TYING PROFESSIONAL PAY TO PRODUCTIVITY

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By Liz Spayd
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For the past two months, hospital administrator Norman Webb has been trying to achieve the impossible.

In a small rural Illinois town called Pekin, Webb has set out to measure the productivity of professionals the same way you would that of an assembler. In short, he's trying to speed up the line on the nurses, radiologists and other professionals who work at the hospital he runs. The better the work, the better the pay.

The efforts afoot at Pekin Memorial are being played out in white-collar settings all over the country. Suddenly, it is beginning to dawn on executives that in their zeal to improve the productivity of line workers by linking pay to performance, they somehow overlooked everybody else.

New York consulting firm Towers Perrin in a recent survey of 77,000 jobs found that companies are far more aggressive in providing production workers with incentives and bonuses than they are the managers and professionals who often oversee things. White-collar employees earning between $20,000 and $50,000 get barely 1 percent of their pay from performance-tied bonuses, the survey found. Compensation specialists estimate that the comparable percentage for blue-collar workers is four to five times that.

This failure to focus on the corporation's middle ranks for productivity gains is less an oversight than it is the result of management's somewhat natural resistance to sift and quantify the work of people who consider themselves professionals. And for good reason, since it probably surprises no one that engineers and architects offer up plenty of back talk when management starts trying to tabulate their output.

But that reluctance may be outmoded in an age when service, not manufacturing, drives the economy.

"One CEO I know says to employees, 'If you tell me I can't measure what you're doing, I'm not sure I need you here,' " recalls Michael Emig, a compensation consultant with Wyatt Co. in Washington. "The fact is, any work that people are paid to do can be measured. The trick is to go in with an open mind."

For Webb, it was a sense of desperation that prompted his application of factory-floor management to hospital administration. In the case of the nurses, he looked at the number of patients seen per day per nurse and from there began examining how they spent their time.

Now, nurses have PALs (personal assistant liaisons) to do the pillow fluffing and paper shuffling for them. This not only boosts the nursing staff's productivity but keeps payroll costs down -- PALs make $4 an hour compared with anywhere from $10 to $16 per hour for nurses.

Webb then moved to other departments. In radiology, he discovered that considerable productivity gains could be made if the number of faulty tests were reduced; elsewhere, it was the number of patient complaints that were targeted. To help ensure that productivity goals are met, the paychecks of top managers now reflect their ability to meet department goals, a compensation plan that eventually will spread throughout the hospital.

According to Arthur Andersen & Co., which consulted Pekin Memorial on its plan, the keystone to implementing productivity bonuses is putting everything in measurable terms, considering such factors as accuracy, speed, cost, quality -- even creativity.

"A lot of management falters because it doesn't set specific targets for all departments," says Ron Skwarek, a specialist in white-collar productivity for Arthur Andersen in Chicago.

Consultants such as Skwarek argue that, even if the job is that of a graphic artist, there are ways of measuring output. How long has it taken other people in the same job to complete artwork of similar complexity? How well is the work being received by customers?

Once the job has been quantified, the next step is to examine the processes by which work is done, dividing them into those that add value and those that don't. Those that don't should be eliminated.

Studies show white-collar workers on average spend 75 percent of their time doing non-value-added tasks, Skwarek said. But defining the waste and eliminating it are two different things. And for productivity to increase, proper employment of the compensation lever is critical.

A bank teller might be rewarded for the number of customers processed in a week, but penalized for every customer who complains about service. In jobs where it's difficult to measure the output of a single worker, compensation might be linked to a group's ability to meet certain goals, an increasingly common approach.

Whatever the approach, Wyatt's Emig encourages companies to think big -- meaning bonuses as high as 25 percent of salary.

"The basic idea is borrowed from B.F. Skinner, who taught us that behavior which is positively reinforced will be repeated," says Emig. "But it doesn't work if people don't consider the money worth striving for."