Contracting for Success: Scoping Large Organizational Change Efforts

Case

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Abstract

Valley Medical Center (VMC) is a healthcare facility that is currently undergoing rapid changes in leadership. The current CEO describes to Karen, a potential partner, the challenges VMC faces due to these changes and expresses the need for an urgent strategic and sustainable development plan.

Case

Learning Objectives

- To support your understanding of Organizational Development competencies in the entry phase that enhance collaboration and results.
- To assist you in analyzing and organizing complex data and information in the contracting process.
- To identify core interventions, conditions, and deliverables from the engagement that need to be incorporated into the contracting process.

Case Study

Robert stopped his car and sat quietly in the physician's parking lot located on the north side of the hospital. It was a picturesque August morning. The sun was shining and the summer flowers on the 29-acre campus were in full bloom. Despite the beauty of the day, he couldn't help but take a deep breath and release a long heavy sigh. It had been six months since he assumed the CEO position for Valley Medical Center (VMC). In that time, he had already encountered some of the biggest challenges of his career.

VMC was a 135-bed hospital with more than 1,500 employees and 375 practicing physicians. As Robert entered the building, he contemplated his current position and was glad to be meeting with Karen from Results Consulting. He was hopeful that she could assist him in assessing all the critical issues he was experiencing and develop a game plan for moving forward. The gravity of the situation was weighing on him like a 2-ton brick.

“Good morning, Robert,” a voice sang as Robert entered his office. Robert's assistant, Terri, dropped several contracts on his desk as she entered. “Your 8:00 appointment is waiting for you in the boardroom.”

“Thanks,” Robert commented, smiling. Terri had a tremendous history with the organization and brought a wealth of knowledge about the physicians, leaders, and staff. VMC operated in a small suburban community of about 55,000 people and many of the employees and physicians had been with the hospital for more than 20 years.

Entering the boardroom, Robert saw Karen admiring the view of the Rocky Mountains. “Hello, it's nice to meet you.” He walked toward her with his hand extended. Karen stood and shook his hand firmly. She was excited to be here and brought an array of expertise in organization development. She had worked with many organizations facing challenges similar to VMC and was confident that she could assist Robert in managing this complex situation.

“I'm so pleased to be here. Thank you for the invitation to partner with you.” They both took seats at the large conference table, which seemed to dominate the room. Karen proceeded, “I understand from our previous discussion that you are seeking assistance with prioritizing your many challenges and actions. Tell me a little more about what you are facing.”

Robert paused briefly and said, “It's difficult to know where to begin. I started here about six months ago after a string of short-term, unsuccessful CEOs. In total, there have been five CEOs in the past 24 months,

including myself. Prior to that, leadership was highly consistent and secure. Needless to say, these rapid changes in leadership have created instability and gaps in the strategy and direction of the organization. To make matters more complicated, we also have made significant leadership changes in a number of our other executive level positions. Ineffective leadership at that level surfaced and it was essential that we bring in stronger senior leaders to support the organization."

"Wow, I can see where that would be challenging. How are leaders, staff, and physicians reacting to all this change?" Karen asked.

"It's been tough. They have expressed frustration. I think many of them are concerned and unsure about the future. We've heard rumors of staff and physicians feeling afraid and possibly thinking about leaving to work or practice at a competitor hospital. Despite this, however, there is still strong loyalty." Robert stood up. "I would love to take you on a tour of the facility. It would give you a great opportunity to meet different leaders and ask that question of them. It also would be a wonderful way for you to experience the culture and gauge our situation."

Karen and Robert began the tour in the main lobby of the hospital. It was clearly a busy facility with patients and families coming and going frequently. Several sitting areas throughout the space were occupied by people waiting for tests and procedures. Along the rock wall stood a portrait of an older man, looking distinguished and posed. "This might be a good time for me to provide you with some background of our facility." Robert started, "This facility is about 30 years old and was built on land donated by Mr. Thomas, who you see there in the picture. This history had afforded us the benefit of strong community loyalty and commitment. However, our market has become much more competitive. We have always been a sole community provider and the market leader, but recently we have begun to lose market share and patient volumes in critical service lines like surgery, cardiology, and oncology. Our largest competitor is a hospital in Gainesville, just to the north of us. It's a larger city, so they are in a position to offer more comprehensive services. We have recently seen market share declines as a result of their increased presence in our market. To make matters worse, they are building a new hospital just two miles from here that is scheduled to open in nine9 months."

"It sounds like you have strong commitment to your community and patients. How would you describe your organizational culture?" Karen was curious if the culture of the organization would support their challenges or if it was a pivotal barrier for them.

"From a competitive position, I would say, complacent, and our current market share declines reflect that complacency. I'm seeking to create a culture that is strategic and sustainable over the long term. On the people side, I would add that this facility is very family-oriented. The culture among staff and physicians demonstrates caring, camaraderie, and compassion, which is exactly what you want for a health care facility. On the downside, I would say we struggle with lack of focus and limited accountability. We are operating in a much different environment, a competitive environment. Right now, people are looking out for themselves and we need to be operating as a cohesive team."

Karen found his choice of words interesting. He expressed a sense of urgency, yet characterized several strengths on which the facility could build. She made note and would be certain to bring it up and explore it further at a later time during their tour. They continued down a long, wide hallway from the main lobby to the emergency department. Karen noticed that various smaller hallways guided patients to radiology and the laboratory. Robert greeted patients and families kindly as they walked, "Good morning. Can I help you find something?" His caring was evident and the patients responded warmly.

Along the walls, Karen saw a large collage of photos recognizing various employees for their contributions to patient care. Next to the pictures was a placard on the wall that hosted the company's mission, vision, and values. "Share with me how you live your mission. What do those statements mean to the employees here?" she asked.

Robert said, "Well, VMC is owned and operated by a large nonprofit health system with hospitals throughout the country. As part of a system, we share in the mission, vision, and values of our parent company to

ensure integration of purpose across all of the hospitals. Our mission is to provide excellent patient care. This is supported by a vision to be the market leader in clinical quality, patient satisfaction, and operational excellence. As you know, delivering on a mission requires focusing on what matters most." Robert paused. At that moment, they passed a woman wearing a white lab coat embroidered with the hospital's blue and red logo and the words Operating Room below.

Robert smiled to her. "Hello, Patricia. Do you have a moment?" She nodded and stopped next to Karen. "How is your son? He was preparing to go out of state for college last we talked." Karen continued to be impressed by the genuineness that she saw him exhibit with people around him.

"Thanks for remembering. We drove him out there this weekend. It was exciting to see him start a new chapter in his life," Patricia said. "I'm meeting Sam shortly about expanding hours in the cath lab, but I am happy to chat with you." She smiled at Karen and shook her hand.

"This is Karen. We have engaged her services as we seek to improve performance and relationships here at VMC." Robert engaged the two in dialogue. "Patricia is our Director of Surgical Services. Karen was just asking about how we live our values here at Valley. What are your thoughts in response to that question? I thought it would be better for her to hear from one of our leaders."

"Definitely." Patricia spoke with confidence and friendliness. "When Robert came on board, Valley's leadership developed five priorities. We recognized that to be successful we had to focus on a few important things. For us, these are strong employee engagement, high patient satisfaction, quality patient care, being physician friendly, and achieving financial strength."

Karen listened intently." That sounds great, but I still wonder how your people live those values. So often, companies have wonderful visions and strategies that live on the wall," she pointed to the plaques, "or in a three-ring binder on the shelves of leaders." Karen smiled as both Robert and Patricia laughed. They had several of those binders in their office from previous attempts to build strategy.

Patricia continued, "We have adopted six ground rules that mold the organization's behaviors to support the culture. They are non-negotiable and all leaders and employees within the organization adhere to them in order to be successful within the culture. Prior to these, we felt a little lost. We were running around doing a lot of things, but none of it felt like it mattered. We also had the mentality that if you were a great clinical provider, that was enough. We now realize that attitude and behavior are equally, if not more, important."

"So, what are your ground rules and how do they support this culture change you are undergoing?" Karen asked

"The ground rules are: no excuses, we are a team—sink or swim, we do it together, bring up your good ideas, poor performance will be addressed, the phrase 'that's not my job' is not acceptable, and support and manage up other team members." Patricia was excited as she explained. "The ability to identify basic rules that everyone accepts enhanced the transformation of the culture and ability to provide quality care. It also provides leadership with the building blocks so we can have conversations with employees and physicians who are not practicing our values."

Karen was beginning to put the pieces together. She looked toward Robert who began walking them slowly toward the elevators. "Clearly, when you arrived, it seemed the facility was not in a position to achieve its objectives with the existing structure and ways of thinking. So, the priorities and ground rules served as a foundation for building a new focus."

Robert nodded. "You asked about culture earlier. The ground rules create an environment of accountability, which was lacking prior to my arrival. Concentrating on the priorities with the ground rules as behavioral guidelines allows everyone in the organization to focus on delivering excellent patient care by creating mutual trust, individual motivation, and teamwork."

Karen said, "The real work then involves developing processes and support mechanisms to hardwire desired

behaviors. That's where I can come in."

Patricia agreed wholeheartedly. "Our new leadership team has made tremendous strides in creating the base. What's difficult now is holding people accountable to these standards in a respectful, yet firm way. We have undergone a great amount of change recently. When you speak to living our values, every employee must do this in every interaction with our patients. Achieving this consistency is a challenge for us. We also struggle with elements of teamwork."

Patricia needed to be at her next meeting, so she left the two. Karen was grateful for the time with Patricia. Robert stopped just outside the elevator doors and pushed the up arrow. "The five priorities might be a good way for me to discuss our successes and challenges with you. Let's start with employee engagement." At that moment, a small beep signaled the arrival of the elevator and the doors opened.

Robert leaned over and pushed the button for the fifth floor, the top floor of the hospital. "VMC seeks to select the best people to deliver high-quality care. Our ground rules help to define behavioral expectations and support employee accountability."

Karen was inquisitive. "You've done a great job selling me on many of your new changes." She laughed nervously. "Where are you experiencing the most significant challenges when it comes to your people?"

They exited the elevator on the fifth floor and across the hall was the human resources office. "Perfect timing." Robert opened the large glass door and was greeted by Dawn, the chief human resources officer. After a friendly introduction, Dawn proceeded to tell Karen about the significant employee challenges VMC was confronting. Like other health care providers, VMC faced strategic challenges in relation to shortages of health care workers, including nurses and physicians.

Dawn said, "We must remake our workplace to attract and retain staff. We want to be in the top 10% of the country with employee engagement scores. We measure this using an annual survey. All our employees took the survey just before Robert arrived. We had 95% participation, which is great, but only scored in the 50th percentile nationwide for engagement. We were so disappointed in our results." She proceeded to explain that as VMC works to change its culture, they were tackling a couple of critical employee issues. Their philosophy is to have the "right people on the bus." This means they must recruit and retain individuals who match the culture. With a new competitor hospital opening soon, many of their best employees are considering leaving. They fear that with all the changes at VMC, it might not be a good place to stay.

In addition, VMC has a large percentage of employees who are no longer the right fit for the culture. Dawn continued, "Many of our employees have behavior and attitudes that are negative and we have not addressed them in the past. Our leaders are struggling to conduct these difficult, yet important conversations. They also may not have the skills to establish the changes necessary to lead our new direction. We are committed to supporting them in enhancing their leadership abilities."

"You hit on a key point," Karen said. "Often, our leaders are not well equipped to lead. We take people who are great at their jobs and promote them to management without the proper training and skills development to lead people." Both Robert and Dawn agreed.

Dawn was passionate at this point. "I couldn't agree more. We are working hard to understand and respond to employee needs. We are 100% committed to retaining and hiring highly skilled staff and leaders who bring excitement and positive attitudes. We also need to address those employees who are actively disengaged."

The time with Dawn was helpful. Karen was beginning to get a better sense of the core issues that Robert was dealing with at VMC. As they left Dawn's office, they encountered additional staff moving in and out of patient rooms providing care. "Patient satisfaction is a second priority for us," Robert explained. "We have to remain connected and responsive to patients' desires if we are going to be successful. Patients have increasing expectations for their care and continuously striving to improve is important. Sometimes our staff gets stuck thinking they can continue to do things the way they always have." Robert paused. "When I first arrived, our patient satisfaction scores were in the 30th percentile. I have a goal that we will be in 90th. I want to be among

the best. Our patients deserve that and I need staff and leaders who can get us there." Karen saw a hint of desperation in his eyes.

They proceeded to the staircase and headed down to the fourth floor, where they encountered a petite woman. "Good morning, Dr. Jacobs. It's good to see you." said Robert.

"Hi, Robert. What are you up to this morning? Moving and shaking as always?" Dr. Jacobs had a boisterous laugh. She grinned at Karen and introduced herself as one of VMC's hospitalists. She couldn't stay long because she had patients to attend to, but she shared with Karen the importance of strong physician relationships to the hospital's success. "As physicians, we work in partnership with the hospital. They need us and we need them."

She left and Robert explained, "Our hospitalists provide care to all our patients while they are in the hospital. Our third priority is to be physician friendly. This requires us to think like a doctor and help make our facility easy for them to practice in. Sometimes, we have to change how we work in order to do this."

"We talked earlier about all the changes you have going on," Karen said. "I think change management and culture might be areas we can focus on. Dawn mentioned shortages of health care workers and physicians. Do you have enough physicians practicing in your community?" Karen was linking the critical pieces of the puzzle together.

"Good catch," Robert said. "We're actually actively recruiting for many specialties, including orthopedic surgery and OB/GYN. We're also finding that many new doctors want to be employed by the hospital instead of owning their own practice. From an organization development perspective, this changes the rules of the game a bit."

Karen inquired further and Robert proceeded. "Previously, we worked in partnership with our physicians. Sometimes, we think we have more control with people who are employed, but instead I want us to consider how to maintain loyalty by involving physicians in decision making. This is something we don't do very well. We often make changes and implement new process without asking our key stakeholders: physicians and staff."

Karen was collecting some great information and already formulating some thoughts and recommendations for Robert. It seemed he needed ways to hardwire cultural change that supported the facility's success factors. She was anxious to hear about the last two priorities.

"You've shared with me the first three priorities. Expand on the final two if you would?"

Robert headed toward the new tower, which was recently constructed. As they walked, he introduced Karen to the fourth priority; high-quality patient care. "As a health care provider, we have an obligation to provide quality care. People expect that from us. If you come to the hospital for surgery or any kind of treatment, you expect to get quality care that fixes your problem. Our quality is actually very good. We have great patient outcomes that are supported by data that we submit to federal programs. We are also surveyed regularly by several agencies and score well."

"That sounds positive, but somehow, I suspect there is more to the story," Karen joked lightly.

"You're catching on. Again, our challenges with this priority lie in our people. Everyone does really well within their workgroups. The only problem is our patients don't just experience one part of the hospital. They touch many departments and see many different people throughout the course of their visit. If our various departments are not working together, we risk looking disjointed. If we are to increase our quality and patient satisfaction, our different departments need to come together and work more cohesively with one another."

"Many of your concerns and challenges are people focused," Karen noted. "This is often a concern for senior leaders. The 'softer' side of the business can be more challenging, because it is not a black-and-white solution. Tell me what you've done so far."

“You're correct there. I consider myself to be an inspirational leader. I have painted the vision and begun seeking many of the hard solutions, like restructuring and bringing on new senior leadership. We are changing our physician strategies and enhancing our market strategies, but sometimes, I'm at a loss with how to move the people side forward.”

Karen could feel her heart light up. This was so common and she brought such talent in this arena. “I think I can help,” she stated confidently. “First, let's finish with your final priority.

Robert knew just how to wrap up. “Our final priority is ensuring we remain financially stable. I believe strongly that if we do everything else well, finances will follow. However, I must admit, I get nervous when I see our patient volumes and market share declining. We have always had strong financial performance, and still do, but our recent challenges in the market have me a little on edge. Our payor mix is changing. More patients are entering our facility without insurance or the means to pay. As a not-for-profit hospital, we believe we have a community obligation to serve, but we must balance that with financial sustainability.”

They entered a beautiful new part of the building. “This must be the new tower you referred to earlier,” Karen said.

“Indeed. This was completed about two years ago. Our community is growing rapidly and we were running out of space. We built this addition to accommodate a new OB floor for births, an intensive care unit, as well as support services space. We also have expanded radiology and the laboratory.”

“This all seems exciting.” Karen was wondering about the expansion in light of their market position. “How does this all play out with your current environmental challenges?”

Robert cleared his throat. “That continues to be the issue. We must sustain and grow patient volumes. We're in a turnaround situation. Our financial operating margins are at risk as we start to absorb interest and depreciation expenses for the new building. With these financial pressures, we must be the best. We need to enhance team-based decision making, maintain consistent and focused leadership, and prioritize opportunities. We can't be all things to all people. I have so many things that need my attention; some days, I don't even know where to begin.”

“The tour was wonderful.” Karen had a million items floating through her mind. “I have some immediate thoughts that I would like to share with you and then I will create a proposal that outlines my additional recommendations. Can we return to the boardroom and conclude our discussion?”

“I welcome your input,” Robert said with relief and comfort.

Discussion Questions

- 1.
  How would you initiate your engagement with VMC? What are the steps you would take as you begin the entry and contracting phase?
- 2.
  In considering the case above, where does VMC have strengths? Where do they have challenges? What are the critical success factors for the hospital?
- 3.
  As an OD practitioner, what recommendations would you make to support Robert in achieving his goals? How would you ensure these are included in the contracting process?
- 4.
  VMC is experiencing a great deal of change. What recommendation would you make to help them more effectively handle the change they are experiencing?

Further Resources

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