

7 Reasons Productivity Management Programs belongs in HR

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It was the early 90's. I was young(er) and was the HR Director at a mid-sized hospital that had just been acquired by a for-profit national chain. If you were alive then, you know that HCA/Columbia and other for-profit wannabes saw huge opportunities in the healthcare industry. Their march across the country made General Sherman look like a piker!

These chains brought serious cost controls to the hospitals they acquired by aggressive supply chain management, but mostly by reducing labor costs. Hospitals are hugely labor intensive and most had been laxly managed. How many staff it took to take care of patients was largely a subjective determination.

A methodology for determining the appropriate staffing for a work volume that could vary on a daily basis had been created by the for-profits (and a few savvy not-for-profit) organizations. Hence, productivity (staffing) standards were introduced. In a nutshell, these targets indicated what the level of staffing should be based upon the volume.

We had been under this new ownership for a few weeks. I had already been to the attitude adjustment center where the new CEO informed me that he didn't need the HR department to be cheerleaders, but to be "experts in the management and utilization of human resources! (I have written on this already.)

A Revelation

As I am going through the cafeteria line one day, a cafeteria worker said to me ***"you are asking us to make bricks without straw"!***

This was an "aha" moment for me. I realized reduced staffing levels were being mandated without much change in the work. No one was operating with higher staffing because they were evil or lazy, it was because that was the staffing they

thought they needed to accomplish the work.

My reaction was " I could do this better and with less pain to the organization"!

At that time, reduced staffing levels were being introduced rather harshly. Whether being implemented in a for-profit acquisition or in an aggressive not-for-profit hospital, it was generally done by informing the manager of the new staffing targets that would be achieved the next day. Perhaps the thinking was that this non-negotiable demand would drive change in work processes. It eventually did, but at tremendous cost relative to turnover, organizational reputation, morale, etc.

A Better Approach

In my mind, if it was to be done right, an organization needed to address the work itself rather than just limiting workers. In other words, rather than just cutting off the supply (available hours of staffing), it would be better to reduce the demand (change the work so less hours are needed).

Could it be done better? Absolutely!

Proving my point

I was hired by a not-for-profit organization which had just hired a new COO. The hospital had 500 beds and 2200 employees in two facilities. While the COO had the authority, I had the experience. We set out to reduce the worked hours and total labor costs.

At the end of the first year, we had reduced the worked hours by 400 FTEs (approximately 18%) without a single layoff. It was all accomplished via attrition, transfer, cross-training, etc. The financial impact was to reduce labor costs by \$10-12 million.

While that was truly an accomplishment, any for-profit or aggressive cost cutter could have achieved the same thing. What was truly remarkable that at the end of the same year, our employee engagement survey showed the highest employee satisfaction ever recorded by the hospital. Additionally, the clinical quality measures also increased.

What we did differently

- We told employees up front that there would be no involuntary layoffs
- We focused on work processes and how to improve them
- Employees were involved in teams making changes
- We attempted to embed “better, faster, cheaper” in culture through a variety of methods including rewards, incentives, compensation, recognition, etc.
- HR managed the productivity reporting and management system

Most hospitals now have some sort of productivity management system regardless of their profit status. However, in most organizations this program resides in Finance or Operations. HR stays far away from it-probably because *it might be unpleasant, and Lord knows, we don't want to be a part of that.*

The reasons

Why am I convinced that this should be owned by HR? Let me list the ways that it benefits both the organization and HR.

- To be expert at the utilization of human resources means that **we should have an understanding of what people are being asked to do.**
- **The HR body of knowledge should contain unique skills and tools to maximize the work itself (for both the employee and the organization)**
- **The CHRO position should be comparable to the CFO position.** This means in both scope and responsibility. As CHRO, I want to know everything that is happening with the utilization of labor the same way that the CFO understands everything financial in the organization.
- **The same department that understands and manages the productivity program, is also managing the employee requisition/hiring, compensation, evaluation, and recognition programs.** For true success, productivity has to be a part of all of these programs (or they need to be a part of your productivity program).
- **It gets HR's hands dirty in Operations!** (you know, the stuff all your other managers have to do.) Rather than sitting in a separate silo focusing on servicing the employees, HR is now an asset helping operating

departments meet their goals.

- **Rather than pointing to subjective measures, HR can point to the real dollar impact they have on the organization.**
- **Selfishly, I believe that this is the best path for any CHRO who wants to be taken seriously -and maybe even a shot at the corner office.**

While I advocate that the overall program should reside in HR, this does not mean that HR dictates any specific staffing standard for any department or nursing unit. But HR should be responsible for generating the labor reports, assisting managers in achieving targets, obtaining benchmark data, designing programs that further labor cost reductions throughout the organization.

If you already have a productivity system and HR is not involved, it is time to become involved. A good start is developing an understanding of what it is and how it works. Let your boss know that you are interested. It may be up to the individual departments and there is no roll-up of information.

If your organization does not have a productivity management program, this is your golden opportunity to really shine! Be the first to run the actual productivity numbers for senior management. I did that at one hospital and they were shocked at the hours per patient day in some units. No one had looked at it that way.

Get real, get your hands dirty providing real world solutions for the problems your managers face. Show senior leadership that HR can lead efforts to reduce labor costs by \$ X million. You will be surprised how much HR's credibility will increase. Perhaps they won't even hate us anymore!