

# Pathways to Partnership

“We believe that now is the time to enter into a new way of doing business. Now is the time to unite around our common purposes and work together to most effectively deliver high quality health care and prevail in our new, highly competitive environment. Labor-management collaboration produces superior health care outcomes, market leading competitive performance, and a superior workplace for Kaiser Permanente employees.” —Labor-Management Partnership Agreement

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# Why Partner?

**T**HE PRINCIPLES OUTLINED IN THE LABOR-MANAGEMENT PARTNERSHIP AGREEMENT ratified in 1997 by Unions and Kaiser Permanente—portions of which appear on the cover of the booklet you are holding—sound sensible and desirable. But in fact, they are a dramatic departure from the way most health care organizations and unions conduct business. And they are a dramatic departure from the way we have been doing business. In the mid-1990s, at the time the partnership agreement was being drafted by union and management leaders, a decade of pitched battles had exhausted and demoralized both sides.

It hadn't always been that way. Back in the 1940s, Kaiser Permanente and Unions made history by changing the face of health care—pioneering a radically new way to deliver quality, affordable health care to working families.

Kaiser Permanente was actually built with help from unions, dedicated to providing—for the first time in American history—affordable, quality health care for 30,000 workers building World War II ships in Richmond, across the bay from San Francisco. In fact, Kaiser Permanente was once so closely identified with unions that during the 1950s, most large employers were openly hostile to the organization, and Kaiser Permanente relied on unions to provide almost all of its health plan members.

Over the years, Kaiser Permanente's unionized workers worked hard, and in return, enjoyed the industry's highest wages and benefits—and most of the time we enjoyed labor peace. Productivity was strong, the quality of care was high, and rates were affordable.

But in the late 1980s, all that began to unravel. A new breed of for-profit HMOs surfaced, aggressively underbidding Kaiser Permanente on price. Fierce economic pressure squeezed the company hard to cut costs. In response, Kaiser Permanente leadership sought concessions from managers and then in turn went from bargaining table to bargaining table seeking relief from each union. Wages, benefits, and morale were eroded. Strikes and ultimately a corporate pressure campaign by unions wracked the organization.

The company's response to competitive pressures, declining margins, and member losses resulted in frozen or reduced wages and benefits, increased employment instability, and added measures to assure control and compliance. Morale plummeted and commitment declined as employees became increasingly disengaged. Consequently, organizational performance dropped, exacerbating Kaiser Permanente's problems in the marketplace.

After years of increasing hostility between Unions and Kaiser Permanente—which, after all, remained the nation's largest unionized HMO—labor and management separately came to realize they were locked in a no-win downward spiral. The unions wanted to maintain the best wages and working conditions, management wanted to be more competitive, and

both sides wanted to give the best possible patient care. But the hostile climate was moving us even farther away from achieving any of our goals.

As we looked to the future, unions and management foresaw only more turbulence, more challenge, and more uncertainty and anxiety. The way we had been doing business in the past was not up to the challenge of the future. Like other industries wracked by structural change, we knew we had to do more than cut costs.

It was time to rethink our whole approach. Our employees cared deeply about the company's success, but had little access to the decision making process that contributed to it. Our future success would depend on our ability to create workplaces that would enable and encourage employees' full contribution.

In September of 1995, John Sweeney—then the head of the largest Kaiser Permanente union, soon to become head of the AFL-CIO—and David Lawrence, M.D., CEO of Kaiser Permanente, began considering a national labor-management partnership as an alternative to the deteriorating relationship.

After more than a year of public wrangling punctuated by private discussions, an agreement was reached.

## **PATHWAYS TO PARTNERSHIP**

Successful partnerships require clarity of purpose and a shared view of the partnership arrangements. Our partnership is meant to improve performance but is not limited just to success in the marketplace. Success must benefit members, physicians, managers, employees and their unions.

We will improve our performance by better utilizing the workforce. Employees throughout the organization must make decisions and take actions to improve performance and better address member needs. This requires that employees have the skills, knowledge, information, and authority to make sound decisions and perform effectively. Engaged and involved employees will be highly committed to their work and contribute fully.

Union and management leaders arrived at our Partnership model by examining the successes and failures of other labor-management partnerships. What we learned might be summarized in one word: reciprocity. Business performance and results can be achieved only when there is an equal emphasis on benefiting the people of Kaiser Permanente. There is an indisputable correlation between business success and success for people. The only sustainable competitive advantage we can obtain is through the better utilization and support of the people of Kaiser Permanente.

All of the people of Kaiser Permanente want employment and income security. We all desire a meaningful voice in determining how our work is done. We all wish to be treated in ways that respect our knowledge and experience and permit and encourage the delivery of high quality healthcare. We want to both contribute to and share in the success of Kaiser Permanente.

Recognizing these fundamental business principles, the Senior Partnership Committee—made up of top labor and management leaders—adopted a partnership model that provides the framework for all we hope to do and achieve.

**Southwest Airlines is the most heavily unionized carrier, it is the carrier most frequently benchmarked and imitated by other carriers, it pays the highest wages and benefits in the industry, while providing the lowest rates and best on-time performance for its customers. How can this be possible? The answer is simple: it has the most deeply engaged and committed employees in the industry. Our partnership will achieve the same for us.**



## THE PARTNERSHIP EQUATION: PERFORMANCE RESULTS FOR KP = RESULTS FOR KP PEOPLE

Our partnership model is most often referred to as the Partnership Equation\*. It could just as well be called the Performance Equation: Performance Results for Kaiser Permanente = Results for Kaiser Permanente People.

In the late 1980s and much of the 1990s, declining performance results for our business led to declining employment and income security, tighter workplace controls and a work environment that was far less rewarding. Declines on one side of the equation result in declines on the other.

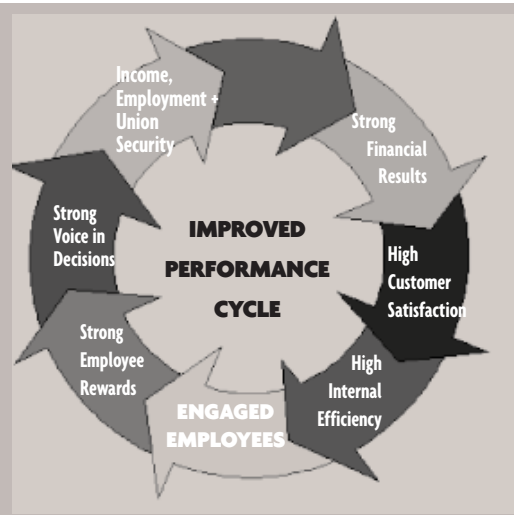
Less security, voice and satisfaction led to less involvement, lower morale and poorer performance. A dangerous and accelerating downward spiral was hurting all.

The partnership is determined to reverse this spiral, creating an upward cycle of improving business performance by addressing the needs and interests of employees, whose contributions in turn will assure the increased performance of Kaiser Permanente—no matter how turbulent the health care environment becomes.

## THE CHALLENGE

Our old, traditional workplace model has a long history. Its roots extend deep into the collective psyche of union-management leaders and employees alike. There is no way we can replace it instantly. New knowledge and skills must be developed and new roles must be learned. Flexible work processes will need to be jointly redesigned, and virtually all aspects of how the organization is managed will need to be revised. Unions and employees will acquire the knowledge and depth of understanding to participate fully in business planning, budgeting and management decisions. Our goal is no less than the transformation of an organizational culture that is all too often rule-driven and control-based—to a value-driven culture in which there exists a mutual commitment between the organization and the people of the organization.

To provide guidance in executing this Partnership model, the SPC created an implementation plan titled *Pathways to Partnership*. *Pathways* is an outline of a three-phase, five-year process of transforming our organization. It is assumed that each Service Area or Region will spend twelve to eighteen months completing each phase. The chapters that follow provide an overview of each of the three phases: Foundation Building, Transition(s), and Full Partnership.



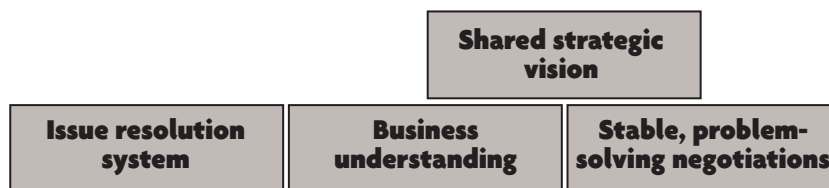
\*The Partnership Equation model was formulated by Restructuring Associates Inc. (RAI). Kaiser Permanente and the partner Unions jointly selected RAI in 1996 to assist us in developing our partnership.

It is no small order to remove labor and management rigidity in the workplace and introduce new systems of work. Structural reform of this sort requires a strong and stable foundation. That foundation must include a detailed vision for the organization shared by all employees, a thorough understanding by all employees of the business and how they affect business results, an effective system for resolving day-to-day issues, and a stable structure and problem-solving process for negotiating collective bargaining agreements.

Intensive work has been underway to address these foundational issues. That work must now be diffused throughout the organization by Partnership Teams.

In 1999, Partnership Teams of top managers, union leaders, and physicians began forming in Service Areas and Regions. These teams jointly received education while writing their own action plans based on *Pathways*. This process then extended to the facility and work-group level. Working together, labor and managers choose priority projects and immediate problems to solve while building the foundation or infrastructure needed to support this transformation in the long term.

## **PARTNERSHIP FOUNDATION BLOCKS**



**Our goal is no less than the transformation of an organizational culture that is all too often rule-driven and control-based—to a value-driven culture in which there exists a mutual commitment between the organization and the people of the organization.**

# Foundation Building

## LAYING A SOLID FOUNDATION FOR REAL CHANGE BY LEARNING TO SHARE INFORMATION AND DECISION MAKING

**M**ANY OF US SPENT DECADES OF OUR WORKING LIVES LEARNING TO NAVIGATE workplaces under the traditional labor-management model. Unfortunately, we've all learned some habits and attitudes along the way which do not support a positive work environment or the success of Kaiser Permanente. If we're serious about a new approach, we'll need a solid foundation for change. The Foundation Building Phase of partnership development focuses on building the four Partnership foundation blocks. (See diagram page xx.)

The Foundation Building stage begins with the formation of joint labor-management Partnership Teams at the Service Area/Regional level. At first these Partnership Teams will, over the course of several weeks, spend a number of intensive days working together—first in joint education, then in the facilitated development of an action plan. This one-year Foundation Building action plan immediately begins to infuse partnership principles into daily operations.

The action plan addresses two major needs. First, throughout the Service Area or Region, all employees receive education, orientation, and preparation for partnership activities. At the same time, “target projects” are identified and launched as full partnership activities, designed to demonstrate high-leverage performance improvements around a specific problem or opportunity.

As the infrastructure is built, the level of employee engagement increases with increased understanding of the business. Employees have greater opportunity to affect how their work is done. They are assured that their employment and/or income is not in jeopardy as change proceeds. Dysfunctional and wasteful conflict resolution systems are addressed.

### **THE ACTION PLAN INCLUDES:**

**Target projects will aim for breakthroughs** ➤

The action plan identifies two to three key “target projects” to be executed as soon as feasible. These projects are high-leverage opportunities to achieve quantum breakthroughs, as opposed to modest or marginal changes in existing methods. They are conducted as “Full Partnership” activities in accord with the business plan and people goals of the organization.

**New leadership roles for union leaders and managers** ➤

On a Service Area or Region-wide basis, the action plan prepares union leaders and managers for their new roles through education, introduction to new processes, and clearly specified new behavioral expectations. Managers involve union leaders in business plan-

## **FOUNDATION BUILDING ACTIVITY: THE SPIRIT OF THE PARTNERSHIP**

Management and labor must learn to understand and solve each other's problems. The Partnership Team should embody Partnership principles and behavior. It should insist that all in the Service Area or Region act in the spirit of Partnership. In so doing, it should vigorously pursue information sharing, involvement and participation, excellence, and accountability.

Sharing information, acquiring knowledge and skills, and learning to make joint decisions are at the heart of Foundation Building. By involving those who have a stake in the decision, and/or those who have knowledge that would enhance the quality of the decision, we get both better decisions and a greater commitment to their successful execution.

Here are some key principles for successful Foundation Building activities:

1. Get input early: when you get people involved early in defining as well as solving a problem, you'll get better input, more ideas, and better results.
2. Explain what you ultimately did with the input you received.
3. Share your information fully.
4. If you use a task force or off-line committee, make sure unions and management choose their own representatives.
5. Keep everyone apprised of changes, new expectations, etc.
6. In everything you do, adopt the attitude that "my problem is your problem, and your problem is my problem."
7. In everything you do, ask whether it strengthens or weakens the Partnership.

ning, budgeting, and management staff meetings. Their insights immediately add a valuable perspective that expands as they become more knowledgeable in these areas.

Managers also need a planned transition to their new and expanded roles. During this phase, managers solicit the ideas of employees and increasingly involve them in decisions about their work; keep employees abreast of business plans and current performance; and frequently use joint problem-solving groups or task forces to tackle important business and staff concerns. Managers will begin to rely on the entire team to create a better work environment.

The entire team will begin to share responsibility for getting the team's job done. Employees may take on a wider range of responsibilities than they may have previously performed. They will begin to work as a team. Flexibility will be key. Employees and unions will increase their support for marketing activities to retain members and grow.

The Foundation Building phase is marked by widespread orientation and education. All employees become familiar with the Partnership and its goals and plans, as well as industry trends, market forces, health care economics and business strategy. A one-day Partnership Orientation program may be delivered using internal resources. In addition, all union leaders and management within the Service Area or Region complete interest-based

**Orientation and education  
for all employees**

problem solving training provided by the Federal Mediation and Conciliation Service (FMCS) at no cost to Kaiser Permanente. Managers may also need some coaching or training about how to involve employees in decisions; and employees may need some training with targets and performance measures and how to track them and communicate about them.

There is a particularly urgent need for education on quality issues including: how we define, measure and validate the quality of care; customer perceptions, current performance, quality and affordability issues in decision-making, and resources needed; and existing quality structures and accountabilities.

**Develop union capacity to partner**

Local union leaders' involvement and support will be key to the partnership's success. They must have a clear understanding of the union as stakeholders including union interests, goals, values, strategy and structure. They must be able to assure employee interests are represented in the decision-making process.

**Develop performance targets and measures**

During the Foundation Building phase, labor and management will jointly begin developing localized baseline data for the targeted problems they choose to solve. That which gets measured gets done. The Service Area or Region chooses a few measures that are understood, relevant, and which they have capacity to affect.

**Workforce plan**

The action plan includes a long-term workforce plan to avoid the future possibility of layoffs and assure the right number of people with the capabilities to meet future needs. The Partnership Team also develops an interim plan to deal with unexpected occurrences that might jeopardize employment security.

**Develop new labor relations skills**

In periods leading up to formal contract negotiations, partnership activities will help create an environment that minimizes destructive conflict. Interest-based problem solving is the norm for contract administration, negotiations, and the resolution of non-contractual workplace issues. There is a specific plan for the widespread use of effective problem resolution, skills and procedures. The Partnership Team tries to resolve contractual issues that may be slowing progress toward partnership goals and serves as the preferred forum for reconciling conflict between partnering institutions.

**Communicate frequently**

The Foundation Building action plan also includes a detailed communications system for communicating plans, problems and progress to all employees-with an emphasis on how staff contributes to quality care and service. Frequent updates on business plans, current performance and competitive threats are included.

**Align and integrate functions**

Finally, the action plan for the Foundation Building phase ensures the new model is integrated throughout the organization, within clinical departments, human resources, communications, organizational effectiveness/organizational development., and all other departments.



# Transition Phases

## MOVING CLOSER TO FULL PARTNERSHIP

**D**URING THE TRANSITION PHASES, THE COVERAGE AND INTENSITY OF THE PARTNERSHIP is expanded as we move toward the vision of the Partnership: delivering superior health care, with superior people and superior systems.

The Senior Partnership Committee (SPC) originally envisioned two Transition Phases. As these phases are implemented, partnership processes are consistently infused into facilities and workgroups until we engage all employees. For each transition phase, Partnership Teams develop their own detailed action plans. Priorities, timelines, and progression are specific to the issues, structure, size and other characteristics of each Service Area or Region. Some areas may even decide to collapse the two transition phases into a single phase.

Once the Foundation Phase has been successfully and jointly completed, wide latitude is available for truly customizing the next phase or phases to meet the particular circumstances and interests of the area partners. These customized plans, however, follow some broad guidelines and are reviewed by the SPC.

## GUIDELINES FOR TRANSITION

A key focus of the Transition Stage(s) is extending shared decision making. The goal is to increase integration of union leaders into strategic initiatives, business planning, quality processes, technology and staffing decisions and to increase participation in resolving issues at all levels. Units broaden the scope of partnership activities, with more people contributing solutions. As people gain new skills, they transition from being limited to input and consultation, to greater consultation and consensus in decision-making. Development of union and management leadership is broadening and going deeper into the facility level.

For all employees, the goal is much wider and deeper participation. Increased numbers of people are engaged in greater participation, problem-solving, and decision-making on how they do their work.

Consensus decision making is becoming the norm for managers and union leaders. The

◀ **More shared decision making**

transformation is now highly visible at the workgroup level. Appropriate union and management representatives modify collective bargaining agreements as needed to accommodate agreed upon changes. For all employees, there is a heavy emphasis on business understanding and how they as employees impact business results. Added skill development and the use of data enables workgroups to self-direct with assistance from managers acting in their new roles as resources to the group.

**Wide understanding of quality and measures**

➤ Significant progress is made connecting people to quality improvement processes. During the Transition phases, joint teams assess, localize, adapt and/or create quality action plans, based on locally relevant quality measurements and goals. Education about targets and measures extends beyond union leaders and managers, to all employees.

**Employees have more voice**

➤ Given the ever-accelerating pace of change, appropriate labor and management representatives must be able to modify collective bargaining agreements as needed

During the Transition Phase(s), business performance is increasingly driven by the widespread understanding and involvement of all employees. The process is characterized less by target projects and more by partnership integration with day-to-day operations. Ownership through engagement becomes the norm. On the people side of the partnership equation, the voice of employees in planning, organizing and executing work becomes far more pronounced.

**Business results have improved**

➤ Employees have a better understanding of the business of Kaiser Permanente and are better able to measure their impact on performance targets. Teams will know how well they have performed. Each team's goals will support measurable market-leading competitive performance.

**Employees are enthusiastic about marketing Kaiser Permanente**

➤ With greater input into quality measures and results, employees will naturally become more engaged and enthusiastic about marketing Kaiser Permanente and increasing health plan membership.

# Full Partnership

## **PARTNERS IN PROVIDING A SUPERIOR HEALTH CARE EXPERIENCE**

**A**T THE FULL PARTNERSHIP STAGE, ALL THE PEOPLE OF KAISER PERMANENTE fully understand what contributes to business success, they understand what they must do in order to make a real difference, and they're motivated to do it.

At this point, union leadership is fully integrated into the daily and strategic decision-making processes of the organization. Union leaders and members are fully knowledgeable about the health care environment, budget, and performance issues.

The decision-making process always includes stakeholders (anyone who will be affected by the outcome), and/or those with the knowledge, skills, and experience to contribute to the decision. Decision making occurs as close to the Health Plan members as practical. Consensus is the norm for decision making.

At Kaiser Permanente, people find real meaning and personal fulfillment in their work. Employees perform in fully self-directed work teams. They have created real-time information systems to monitor cost, quality, and performance, which provide feedback and permit immediate self-correction. Consistent with union contracts and legal limitations, staff participate in personnel selection, evaluations, improvement efforts, training needs, budgets, etc.

Departmental budgets and business plans are jointly prepared and monitored by a manager and department union leader with ongoing input from the whole team. Local market/medical center/area budgets are jointly written and monitored.

Multi-disciplinary teams, highly focused and accountable, are supported by sufficient numbers of managers. The role of managers shifts from monitoring to providing support for teams as needed.

Management and union leaders' roles are multi-faceted, serving as a source of technical expertise, managing interactions between groups, monitoring performance, and providing support to problem solving groups.

Labor-management relations have also undergone a profound change. Now the focus is joint problem solving. Rather than relying on power and legal positions, both parties invest in meeting each others' needs. Values rather than rules guide decisions. The parties use interests rather than positions to solve issues. As partners, we acknowledge the relationship to be far more important than any single transaction. We identify and solve issues collaboratively.

Bargaining agreements are less codified and more value-based. We jointly monitor and take appropriate actions to assure resolution of issues. Non-punitive systems are developed to allow learning from mistakes.

**Decisions are made by  
consensus**

**Jobs are empowering and  
fulfilling**

**Managers support teams**

**We solve problems jointly  
and collaboratively**

Collectively bargained wage rates, benefits, and compensation systems are aligned to support the business strategy and partnership goals.

**We enjoy employment security**

Employment security has been achieved through a planning system that maximizes the use of attrition, training, and other systems to avoid displacement. Layoffs are no longer necessary.

**With everyone contributing, we give the highest quality care**

Quality is our top goal. All employees believe that doing a job well requires constantly improving it. They function effectively as team members delivering a superior healthcare experience.

Our facilities are characterized by an open and empowering atmosphere. Physicians, staff and health plan managers share a common vision and understanding of what is required to deliver quality care. Quality care permeates all contact the organization has with members and involves everyone and their contribution to the healthcare experience.

**Employees market Kaiser Permanente**

Union partners take responsibility for making Kaiser Permanente the provider of choice for unions across the country.

**We share responsibility for company successes and failures**

Kaiser Permanente is ranked top in employee satisfaction, quality care and other performance measures—and we all share credit.

## **THE PARTNERSHIP VISION**

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In the 1940s, Kaiser Permanente and Unions pioneered a then-unheard-of concept: quality, affordable care for working families. Today, thanks to the organization we built together, it is the norm for health maintenance organizations.

As we begin a new century, Kaiser Permanente and Unions are ready once again to transform the face of health care. As public concern about health care grows, more consumers will be motivated to turn to the superior results provided by our not-for-profit group model of integrated care. By working together in a way never before tried in health care, we can show the world that there is an alternative to for-profit healthcare.

A substantial body of research clearly shows that High Performing Organizations typically outperform traditional organizations by 30 to 50 percent. Furthermore, they provide a secure but challenging work environment where groups of employees are largely managing their own work as if it were their own independent business, making Kaiser Permanente a better place to work.

We can make health care work for people again. We share the goals of top quality, true shared leadership and decision making, and market-leading performance. The labor-management partnership is our operations strategy for achieving our goals and transforming Kaiser Permanente to meet the challenges of the 21st Century.