Transforming management and leadership systems in pursuit of performance excellence

How systematically applying management and leadership systems so they support and enhance each other can increase service line volume, operational margins, and employee engagement

With growth comes complexity. How can a highly successful healthcare organization transform operationally to meet new market challenges and to develop the management and leadership systems that will enable it to go from good to great?

A member of Catholic Health East, St. Mary Medical Center (SMMC) in Langhome, PA, is the most comprehensive medical resource serving the 620,000 people of Bucks County. The 366-bed center has a staff of more than 650 physicians and 2,400 employees.

SMMC has achieved tremendous growth over the past eight years, and with that success has come organizational growing pains. “Things that used to work when we were a $120 million organization weren’t working as we became a $400 million organization,” says Patrick Knaus, senior vice president for strategy and business development.

Specifically, Knaus says, SMMC management systems and leadership programs were not robust enough to meet the needs of an increasingly complex organization. In addition, significant competitive and demographic changes were affecting their market. New hospitals were being built nearby. Senior and baby boomer populations in the area were growing faster than the national average. The regulatory landscape was evolving. Their market was changing and the ability to respond organizationally was necessary. “We needed to be prepared to handle these changes—to make sure we had alignment around our objectives and the resources we needed to accomplish them,” he says. In early 2009, SMMC engaged the Performance Solutions team from GE Healthcare to help it better align leadership excellence to performance.

The process began by determining the center’s primary strategic imperatives. The management team identified four areas: service line growth, performance optimization, service to community, and physician engagement. “One of the common mistakes that hospitals make is trying to do everything at once. That’s a recipe for failure because then nothing gets done,” Knaus says. “By identifying the major initiatives that would help us improve our position in the future, we became focused. We were then able to set targets, identify the resources required to get the results we wanted, and bring it all together under a single management system.”
Senior leaders were chosen to head each strategic imperative team, and managers from the operating departments critical to each imperative were tapped to work together in developing strategies to achieve the targets. The service line growth team, for example, engaged representatives from radiology, cardiology, oncology, outpatient cardiac rehabilitation, and outpatient therapy. Their efforts, and those of the other teams, were enabled by a common operational framework based on proven GE management principles that included:

- One-year and three-year strategic operating plans
- An operating calendar to provide rhythm, rigor, and purpose to operating mechanisms
- Detailed work plans, backed by metrics and milestones
- A quarterly operating review process to assess progress, identify areas for improvement, and ensure accountability

“The quarterly operating review process now drives our capital and resource planning. Instead of a shotgun approach to tactical development, our people become much more adept at identifying actions that will leverage the outcome we’re seeking,” says Mark Nessel, senior vice president of operations at SMMC.

Nessel says this growth in management capabilities was accompanied by a few “growing pains” as the team members adapted to the new operational processes. One change was setting a specific annual growth target for each service line. “That number was a little scary at first. It forced us to step back and look at the changes we needed to put in place to make it happen,” says Chrissy Colistro, chief of physical therapy at SMMC.

“We learned that we needed to dig down deep and look at our programs at the granular level, examining charges and codes and volumes and all the pieces that go into our business,” says Jeanette Bernacki, nurse manager of cardiopulmonary rehabilitation at SMMC. “The more granular and more focused we got, the easier it became to achieve the outcomes we wanted.”

The individual teams met twice monthly to share results and information, in preparation for the quarterly review sessions and report-outs. “Using the operating processes and templates GE Healthcare brought in, we were able to filter through all the information to get to the key components that would help us effect change,” says Scott Hartman, director of cardiopulmonary services at SMMC and team leader.

It may be important to note that the day-to-day operations did not pause as the senior team and management deployed these systems. They simultaneously drove business results and engaged in leadership development and growth. The team members found it challenging in the first year to find the time to focus on strategy and operating mechanisms, but as they persevered, they realized an important shift from primarily day-to-day operations to a balance of both strategic and operational focus. Finding the additional 30% to 40% of management’s time needed to invest into the accountability, development, and growth of management was enabled through the robust and efficient operating mechanism, leadership systems, and delegation it adopted.

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CREATING A CULTURE OF PERFORMANCE AND ACCOUNTABILITY

The other major thrust of the effort was taking the center’s performance management program to a new level. “We can have all the great ideas in the world but if we don’t have effective leaders to implement those ideas, we’re not going to get anywhere,” Knaus says. The center integrated a leadership development model from GE Healthcare as a systematic process for creating a performance culture that includes employee coaching techniques, performance evaluations, talent reviews, and follow-up.

“By formalizing and enhancing our existing performance management system, our leaders now have a better sense of what they are trying to accomplish,” says Mary Sweeney, vice president of colleague resources and development at SMMC.

The GE leadership system helps an organization clearly define values and competencies to build a framework for evaluating and developing employee skills. Employee activities are aligned to organizational strategy, and performance evaluations center on the employee’s contributions toward achieving those goals and objectives. This process, which ties the actions of the individual to the progress of the organization, helps to increase employee accountability and create a culture of performance excellence. SMMC was able to concurrently assess, coach, and develop leaders on fronts most relevant to the direction of the organization. A deep, stable pool of talent is surfacing from this system.

GROWTH IN REVENUE AND OPERATING MARGINS

Results from the first 12 months of operating under the new management and leadership systems have been spectacular.

Service Line Growth: Six out of eight service lines at SMMC exceeded its revenue growth targets, five by double digits. Outpatient therapy and outpatient cardiac rehabilitation, for example, had a combined target of $5 million in revenue growth from 2008 to 2009—a 10% increase. Instead, SMMC achieved a 21% increase, driving more than $10 million in incremental revenue.

• In outpatient therapy, the growth was achieved primarily by implementing a new scheduling process that improved the consistency of therapist-patient assignments, Colistro says. This one change had a cascading effect that led to faster treatment discharges, creating capacity for more patients; greater patient loyalty, with fewer no-shows and drop-outs; and the need for more therapists and additional treatment space to handle increased demand, driving more jobs in the community.

• In cardiac rehab, managers implemented a proactive referral approach, collaborating with cardiologists to customize the process to their individual needs. “Reaching out to the cardiologists has strengthened those relationships and increased our referrals,” Bernacki says.

“Seeing the tremendous growth in these two departments was energizing for the team,” Hartman says. “The management system is showing us how to work together collectively and dig deep within our resources to be the market leader. We now have a zeal for excellence.”

Performance Optimization: The hospital’s operating margin increased 56% from 2008 to 2009. “There are many levers that go into improving operating margin,” says Gail Kosyla, senior vice president and chief financial officer of SMMC. “We picked our growth areas and then looked at the other side of the equation—performance improvement—to optimize the results of increasing our service line volumes.”
Her strategic imperative team focused on such issues as improving the center’s revenue cycle, increasing staff productivity and effectiveness, freeing up internal capacity to accommodate additional patient volume, and reducing waste in the supply chain. “If our organization had just concentrated on service line growth without also improving how we operate, then we could not have achieved these results,” Kosyla says.

Colleague Engagement: Implementing a formalized performance management system with clear goals and objectives has helped transform the workplace at SMMC. “Everyone is moving in the same direction, and performance excellence is becoming embedded in our culture,” Sweeney says. That evolution can be seen in the hospital’s recent colleague engagement survey scores, which rank at the 94th percentile nationally.

The new management system, with its team-based approach to strategic planning and implementation, also is helping employees develop their leadership potential. “It’s encouraging and empowering to be able to take ownership and steer your own department’s growth,” Colistro says.

LOOKING AHEAD

The management system has taken processes that SMMC already had in place and made them more structured, timely, and focused, Nessel says. “The focus provided by the GE team has helped accelerate our improvement efforts. In the future, if we hit any roadblocks or challenges, we are going to be much better prepared to react to change,” he says.

“One of the most rewarding things is the talent we’re developing,” Knaus says. “By integrating key employees into the planning and development of initiatives, we’ve uncorked a lot of energy that will serve as the primary engine to move our organization forward.”

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