROSBY, Phillip B., Let's Talk Quality, McGraw-Hill Publishing Company, New York, 1990, pp. 18-25, p. 63.

DAVIS, John H., Ph.D., *"Quality Management and Compensation"*, ACA Journal, Autumn 1993, pp. 56-73.

DEMING, W. Edwards, Quality, Productivity and Competitive Position, Massachusetts Institute of Technology, Center for Advanced Engineering Study, Cambridge, MA, 1982.

DEMING, W. Edwards, Out of the Crisis, Massachusetts Institute of Technology, Center for Advanced Engineering Study, Cambridge, MA., 1982.

EVANS, James R. and William M. Lindsay, The Management and Control of Quality, 2nd ed., West Publishing Company, St. Paul, 1993, pp. 28-40.

GOMEZ-MEJIA, Luis R. and David B. Balkin, Compensation, Organizational Strategy and Firm Performance, Southwestern Publishing Co., Cincinnati, 1992, pp. 40-48.

GROSS, Steven E. and Steven J. Berman, *"The Role of Compensation in Planning Quality Improvement"*, Journal of Compensation and Benefits, September-October 1992, pp. 5-8.

HARRIGER, Dan, *"Use TQM to Reengineer Human Resources"*, HR Focus, April 1993, v70.

IVANCEVICH, John M., Peter Lorenzi, and Steven J. Skinner, Management: Quality and Competitiveness, Irwin Publishing, Boston, 1994, pp. 303-321.

KAZAMEK, Edward A. and Rosemary M. Charny, *"Improving Department Quality"*, Healthcare Financial Management, 1990.

KELLY, Mark, The Adventures of a Self-Managing Team, Pfeiffer and Company, San Diego, CA, 1991.

KENNEDY, Peter W., *"Quality Management Challenges Compensation Professionals"*, Journal of Compensation and Benefits, March-April 1993, pp. 29-35.

KOOSKA, Mary T., *"Using CQI Methods to Lower Postsurgical Wound Infection Rates"*, Hospitals, May 5, 1992.

LANNING, Joyce A. and Stephen J. O'Connor, *"The Healthcare Quality Quagmire: Some Signposts"*, Hospital and Healthcare Services Administration, Spring 1990.

LATHAM, Gary P., and Wexley, Kenneth W., Increasing Productivity Through Performance Appraisal, Addison-Wesley Publishing Company, Reading, MA., 1981.

LIEBMAN, Michael S., *"Getting Results from TQM"*, HRMagazine, September 1992, v37, pp. 34-38.

LYNN, Monty L. and David P. Osborn, *"Deming's Quality Principles: A Healthcare Application"*, Hospital and Healthcare Services Administration, Spring 1991.

ROSANDER, A.C., Deming's 14 Points Applied to Services, Marcel Dekker, Inc., New York, ASQC Quality Press, New York, 1991.

SARIN, Sanjiv, *"Can Work Measurement and TQM Get Along?"*, Industrial Engineering, October, 1993, v. 25, pp. 14-16.

SCHILDER, Jana, *"Shared Pain, Shared Gain"*, Human Resources Professional, March 1993, pp. 21-23.

SCHUSTER, Jay R. and Patricia K. Zingheim, *"Building Pay Environments to Facilitate High-Performance Teams"*, ACA Journal, Spring/Summer 1993, pp. 40-51.

TOWNSEND, Patrick L., Commit to Quality, John Wiley & Sons,. New York, 1990, pp. 161-169.

WAKEFIELD, D.S. and Wakefield, B.J., *"Overcoming Barriers to Implementation of TQM/CQI in Hospitals"*, QRB Quality Review Bulletin, March 1993.

WALTON, Mary, The Deming Management Method, Putnam Publishing, New York, 1986.

----------, *"From Program to Process"*, Personnel, June 1991, v68 (American Management Association's 62nd Annual HR Conference and Expo).

----------, *"Broadbanding: The Newest Wrinkle in Compensation Management"*, Employee Relations and Human Resource Bulletin, December 7, 1992.

----------, *"How a Broadbanding Pay Setup Can Benefit Your Company and Its Employees"*, Compensation and Benefits Manager's Report, Vol. 7, No. 10, May 21, 1993.

Reinforcement Survey

Name *Joe Anybody* Date *February, 1993*

SOCIAL	TANGIBLE	ACTIVITIES
Thank you	*Lunch with manager*	*Helping plan the budget*
Note	*Movie tickets*	*Visits to customers*
Letter	*"Best Seller" books*	*External Seminars*
Voice mail		
Tell others		

I would not enjoy receiving:

More work

Invitation to join a civic club

It's okay to put this in an "open file": Yes ✓ No

I like public reinforcement

I like private reinforcement ✓

I like planned reinforcement

I like surprise reinforcement ✓

Exhibit 1

SHAWNEE MISSION MEDICAL CENTER

GUIDELINES FOR THE PERSONAL DEVELOPMENT PROCESS

Refer to Leader's Resource Guide before completing forms.

The Personal Development Process is designed to support our Vision and Values and empower associates to become peak performers. Communication provides the framework for performance development and it is important that each associate be involved in the process.

Personal Development Planning Discussion

At the beginning of each personal development cycle, the associate and the reviewer will complete the following steps:

1. Identify Primary Customers—Each of us has contact with a variety of customers as we do our jobs. In Section 1 identify the associate's three or four primary customers—remember to consider both internal and external customers.

2. Review the Medical Center's Key Service Areas—In fulfilling our mission and serving our customers, there are certain behaviors that are expected of all associates. These are identified in Section 2 as Shawnee Mission Medical Center Key Service Areas (KSAs) and are included in each associate's personal development plan. It is important that each of these KSAs and the accountabilities be discussed, and if appropriate, job-specific examples can be added.

3. Develop or Update Job-Specific Key Service Areas, Accountabilities, and Projects—These KSAs should reflect the most important responsibilities of the job, the job description, and customer needs. It is recommended that there be no more than 3-6 KSAs. Accountabilities/Projects are functions, activities, or special projects that should be discussed throughout the personal development cycle. Identify primary customers for each Job-Specific KSA. Projects should include a target date for completion. Write Job-Specific KSAs, Accountabilities, and Projects in Section 3.

4. Establish Individual Goals—Identify personal goals and objectives. This may include a variety of areas such as skills development, continuing education, or cross training. **(Note any action plans with target dates agreed to in the recent performance review.)** Record in Section 4 and refer to throughout the year.

5. Identify Challenge Opportunities, if Appropriate—These projects or goals represent significant challenges. If a Challenge Opportunity is accomplished it will be evaluated favorably, but if it is not achieved, it will not be negatively reviewed. A Challenge Opportunity should not be performed at the expense of other KSAs. It should be recorded in Section 5.

6. Give the Associate a Copy of the Associate Accomplishment Form -- Explain that the associate can use this form to record his or her accomplishments throughout the year. Refer to Leader' Resource Guide before completing form.

7. Set a Date for a Formal Performance Coaching Session—The personal development plan provides a road map for the year. However, it is important that the plan be reviewed regularly. At least once during the year, approximately six months into the cycle, the associate and the reviewer formally will review the plan. **Choose a date for this session and record it on the front of the form under Performance Coaching Session.**

Performance Coaching Session(s)

Throughout the year, there should be frequent coaching on an informal and formal basis, including:

1. Hold Informal Coaching—Share positive feedback about accomplishments, identify obstacles, and work together to problem solve. Record comments about positive performance and opportunities for growth in the spaces provided in each KSA.

2. Conduct a Formal Performance Coaching Session—Approximately six months into the performance year, the associate and the reviewer will formally identify strengths, stretches, and targets in Section 6, the S-S-T Performance Coaching Form. Before a formal coaching session, both the reviewer and associate will complete a preliminary S-S-T form as a basis for discussion. To assure a positive outcome, the reviewer and associate collaborate in a two-way exchange focusing on the present and the future.

3. Review the Personal Development Plan, if Appropriate—We recognize that there may be a need to revise a personal development plan during the year. Revisions should be agreed upon by both the associate and the reviewer. Whenever possible, changes should be made at least three months before the performance review. The associate and the supervisor should each receive a copy of the revised plan.

Initial Employment Review

1. Complete Initial Employment Review (if appropriate) — All associates new to the Medical Center should receive a progress review at 30-days, 60-days, and 90-days in their initial employment period. Record comments and action plans in the Coaching Notes in each KSA. Associate and reviewer should sign and date the form on the cover sheet after each discussion. (If the initial employment period is to be extended, the reviewer should note the extension date and contact the Human Resources Department.)

Co-Worker Feedback Process

At any time during the year, the reviewer will:

1. Offer the Associate the Opportunity to Receive Co-worker Feedback—In the spirit of teamwork and recognizing each associate's contribution, associates will have the opportunity to receive feedback from their co-workers. A co-worker is any associate of SMMC who is familiar enough with an associate's work to provide meaningful feedback. The decision to gather co-worker feedback will be done, will be made jointly by the associate and reviewer. We suggest gathering it prior to the mid-year formal coaching session and discussing it at that session.

2. Gather Co-worker Feedback—The associate will provide the supervisor with the names of two to three co-workers to be asked for feedback. The reviewer will choose one to two additional co-workers. The reviewer will send the selected co-workers the Co-Worker Feedback Form two to three weeks before the agreed upon discussion date. When the forms are received, the reviewer will compile the comments from the co-workers on a blank copy of the form to maintain confidentiality. The original feedback forms submitted by the co-workers will be destroyed.

3. Discuss the Co-worker Feedback—At the agreed upon date, the associate and reviewer will discuss the summary Co-Worker Feedback Form. At the end of the discussion, the summary form will be given to the associate unless he or she decides it should be placed in the department personnel file.

Annual Performance Review Discussion

In preparation for the annual review, the reviewer will:

1. Schedule the Performance Review with the Associate—At least six weeks before the actual review, select a date, time, and place, and encourage the associate to complete the Associate Accomplishment Form.

2. Draft Comments on the Personal Development Process Form—Review the Associate Accomplishment Form if submitted. Use notes, records, and input from other sources to draft comments on the Personal Development Process Form. Record comments and results in the appropriate spaces for each KSA in Sections 2 and 3 and for Individual Goals in Section 4 and Challenge Opportunities (if applicable) in Section 5.

3. Conduct the Review
   - Review each KSA and discuss the reviewer's comments and the associate's comments.
   - Review the Individual Goals in Section 4. Record status or results of the Individual Goals.
   - Review the Challenge Opportunities in Section 5, and discuss results.
   - Discuss the Associate Accomplishment Form and any differences from the reviewer's evaluation. Make adjustments if pertinent information surfaces during the discussion.
   - Offer the associate the opportunity to write comments on the cover sheet of the form about his or her performance or thoughts about the Personal Development Process.
   - Indicate whether associate will receive contribution increase.

After both the reviewer and the associate have signed and dated the form, both will retain a copy for his/her personal records and forward the original copy to Personnel.

Personal Development Planning Discussion

The Personal Development Process is a cycle. The annual performance review discussion signals the end of one year and the need to plan for the upcoming year. The associate and the reviewer will establish a time to develop a new personal development plan (it may be at the same discussion). Reviewing the Medical Center and Job-Specific KSAs provides a good starting point for developing the plan.

Exhibit 3

SHAWNEE MISSION MEDICAL CENTER

PERSONAL DEVELOPMENT PROCESS

Name: _____ Annual Personal Development Cycle: From __/__/__ To __/__/__

Position: _____ Performance Coaching Session Date(s): _____/_____

Cost Center: _____ Type of Review: Initial Employment _____

Annual _____

Reviewer(s): _____ Other _____

Upon completion of annual review, send this form along with Sections 1-6 to Human Resources Department.

INITIAL EMPLOYMENT REVIEW PERIOD

30–day review completed _____ Associate Date _____ Reviewer Date

60–day review completed _____ Associate Date _____ Reviewer Date

90–day review completed _____ Associate Date _____ Reviewer Date

Successfully completed initial employment period ☐ Yes ☐ No Initial employment period extended to _____

Comments:

PERFORMANCE REVIEW COMMENTS AND SIGNATURES

Associate will receive contribution increase: ☐ Yes ☐ No

The Associate Accomplishment Form was used: ☐ Yes ☐ No

The Co-Worker Feedback Process was completed at some time this year: ☐ Yes ☐ No

Reviewer's Comments:

Associate's Comments (please include your thoughts about the Personal Development Process):

My signature indicates that I have discussed this performance review with my supervisor.

Associate's Signature Date Reviewer's Signature Date

DIMENSIONS IN PERSONAL DEVELOPMENT

SHAWNEE MISSION MEDICAL CENTER

PERSONAL DEVELOPMENT PROCESS

Send this form to Human Resources Department.

Shawnee Mission Medical Center is dedicated to improving the quality of life of our associates, patients, and the community we serve. Our guiding values are RESPECT, INTEGRITY, SERVICE, and EXCELLENCE. We believe the Personal Development Process supports this Vision and Values by empowering associates to become peak performers. The process ensures that associates understand what is expected and how they can continue to grow and develop. It also ensures that they receive ongoing recognition for what they are doing. The process also encourages associates to offer suggestions about how the Medical Center can continue to strive for excellence.

SECTION 1: PRIMARY CUSTOMERS

Identify the three or four primary customers the associate serves, and note here.

-
-
-
-

SECTION 2: SHAWNEE MISSION MEDICAL CENTER KEY SERVICE AREAS

(1) Key Service Area **RESPECT**

Recognizes and values the unique contribution of each team member.

Accountabilities/Projects:

- Works cooperatively within own department and with other services.
- Willingly assumes additional responsibility to support team efforts.
- Job-specific example(s):

Coaching Notes and Results:

DIMENSIONS IN PERSONAL DEVELOPMENT

(2) Key Service Area **INTEGRITY**

Demonstrates integrity by adhering to the highest standards of ethical behavior.

Accountabilities/Projects:

- Maintains confidentiality and promotes the dignity of others.
- Contributes appropriately to the changing conditions of the Medical Center and its customers.
- Communicates with all associates in an honest and open manner.
- Job-specific example(s):

Coaching Notes and Results:

(3) Key Service Area **SERVICE**

Demonstrates commitment to service and contributes to creating a positive, caring environment.

Accountabilities/Projects:

- Treats guests, patients, physicians, and other associates with care, courtesy, and respect.
- Consistently anticipates the needs of the customer and puts those needs first.
- Job-specific example(s):

Coaching Notes and Results:

(4) Key Service Area **EXCELLENCE**

Strives for excellence by building upon past accomplishments and striving to achieve even higher levels of success.

Accountabilities/Projects:

- Looks for and suggests ways to continually improve our services.
- Uses past experiences as a learning process.
- Job-specific example(s):

Coaching Notes and Results:

DIMENSIONS IN PERSONAL DEVELOPMENT

SECTION 3: JOB-SPECIFIC KEY [illegible]

Key Service Area _____ Customer(s) _____
Accountabilities/Projects:

Coaching Notes and Results:

Key Service Area _____ Customer(s) _____
Accountabilities/Projects:

Coaching Notes and Results:

Key Service Area _____ Customer(s) _____
Accountabilities/Projects:

Coaching Notes and Results:

DIMENSIONS IN PERSONAL DEVELOPMENT

SHAWNEE MISSION MEDICAL CENTER

ASSOCIATE ACCOMPLISHMENT FORM

Name: _____ Unit: _____

Position: _____ Annual Personal Development Cycle: From __/__/__ To __/__/__

I. Refer to your Personal Development Process Form—Sections 2 and 3. Please describe how you did in relation to what was written in the Personal Development Plan. Include examples whenever possible.

II. Please list any additional accomplishments from Sections 4 and 5, or any not included on the Personal Development Plan.

DIMENSIONS IN PERSONAL DEVELOPMENT

At the beginning of the personal development cycle, identify individual goals for the upcoming year. Discuss results during the annual performance review.

Coaching Notes and Results:

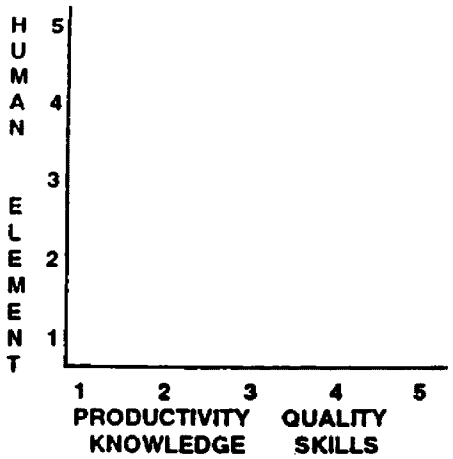
SECTION 5: CHALLENGE OPPORTUNITIES

Throughout the personal development cycle, identify challenge opportunities, when appropriate.

Coaching Notes and Results:

DIMENSIONS IN PERSONAL DEVELOPMENT

[illegible] PERFORMANCE COACHING (STRENGTHS–STRETCHES–TARGETS)



Send this form to Human Resources Department.

_____
(Associate Signature)

_____
(Coach Signature)

_____
(Coaching Session Date)

_____
(Scheduled Follow-up Date)

STRENGTHS:

-
-
-
-
-

STRETCHES: Less of...

-
-
-
-
-

STRETCHES: More of...

-
-
-
-
-

TARGETS:

-
-
-
-
-

To enhance your effectiveness, what could I do more of?

To enhance your effectiveness, what could I do less of?

DIMENSIONS IN PERSONAL DEVELOPMENT

(Used with permission of Allenbaugh Associates Inc.)

III. List any topics you would like to discuss during the review or at another time.

IV. What specific suggestions do you have that might help you or others be more effective on the job (i.e., working conditions, scheduling, orientation, staff meetings, etc.)?

V. What challenges/experiences would you like to have in your current position over the next year? How can these be accomplished?

DIMENSIONS IN PERSONAL DEVELOPMENT

Exhibit 7

CO-WORKER FEEDBACK FORM

Your Name:_____ Position:_____

Associate's Name:_____

Please Return To:_____ By:_____ (date)

At Shawnee Mission Medical Center, we're committed to excellence. In the spirit of recognizing each associate's contributions, we would like your help in providing feedback to your co-worker. Please take a few minutes to complete this form and share with us your thoughts about _____.
This is your opportunity to **"catch someone doing something right"** and help him/her identify areas for growth.

Although this person will know that you are one of a few associates who was asked for feedback, he/she will not know what your specific comments were. Your feedback along with comments from others, will be summarized and no names will be applied to the comments.

Please complete the information listed below, and when appropriate, please provide constructive comments and examples. Your comments may be the most beneficial part of the process. Thank you for your help.

RESPECT	Doing Now, Should Continue	Opportunity For Growth	Do Not Know
• Works cooperatively within own department and with other services.	____	____	____
• Willingly assumes additional responsibility to support team efforts.	____	____	____
•	____	____	____
•	____	____	____

Comments and Suggestions:_____

INTEGRITY	Doing Now, Should Continue	Opportunity For Growth	Do Not Know
• Maintains confidentiality and promotes the dignity of others.	____	____	____
• Contributes appropriately to the changing conditions of the Medical Center and its customers.	____	____	____
• Communicates with all associates in an honest and open manner.	____	____	____
•	____	____	____
•	____	____	____

Comments and Suggestions:_____

DIMENSIONS IN PERSONAL DEVELOPMENT

SERVICE	Doing Now, Should Continue	Opportunity For Growth	Do Not Know
• Treats guests, patients, physicians, and other associates with care, courtesy, and respect.	____	____	____
• Consistently anticipates the needs of the customer and puts those needs first.	____	____	____
•	____	____	____
•	____	____	____

Comments and Suggestions: _____

_____

_____

EXCELLENCE	Doing Now, Should Continue	Opportunity For Growth	Do Not Know
• Looks for and suggests ways to continually improve our services.	____	____	____
• Uses past experiences as a learning process.	____	____	____
•	____	____	____
•	____	____	____

Comments and Suggestions: _____

_____

_____

What do you especially like about working with this individual?

_____

_____

_____

Is there anything you would encourage this individual to do differently?

_____

_____

_____

ADDITIONAL COMMENTS:

_____

Original feedback forms submitted by co-workers should be destroyed. Summary form is given to associate unless he or she decides it should be placed in the Department Personnel File.

DIMENSIONS IN PERSONAL DEVELOPMENT

ANNUAL PIECE OF PAPER

The purpose of this piece of paper is to document annually that the following agenda items have been discussed:

Employee: _____ **Director/Designee:** _____

Date/Time: _____ **Department #:** _____

A G E N D A	Check Off When Done
A. Review job description and competency assessment criteria; revise as needed	_____
B. Discuss barriers to effective work and job satisfaction	_____
C. Discuss past, present, and future process improvements	_____
D. Discuss training accomplishments, needs or desires, and plan; plan future direction and action	_____
E. Discuss anything else the employee would like to talk about	_____

Continued on reverse side....

COMMENTS (May also attach comments)

This piece of paper has been reviewed by:

Employee: _____ **Director/Designee:** _____
(Signature) (Signature)

EMPLOYEE FEEDBACK PROCESS

BARRIERS TO WORK

EMPLOYEE AND LEADER PREPARATION GUIDE

Think about the following in preparation for your feedback session. Not all items need to be discussed. (This form is not turned in to Human Resources.)

1. **Is there anything the leader can do to make the employee's job easier (to help the employee)?**

2. **What, if anything, gets in the way of accomplishing the job?**

3. **If the employee was free to change one thing in the department, what would it be?**

4. **Is there anything about:**
   - **time**
   - **access to information**
   - **available technology**
   - **communication - leader; peers**
   - **the physical environment**

   that may inhibit the employee's ability to succeed?

5. **Are there any tools the employee lacks to do the job?**

6. **What are some ways to eliminate a (specific) barrier?**

Revised 2/92

EMPLOYEE FEEDBACK PROCESS

PERSONAL LEARNING

EMPLOYEE AND LEADER PREPARATION GUIDE

Think about the following in preparation for the feedback session:

(This form will not be turned in to Human Resources)

- **Internal or external training you have received since the last feedback session (formal education, workshops, etc.)**
- **QI skills you have learned**
- **Unique skills you possess which are not job related, i.e., calligraphy, foreign language, etc**
- **Skills and abilities you have that you are not currently able to use on the job**
- **Skills you would like to improve**
- **Another area about which you would like to learn**
- **Things you would like to teach others**
- **Books and/or articles you have read or would like to read**

Parkview
EPISCOPAL MEDICAL CENTER
400 WEST 16th ST. PUEBLO, CO 81003

Number A100.327
Effective Date 7/1/92
Page 1 of 2

Department: Administration	Applies to: All PEMC Employees
Subject: Shared Compensation	

POLICY:

The continuous quality improvement philosophy that drives how we do business at Parkview will increase the quality of our services and the satisfaction of our customers while decreasing our cost. Parkview believes all employees should share in the resulting improved financial performance.

1. ESTABLISHMENT OF THE SHARED COMPENSATION POOL

As part of the budgeting process, Parkview annually establishes a target for Net Income from Operations. The Board has approved allocating 25 percent of the excess of budgeted Net Income from Operations to a Shared Compensation Pool. All full time employees (and part time and PRN employees on a pro rata basis) will be potentially eligible to share in a distribution of the shred compensation pool. It is anticipated that the pool will be distributed to the employees twice per year.

The Shared Compensation Program has been established on a one year trial basis for fiscal year 1991-92. Based on this year's experience, it may or may not be continued in future years.

Parkview retains the authority to modify or terminate the shared compensation program and pool at any time. The program is designed solely to reward and recognize employees based on the success of the organization. It is designed as compensation above and beyond the wage and salary program of the hospital and nothing in the program is intended to violate wage and salary laws or jeopardize the IRS tax exempt status of the hospital. There is no guarantee that on either proposed distribution date any shared compensation will be available for distribution. This is not a vested benefit. The size of individual shares is dependent on the financial success of the organization and the number of actual eligible employees.

Reviewed				Approvals:
				President/Chief Executive Officer
Revised				Chairman, PEMC Board of Directors

parkview
EPISCOPAL MEDICAL CENTER
400 WEST 16th ST PUEBLO CO 81003

Number A100.327

Effective Date 7/1/92

Page _____ of _____

Department:	Applies to:
Subject:	

2. ELIGIBILITY

All full time, part time and PRN employees who are employed on the date of distribution will be potentially eligible for up to one share of the pool. Leased employees are not eligible. Shares will be distributed on the basis of paid hours worked during the periods 7/01/91 - 12/31/91 and 1/01/92 - 6/30/93. Employees accruing more than 800 hours during the period prior to distribution may receive 1 share. Employees accruing more than 400 but less than 800 hours may receive 1/2 share.

3. DISTRIBUTION

It is anticipated there will be two distributions. The first distribution is scheduled to take place in February of 1992. The second distribution is scheduled for September 1992 after receipt of the year-end audited financial statements.

4. COMMUNICATION

Each month, Parkview will communicate the year to date size of the pool, the number of potentially eligible shares, and the estimated employee share value.

Feedback Worksheet

Individual/Team: _____

Provide an understanding of the following:	Completed
1. The New Feedback System	1.
2. The Network and Department Philosophies and Strategies	2.
3. The Experiments on Process Improvement	3.
4. The QIP Fundamentals	4.

Complete the following:

This individual/team participates in the following processes:

What data do we have to measure how our processes are meeting our custormer needs?

What process improvements will the individual/team be involved in during the next review period? How will we measure gains from these improvements?

What would expand the individual's knowledge and skills? How might these new items be attained?

My signature indicates I have discussed the above items with my supervisor or designee.

Employee signature and date

Supervisor or designee signature and date

Check as appropriate:
- ☐ *Individual's first draft.*
- ☐ *Supervisor's first draft.*
- ☒ *Consensus form (to be brought to Roundtable).*
- ☐ *Final form.*

SAMPLE IPDP - FIRST YEAR

Graniterock

Individual Professional Development Plan

Name: Ima Driver **IPDP Plan Year:** 1 / 94 (month / year) to 1 / 95 (month / year)

Position: Mixer Driver **Branch/Location:** Monterey - 341

Hire Date: June 1, 1993 **Time in Current Position:** 6 months

A. Major Job Responsibilities: *Include major responsibilities; new responsibilities made possible by last year's development (star these with *).*

1. Operate all vehicles in a safe, courteous manner.
2. Ensure customer satisfaction by delivering the specified product to the right place at the right time.
3. Maintain daily vehicle inspection reports, assuring that each vehicle is safe and well-maintained.
4. Support the nine Corporate Objectives and all company policies while striving for continuous improvement; follow established procedures.

B. Summary of 19 93 IPDP Results: *Include items from Section E, Column 2 of last year's IPDP, using same numbering. Precede each item with A, AM, AP, NAM or NA. Also, list other special accomplishments (star these with *).*

First year participation; no prior IPDP.

Special accomplishments:
- * completed first six months of Graniterock service without any accidents or violations.
- * attended driver training/vehicle inspection class.
- * actively participated on Branch Driver Safety Quality Team.

C. Strengths on the Job: *Include clearly exceptional strengths that are displayed consistently and new strengths added this year (star these new strengths with *).*

1. Good understanding of company objectives, policies and procedures.
2. Safety conscious; sets a strong positive example for others.
3. Strong driving skills; familiar with each make of mixer trucks in use at the Branch.
4. Sees what needs to be done and does it.
5. Seeks opportunities to learn.

D. Major Developmental Objectives: *Describe what you want to learn to do in the next twelve months. Include new skill development that can enhance job performance quality, job satisfaction, and general professional growth. Also, you may want to include new skill development that could lead to interesting new challenges. Use format : "Learn _____ so that I can _____."*

1. Learn the company's numbering system for mix designs so that I can provide even better customer service and catch potential mistakes.
2. Increase my skills in dealing with emotional people so that I can handle an unhappy customer more effectively.
3. Learn streets and terrain of the territory that I drive so that I can find the quickest, safest routes for my deliveries.
4. Learn about mix designs (what they are designed to do) so that I can answer customer questions and guard against wrong applications.
5. Learn additional safety techniques so that I can be sure to operate without personal injury or property damage.

F. Quarterly Review of Progress

1st Quarter:

Achievements:
1a. Met for half hour with the branch Salesperson, Dispatcher and Manager regarding mix design. Completed by 2/15/94.
1b. Passed quiz on 3/1/94.
3a. Logged total of 10 hours studying maps. Completed on 3/25/94.
3b. Drove alternative routes and compared times. Completed on 3/25/94.

Modifications to Developmental Plan:

None

Date Completed: 4/5/94

2nd Quarter

Achievements:
1c. On 7/7/94, reported to Branch Manager one instance of using new mix design knowledge.
2a. Attended Frontline Leadership module on "Dealing with Emotional Behavior" on 6/14/94.
3c. On 5/20/94, demonstrated to Dispatcher the ability to identify quickest, safest routes along with good alternatives to three job sites.

Modifications to Developmental Plan:

Date Completed 7/20/94

3rd Quarter

Achievements:
5a. Completed safety training on 8/10/94 (first opportunity).
2c. On 9/23/94, reported two instances of dealing effectively with two customers who had been unhappy.

Modifications to Developmental Plan:
2b. Night school commitment conflicts with Dale Carnegie course. Course participation postponed until next year.
4a. Unable to leave town for a week. Instead attended seminars at Quarry: "Gradation & Basic Procedure > for Aggregates" and "Basic Concrete Technology" completed on 8/3/94. Date Completed 10/10/94

This Individual Professional Development Plan is intended to encourage investment in people skills and knowledge growth. It is intended to support your developmental and career objectives. As a development planning and tracking method, it does <u>not</u> assess job performance.

rev 1/94

E. Developmental Plan for the Period Beginning 1 / 94 *and Ending* 1 / 95 .

Column 1 - Planned Experiences/Activities: Include how skills will be learned, with at least one learning activity/experience per objective in Section D. Number items so as to correspond to Section D.	Column 2 - Observable Measures: Include criteria which will demonstrate that the planned activities/experiences from Column 1 have been completed and that each objective in Section D has been met. Include target dates.
1. Be instructed by the Branch Sales-person, Dispatcher and Manager with regard to the code patterns of mix design numbers.	1. a. Meet 1/2 hour with each person by 4/1/94. b. Branch Salesperson to quiz me to establish that I know all commonly used mix designs; quiz to be given by 5/1/94. c. By 12/1/94, report to Branch Manager at least 3 instances using my new mix design knowledge.
2. a. Attend Frontline Leadership module on "Dealing with Emotional Behavior." b. Enroll in Dale Carnegie course on "Public Speaking and Human Relations."	2. a. Complete Frontline Leadership module by 10/1/94. b. Complete Carnegie course by 8/1/94. c. By 12/1/94, reported to Branch Manager two instances of dealing effectively with two customers who had been unhappy.
3. Study maps and drive alternate routes.	3. a. Log total of 10 hours studying maps by 4/1/94. b. Log comparisons of time needed to drive main route and at least one alternate route to three general areas to which we frequently deliver concrete. Do this by 5/15/94. c. Demonstrate to Dispatcher by 6/1/94 the ability to identify the quickest, safest route to 3 job sites. Do this by 7/1/94.
4. Enroll in PCA Concrete school in Chicago.	4. a. Complete school and pass final exam by 9/1/94. b. Report to Branch Manager three instances of answering customer questions regarding mix designs. Do so by 11/1/94.
5. Attend Safety training given by Tony Serpas.	5. a. Complete training by 6/1/94. b. Complete 1994 with zero lost-time accidents, zero preventable collisions, and zero moving violations.

(Sign below on final form after Roundtable discussion:)

Manager/Supervisor Date

Individual Date

C. Strengths on the Job: *Include clearly exceptional strengths that are displayed consistently and new strengths added this year (star these new strengths with *).*

1. Good understanding of company objectives, policies and procedures.
2. Safety conscious; sets a strong positive example for others.
3. Strong driving skills; familiar with each make of mixer trucks in use at the Branch.
4. Seeks opportunities to learn.

*5. Well-liked by customers and fellow drivers.

*6. Respected as a Driver Trainer.

D. Major Developmental Objectives: *Describe what you want to learn to do in the next twelve months. Include new skill development that can enhance job performance quality, job satisfaction, and general professional growth. Also, you may want to include new skill development that could lead to interesting new challenges. Use format : "Learn _____ so that I can _____."*

1. Further increase people skills so that I can handle difficult people even better and generally do an excellent job of representing the Company.
2. Learn to drive a forklift so that I am qualified to drive building material trucks.
3. Learn basic computer skills so that I can understand batching and dispatching systems.

E. Developmental Plan for the Period Beginning 1 / 95 *and Ending* 1 / 96 .

Column 1 - Planned Experiences/Activities: Include how skills will be learned, with at least one learning activity/experience per objective in Section D. Number items so as to correspond to Section D.	Column 2 - Observable Measures: Include criteria which will demonstrate that the planned activities/experiences from Column 1 have been completed and that each objective in Section D has been met. Include target dates.
1. a. Enroll in Dale Carnegie course on "Public Speaking and Human Relations."	1. a. Complete Carnegie course by 6/1/95.
b. Read book entitled Coping With Difficult People (1992) by Robert Bramson.	b. Read book by 3/1/95.
	c. By 9/1/95, report to Branch Manager two successful instances of dealing effectively with very difficult people.
2. Attend in-house forklift training.	2. a. Complete training by 10/2/95.
	b. Be certified by Tony Serpas by 10/31/95.
3. a. Take in-house computer course ("Introduction to Personal Computers") taught by Brian Day.	3. a. Complete computer course by 7/1/95.
b. Spend two hours per quarter observing Dispatcher and Batch Person.	b. Confirm two hours spend each quarter.
	c. Demonstrate to Batch Person and Dispatcher the ability to operate their computers. Do so by 12/29/95.

(Sign below on final form after Roundtable discussion:)

Manager/Supervisor Date

Individual Date

F. Quarterly Review of Progress

1st Quarter:

Achievements:

Modifications to Developmental Plan:

Date Completed: _____

2nd Quarter

Achievements:

Modifications to Developmental Plan:

Date Completed _____

3rd Quarter

Achievements:

Modifications to Developmental Plan:

Date Completed_____

This Individual Professional Development Plan is intended to encourage investment in people skills and knowledge growth. It is intended to support your developmental and career objectives. As a development planning and tracking method, it does <u>not</u> assess job performance.

rev 1/94

GUIDE TO SAMPLE IPDPs

Ima Driver is a Mixer Driver at the Monterey Peninsula Branch. She is very enthusiastic about her IPDP. She and her Branch Manager have worked hard on her IPDP. They have taken care to follow recommended guidelines so that Ima will achieve the greatest possible benefit from her IPDP.

Ima and her Branch Manager would like to share the results of their efforts with you. Attached are Ima's first (1994-95) and second (1995-96) IPDPs. They would like you to notice the following:

	1994-95 IPDP	1995-96 IPDP
Section A	Includes supporting the 9 Corporate Objectives and all company policies while striving for continuous improvement.	same
		Ima has a new responsibility (Driver Trainer) as a result of new professional development in the past year. This new responsibility is starred.
Section B	This is her first IPDP so there are no IPDP results to review. However, she does have 3 special accomplishments - even though she has worked for the Company for only 6 months. These special accomplishments are starred.	You can readily tell which of Ima's observable measures were achieved and which were not. Brief explanations are provided for each item. Items are numbered exactly as they were in Section E, Column 2 of last year's IPDP. In addition to achieving 10 observable measures she has 4 special accomplishments. Ima has had an excellent year (though it may have been better if she had had fewer observable measures to achieve and had achieved all of them).

Section C	Strengths listed are clearly exceptional for a new employee. Ima does not list characteristics that should be taken for granted, such as "comes to work on time."	Two new strengths are listed (and starred). The second of these is clearly a result of her professional development. She dropped one strength last year because she believes it is something that should now be taken for granted in an experienced Graniterock Person.
Section D	Each objective listed is something that Ima wants to learn to do. (All objectives should involve both learning and doing. IPDP objectives should not involve learning without doing or doing without learning.) It is clear what Ima expects to gain by completing each objective she has listed (the "so that" statement).	Ima has chosen a more manageable number of objectives this year. (It is better to list one or two objectives and achieve all that are listed than it is to strive for too much.) She has repeated one objective that she wants to do more work on.
Section E Column 1	There is at least one developmental experience for each objective listed in Section D. Developmental experiences indicate how Ima will go about learning to do that which she wants to be able to do. Developmental experiences are numbered to correspond to the objectives. When there is more than one experience listed for an objective, the letters "a", "b", "c", are used. Developmental experiences are as specific as possible. Exact titles of seminars, books, etc. are used. The dates of availability of seminars are checked in advance.	Same.

Section E Column 2	There is at least one observable measure listed for each developmental objective. Observable measures are how Ima will assess whether or not she has followed through with her planned developmental experience. The observable measures are numbered to correspond to the developmental experiences. Normally, two kinds of observable measures are listed: (1) a measure that indicates that the developmental experience will be completed by a certain target date, and (2) a measure that indicates that Ima is able to apply her new knowledge (that there is a practical benefit). This second type of observable measure usually is very similar to the "so that" statements used in Section D.	Same.
Section F	This section is for tracking progress. It is completed by Ima's supervisor/manager who normally just records responses in handwriting or printing (no need to type them). Doing quarterly reviews accomplishes several things (1) Ima gets useful guidance that help her fulfill her commitments, (2) her supervisor/manager is reminded to be sure to provide any support (release time, etc.) she may need, (3) commitments can be renegotiated (modified or excused) when unavoidable obstacles arise, and (4) completion of objective B of next year's IPDP is made much easier.	Not applicable - yet.

Other notes: Ima and her supervisor/manager agree about everything that is listed on her IPDP. It is a true consensus document.

They have not tried to use the IPDP to address performance problems.

If there had not been enough space on the IPDP form, they could have attached continuation pages.