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RESEARCH BRIEF:
Eliminating Wasteful Work in Hospitals
Improves Margin, Quality and Culture

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ABOUT THE MURPHY LEADERSHIP INSTITUTE
The Murphy Leadership Institute is a management consulting firm that helps healthcare and business organizations achieve financial success, build committed cultures, develop great leaders and manage large-scale change. The firm has 30 years experience and has helped more than 1000 organizations achieve success. The Murphy Leadership Institute is headquartered in Washington, DC. Visit us online at www.murphyleadershipinstitute.com.

ABOUT THE AUTHOR
Mark Murphy is President & CEO of the Murphy Leadership Institute. Mark is a winner of the Healthcare Financial Management Association's Best Article and Research Award. His research has appeared in Nursing Management, USA Today and the Harvard Management Update, among others. Mark has consulted to such organizations as Blue Cross/Blue Shield, the Surgeon General, Yale New Haven Hospital, and the University of Miami Hospital and Clinics. Mark holds an MBA from the University of Rochester.

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FOR MORE INFORMATION CONTACT:
Mark Murphy
President & CEO
Murphy Leadership Institute
1025 Connecticut Ave NW, Suite 1012
Washington, DC   20036
202-857-9798
mark@murphyleadershipinstitute.com

A new study of 71 hospitals, involving 74,827 employees, has discovered that wasteful work, i.e. work that adds no value to patients or other customers, consumes 35% of hospital employees' time. But when this wasteful work is eliminated, operating margins, employee perceptions of quality, and employee commitment all increase significantly.

The Murphy Leadership Institute, a healthcare consulting firm based in Washington, DC, analyzed the operations of 71 hospitals throughout 2002-2003 using a proprietary operational assessment called Right Work/Right Role™— a survey-based tool that assesses areas of operational waste, the design of job roles, and the efficiency of work processes.

Based on the Right Work/Right Role™ analysis of 71 hospitals, the Murphy Leadership Institute discovered that, on average, 35% of hospital employees' time is spent on wasteful work. This wasteful work can include Delays, Rework, Meetings That Last Too Long, Redundant Communication, Waiting for Physicians, and Completing Multiple Forms for the Same Task. This wasteful work affects every job role, from nurses to pharmacists to managers to techs to assistants to housekeepers.

According to Mark Murphy, CEO of the Murphy Leadership Institute and lead study author, "In an era where patient safety is paramount, staffing shortages abound, and operating margins are hard fought, every minute a hospital employee is forced to spend on wasteful work represents time not spent with a patient, a misuse of very scare employee time, and wasted labor dollars."

Which wasteful activities are the worst offenders? Using a dictionary of 55 potentially wasteful activities, Right Work/Right Role™ identified the Top 10 Most Wasteful Activities as follows, in alphabetical order...

- Completing multiple forms for the same task
- Inefficient shift-to-shift or departmental reports
- Interruptions by telephone calls
- Locating equipment
- Medications unavailable or delayed
- Meetings that last too long
- Searching for or correcting misplaced record
- Unnecessary or redundant communication
- Waiting for physicians
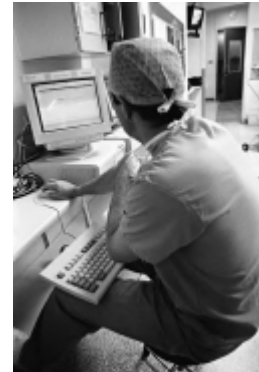- Waiting for something from another department
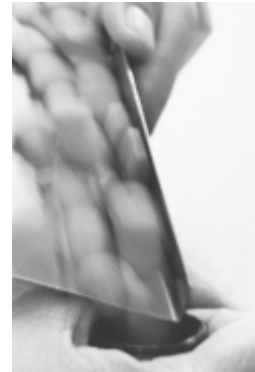
35% of hospital employees' time is spent on wasteful work.

There is a significant negative link between the amount of time an organization spends on wasteful work and that organization's operating margin (with a correlation of -.57). This means that organizations that spend less time on wasteful work will likely have higher operating margins.
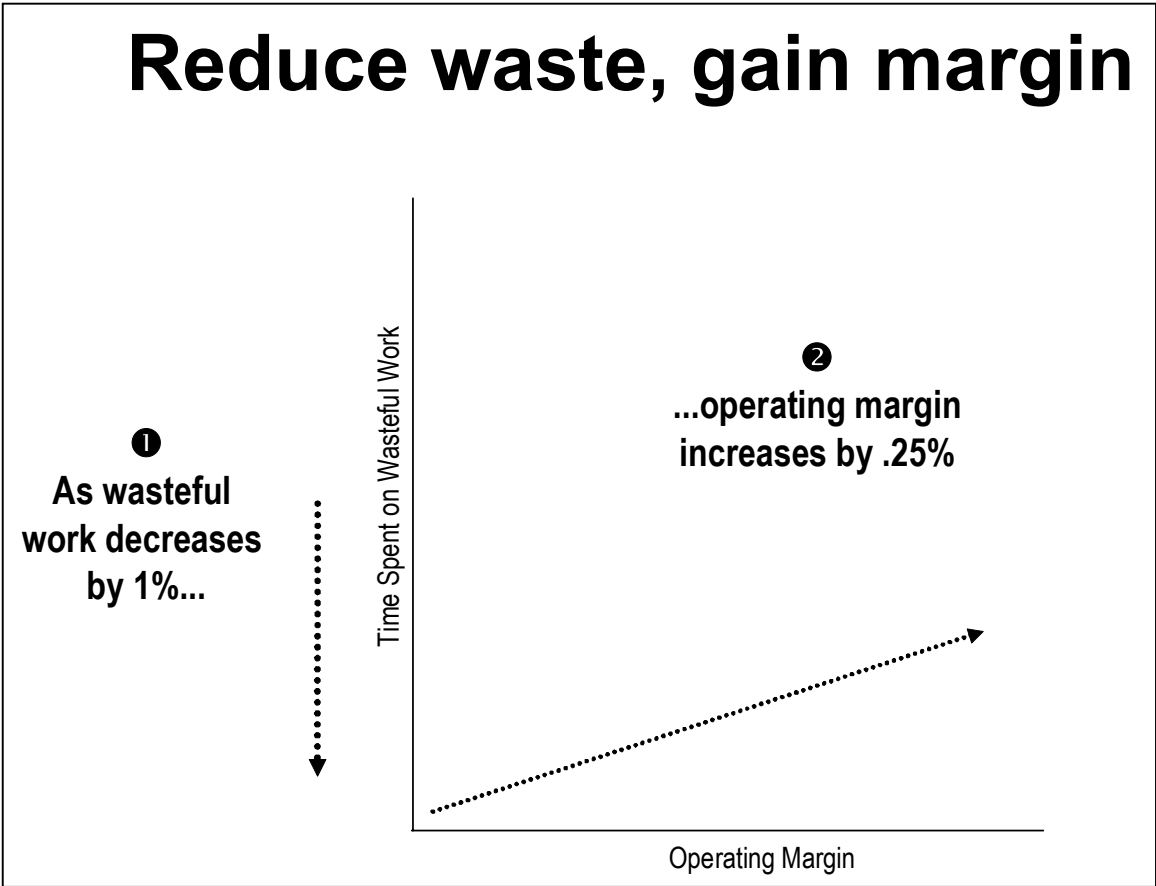
Many wasteful activities lead directly to increased overtime or premium payroll dollars. For example, the study found a significant positive link between the wasteful activity "Inefficient shift-to-shift or departmental reports" and paid overtime dollars on Nursing units (with a correlation of .42). The more inefficient the shift-to-shift reports, the more overtime will be incurred. Or conversely, as Nursing units eliminate the waste from their shift-to-shift reports, their paid overtime dollars decrease. With research suggesting that burnout from long hours is driving nurses away from healthcare, reducing overtime by eliminating wasteful work can provide both a financial and a cultural benefit to hospitals.

A statistical model developed by the Murphy Leadership Institute finds that every 1 percentage point of waste that gets eliminated leads to an operating margin increase of .25 points. For example, a hospital that reduces their percentage of time spent on wasteful work by 10 percentage points will likely experience an operating margin boost of 2.5 percentage points. (See Figure 1, next page).

Murphy notes "Wasteful work represents 'margin points' scattered throughout the organization. When an organization can diagnose exactly what wasteful activities are causing the most harm, in which departments and in which job roles, the waste can be eliminated in a way that leads directly to an improved bottom line. We've seen our clients eliminate waste and add several margin points in just a few months."

Wasteful work represents 'margin points' scattered throughout the organization.

Figure 1.   6

Reduce waste, gain margin

❶
**As wasteful
work decreases
by 1%...**

❷
**...operating margin
increases by .25%**

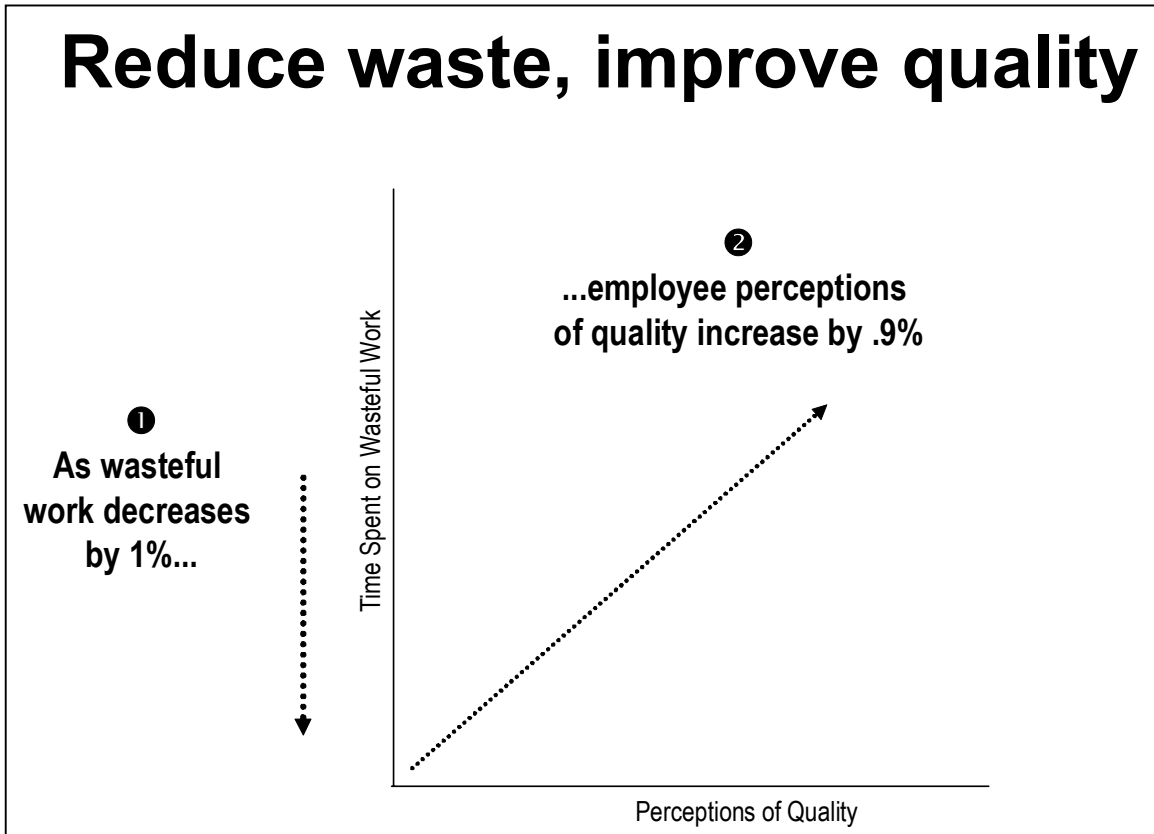Time Spent on Wasteful Work

Operating Margin

There is a significant negative link between the amount of time an organization spends on wasteful work and the percentage of employees who believe that the quality of care delivered to patients is excellent (with a correlation of -.55). This means that the less time an organization spends on wasteful work, the more likely employees are to view the quality of care favorably.

Additionally, a statistical model developed by the Murphy Leadership Institute finds that every 1 percentage point of waste that gets eliminated leads to a .9 percentage point increase in employee ratings of the organization's quality of care. (See Figure 2, next page).

Murphy notes "Hospital employees know better than anyone how time spent on waste like 'medication delays' can lead to a poor patient experience. And in hospitals, employee perceptions of quality can quickly become the community's reality. If an organization's employees think the quality is poor, it's quite likely that everyone in the community will expect or experience poor quality. And that can directly damage an organization's market share and revenue."

The less time an organization spends on wasteful work, the more likely employees are to view the quality of care favorably..

Figure 2. 8

Reduce waste, improve quality

❷
...employee perceptions
of quality increase by .9%

❶
**As wasteful
work decreases
by 1%...**

Time Spent on Wasteful Work
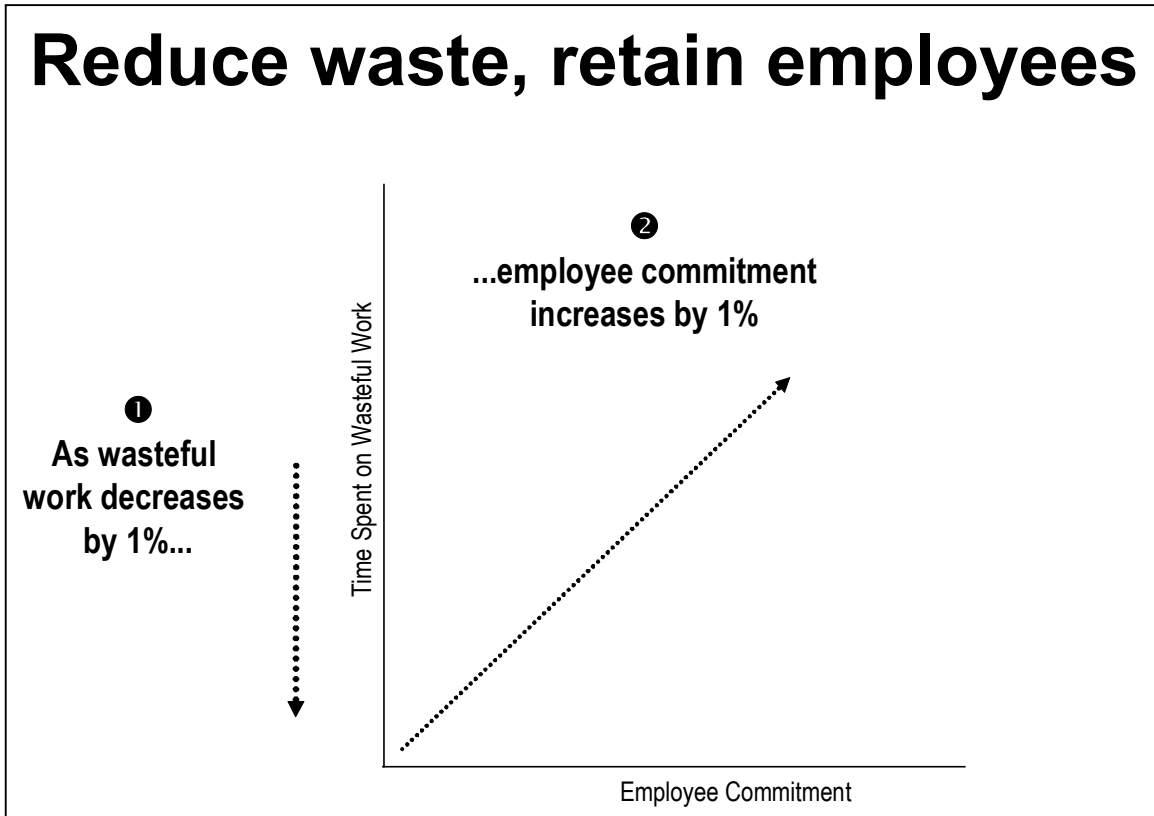
Perceptions of Quality

There is a significant negative link between the amount of time an organization spends on wasteful work and the percentage of employees who will recommend that organization as a good place to work (with a correlation of -.61). This means that organizations that spend less time on wasteful work will be seen by their employees as being a more desirable place to work.

Additionally, a statistical model developed by the Murphy Leadership Institute finds that every 1 percentage point of waste that gets eliminated leads to a 1 percentage point increase in employee ratings of the organization as a good place to work. (See Figure 3, next page).

"Wasteful work is inherently frustrating and demoralizing" says Murphy. "So in a time of intense staffing shortages, it seems quite shortsighted to spend significant dollars recruiting staff into a frustrating and demoralizing situation that they'll just end up quitting a few months later. A key to keeping staff is to tackle a root cause of why they leave by eliminating the wasteful work that causes staff burnout. This study is very clear: If you want employees to view your organization as a good place to work, eliminate the wasteful work."

Wasteful work is inherently frustrating and demoralizing.

Figure 3. 10

Reduce waste, retain employees

❶ As wasteful work decreases by 1%...

❷ ...employee commitment increases by 1%

Time Spent on Wasteful Work

Employee Commitment

Organizations with wasteful operations are less financially successful, deliver poorer quality and offer a less desirable work environment. The good news, however, is that with the right tools, wasteful work can be eliminated.

When an organization uses a tool like Right Work/Right Role™ to diagnose exactly what wasteful activities are causing the most harm, in which departments and in which job roles, the waste can be eliminated in a way that leads directly to an improved bottom line.

Because employees dislike waste and believe that it damages quality, getting "buy-in" to eliminate waste is a forgone conclusion. Murphy Leadership Institute consulting clients are able to eliminate wasteful work and add several margin points in a matter of months. As Mark Murphy notes "These findings are quite hopeful. Hospitals really can achieve financial success without cultural distress."

Murphy continues "We are entering a new era of operational management. Hospitals are recognizing that operational excellence requires a distinct science with its own tools, strategies and methodologies. While some organizations have tried to tackle operational issues through 'service' or 'culture' or 'satisfaction' initiatives, our work shows that only when an organization makes operational excellence a distinct priority (ala businesses like Wal-Mart, GE or Dell) will they achieve significant bottom-line success. And, hospitals that identify and eliminate wasteful work can leapfrog their competitors by increasing their capital base through improved margins, alleviating staffing shortages, becoming a more attractive employer, and delivering higher quality."

These findings are quite hopeful. Hospitals really can achieve financial success without cultural distress.