

Hardwiring Accountability

Sustaining Results through an Objective Leader Evaluation System

By Dan Collard

Why do so many initiatives fail in organizations? There is an absence of an objective accountability system.

With 80,000 employees and 12,000 physicians at 116 hospitals in 28 states, Franklin, Tenn.-based Community Health Systems (CHS) is the nation's largest for-profit health care delivery system. In fact, CHS-affiliated hospitals served more than 850,000 patients in 2007.

When CHS acquired 56 Triad hospitals in the summer of 2007, it was eager to quickly align both organizations culturally and operationally, a process that typically takes organizations many years to achieve. "We credit our operational excellence today to the development of a standardized and centralized business model," explains Wayne T. Smith, chairman, president, and CEO of CHS. "Standardizing all leaders' goals and evaluations was a big part of our success because it established the same priorities organization wide."

By aligning organizational systems and performance management under five Pillars—People, Service, Quality, Finance, and Growth—CHS was able to develop 15 leader evaluation goals that cascaded to 4,000 leaders—anyone with supervisory responsibility—at all 116 facilities. The CHS Web-based

Leader Evaluation Manager™ (LEM) holds all leaders accountable for meeting these goals through the use of objective and weighted leader evaluations. This then forms the foundation for its organization-wide practice of evidence-based leadership, using objective evidence to ensure excellence as measured by goal metrics under each pillar.

The Foundation for Results

Why do so many initiatives fail in organizations? There is an absence of an objective accountability system. As a result, organizational priorities are not met even though the majority of leaders receive strong performance reviews. And yet, the stakes for organizational performance have never been higher.

High employee turnover is costly. Most sources estimate that the individual turnover cost is equal to one to three times a person's annual compensation (salary plus benefits).

While CHS is just a year and a half into the roll-out and tracking of its standardized goals, results are already trending well. For example, the CHS corporate goal is to reduce employee turnover at all facilities below 15 percent.

The organization-wide focus on reducing turnover also has boosted employee satisfaction. CHS now publicly reports clinical quality data to consumers who can compare and choose hospitals by logging on to hospitalcompare.hhs.gov.

Reimbursement is at stake too, as CHS plans to award greater increases to hospitals that demonstrate higher clinical quality. As a result, there is a real opportunity for human resources executives to impact positive organizational outcomes in a dramatic way, by leading the implementation of an objective evaluation system that achieves these results.

What a Good Evaluation Looks Like

To learn if your organization has an effective leadership evaluation system in place, pull the most recent performance evaluations of high-performing leaders in your organization. Do they match the overall results your organization achieved last year? Is it possible for a leader to

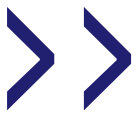
Bottom-line Results

Service	Quality	People	Finance	Growth	Community
<ul style="list-style-type: none"> ▼ Reduced claims ▼ Reduced legal expenses ▼ Reduced malpractice expense ▼ Physician Satisfaction ▼ Patient Satisfaction 	<ul style="list-style-type: none"> ▼ Improved clinical outcomes – decreased nosocomial infections ▼ Reduced medically unnecessary days and delays ▼ Reduced re-admits ▼ Reduced medication errors 	<ul style="list-style-type: none"> ▼ Reduced turnover ▼ Reduced vacancies ▼ Reduced agency costs ▼ Reduced overtime ▼ Reduced physicals & cost to orient 	<ul style="list-style-type: none"> ▼ Improved operating income ▼ Decreased cost per adjusted discharge ▼ Improved collections ▼ Reduced accounts receivable days ▼ Reduced advertising costs 	<ul style="list-style-type: none"> ▼ Higher volume ▼ Increased revenue ▼ Decreased left without treatment in the ED ▼ Reduced outpatient no-shows ▼ Increased physician activity 	<ul style="list-style-type: none"> ▼ Increased Philanthropy

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Organizations that use an objective, weighted and measurable leader evaluation tool to track and manage priorities typically achieve these results in People, Service, Quality, Finance, and Growth.





perform poorly but still receive a good evaluation? If the answer to these questions is yes, one of the main challenges is setting measurable, objective goals. In most organizations, nearly three-fourths of leaders will receive “substantially exceeds” evaluations while the organization typically does not exceed three-fourths of its goals. So why the disconnect?

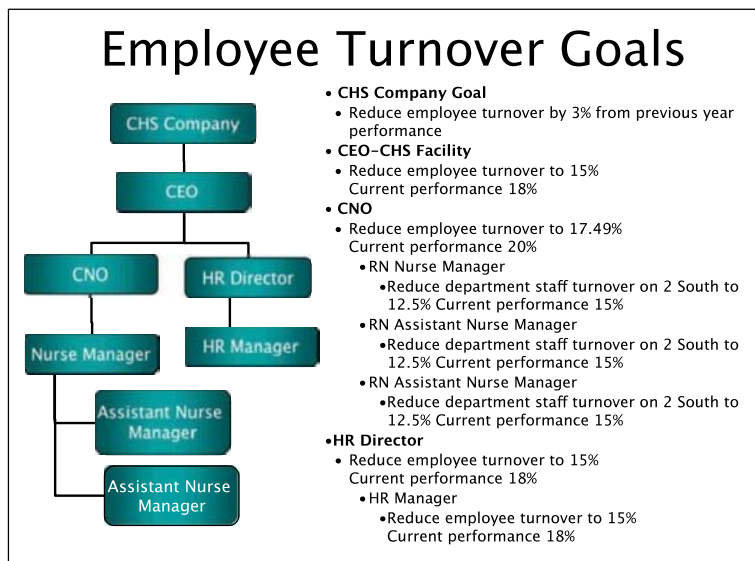
In assessing the leader evaluation tools of many organizations, typically the right things are not measured. Because leaders frequently are evaluated on subjective behaviors or competencies rather than achievement of outcomes, organizations are unable to achieve and sustain results. Leaders can continue to receive good evaluations for sub-par performance while the organization regresses or stays stagnant. Competency does not ensure consistent execution. They describe “what” we do, rather than how well we achieve objectives by demonstrating these competencies. Measurable objectives, on the other hand, show leaders expected outcomes and reveal the competencies necessary to achieve them. Perhaps the most dangerous aspect of subjective leader evaluations is that poor performers frequently get good evaluations. The result? The organization cannot meet its overall goals or sustain results.

A leader evaluation must be objective, measurable, and weighted. Also, goals are best measured on a one to five metric range for optimal results. If an organization aligns leaders’ evaluations to desired organizational outcomes, we find they have “skin in the game.” As a result, they align and track their behaviors toward desired results. Poor performance becomes very easy to spot so it can be acted upon with an “up or out” approach that shifts overall organizational performance higher for break-through results.

Once an objective evaluation tool is implemented, leader results will more closely align vertically and horizontally across the organization. Typically, leader evaluation results will also distribute more closely to a bell curve with about one-fourth of leaders falling below the average, 40 percent falling at the average, and one-fourth rating above the average.

How Leader Evaluation Goals Cascade

As shown below, CHS aligns and cascades 15 organization wide goals to all leaders vertically and horizontally. Here, the CHS corporate turnover goal cascades to each hospital CEO, CNO, CFO and department director. Tiered levels assure each hospital achieves its goal. For example, departments with greater than 25 percent turnover must reduce turnover by 5 percent, while those with 20 to 25 percent turnover must reduce by 3 percent, and those below 20 percent must reduce by 2 percent. Goals for each leader are weighted differently to determine priority with respect to the leader’s other goals.



Tools to Manage Performance

In addition to establishing objective, weighted leader evaluation goals, there are two recommended tools to track real-time performance and hardwire accountability for meeting key goals:

Ninety-Day Action Plans—Each leader can use a 90-day action plan to identify incremental tasks and completion dates that support annual goals and the achievement of results. Most importantly, the action plans help manage the “full plate syndrome,” by creating a tool to prioritize time on what is most important to realizing the organization’s mission by driving specific outcomes. Since everyone has a full plate, frequent measures support communication with leaders on results to ensure alignment with year-end goals.

Monthly Report Cards—Monitor progress toward achieving these goals by displaying and tracking real-time performance by leader, month, and goal.

As a result, there are no surprises for leaders at evaluation time. Both leaders and their supervisors understand at the beginning of the year what goals need to be accomplished to achieve a successful annual review and can plan quarterly completion targets under each goal. Because actual performance is transparent across the organization and tracked monthly, it’s easy to spot low performance for quick corrective action—or high performers who can mentor others.

Purpose, Worthwhile Work, and Making a Difference

Perhaps the most important thing about having the right leader evaluation in place is the way in which it achieves the kind of goals that create an extraordinary organization where employees want to work, physicians want to practice, and patients want to receive care.

For example, two nurses applied to work at CHS-affiliated Longview Regional Medical Center after they experienced the compassion and quality clinical care that their loved ones received as inpatients at the hospital. And then there is Longview’s ICU nurse Carrie Judd, who worked shoulder-to-shoulder with six other nurses on a 41-year-old father who ultimately died of a heart attack. “Even in the midst of their pain, the family noticed our compassion and clinical teamwork,” says Judd. “They said thank you for taking such good care of our father, our son, and our brother. It’s the opportunity to make a difference like this in the lives of patients—and work with other wonderful caregivers—that sparks my passion for nursing at Longview.” ■

Studer Group Coach Dan Collard has been both a student and client partner of Quint Studer since 1998. To request sample goals or learn more about implementing an objective leader evaluation process, contact Penelope.Elebash@studergruop.com.