

CREATING THE NEW AMERICAN HOSPITAL



IF YOU BUILD IT . . . THEY WILL COME

*PROFILES IN EXCELLENCE:
A TIME FOR GREATNESS*

HEALTH INDUSTRY ILLNESS

WHAT'S WRONG WITH THIS PICTURE?

- **QUALITY OUT OF CONTROL:** 4% OF ADMISSIONS INJURED
NEGLIGENCE—100,000 DEATHS & 1.3 MILLION INJURIES
—Wall Street Journal, March 1, 1990
- **COSTS & PRICE:** DAMAGE TO NATIONAL ECONOMY, LEADING
CAUSE OF PERSONAL BANKRUPTCY, 45 MILLION UNINSURED
- **ANGRY CUSTOMERS:** LOW SERVICE STANDARDS, FEAR OF CAREGIVERS,
LAWYER FEEDING FRENZY, POLITICIZED ISSUE
- **STAFF PROBLEMS:** JOB INSECURITY, SAGGING MORALE, HIGH TURNOVER
- **BUREAUCRACY REIGNS:** “THE HOSPITAL INDUSTRY’S DIRTY LITTLE SECRETS:
WASTE, GREED, INCOMPETENCE—PLUS ENOUGH BUREAUCRATIC ARROGANCE
TO RIVAL THE KREMLIN...”
*—“Tale of Health Care Could Induce Nausea”
USA Today, December 15, 1991*
- **MANAGEMENT MYOPIA:** “THE FAILURE (IS) ENTIRELY THAT OF MANAGEMENT...
THEY MISSED OPPORTUNITIES TO IMPROVE THE QUALITY & EFFICIENCY OF
HEALTH CARE IN FOUR KEY AREAS ADMINISTRATION OF OPERATIONS;
MANAGEMENT OF HUMAN RESOURCES; MANAGEMENT CONTROL SYSTEMS; THE
FORMATION OF A MANAGEMENT PHILOSOPHY.”
*—“The Failed Revolution in Health Care”
Harvard Business Review, March-April 1989*



OPRA RESULTS SUMMARY
NORTHERN MICHIGAN REGIONAL HEALTH SYSTEM - FEB 2004

I IMPROVEMENT NEEDS		Executives (4)		Managers (32)		Total (36)	
I-A CUSTOMER SATISFACTION		YES	NO	YES	NO	YES	NO
1 Greater market share		0	4	13	19	13	23
2 Only a few, low level customer complaints		1	3	17	10	18	13
3 Understand Customers' expectations		1	3	11	17	12	20
4 Customers actively involved in feedback		3	1	18	12	21	13
5 Provider of choice?		4	0	24	6	28	6
6 95%+ rate above average/excellent		2	2	28	4	30	6
TOTAL		11	13	111	68	122	81
I-B PRODUCTIVITY							
7 Commitments met 90% of time		1	3	24	6	25	9
8 Stay within budget & meet cost targets		0	4	10	18	10	22
9 Profits growing faster than overhead		2	2	1	29	3	31
10 Costs & cycle times at optimum levels		0	4	0	3	26	7
11 Continuous imp. widely implemented		3	1	0	24	7	25
12 Quality programs achieved results		2	2	0	18	11	20
TOTAL		8	16	35	98	82	114
I-C PEOPLE STRENGTH							
13 People doing their best		1	3	20	10	10	13
14 Employee morale & commitment high		3	1	10	21	21	22
15 Able to attract the best people		2	2	15	16	16	18
16 People greatest competitive advantage		2	2	19	13	13	15
17 Enough spent on education		1	3	4	28	28	31
18 Suggestion system generating ideas		0	4	3	30	30	34
TOTAL		9	15	71	118	118	133
I TOTAL		28	44	217	284	322	328
II ORGANIZATION BEHAVIOR		Executives (4)		Managers (32)		Total (36)	
II-A ORGANIZATION PERFORMANCE		YES	NO	YES	NO	YES	NO
1 Organization respond quickly		0	4	9	23	9	27
2 Does structure serve customer/market		2	2	19	11	21	13
3 Is organization highly integrated		1	3	6	26	7	29
4 Response time acceptable to implementors		0	4	10	23	10	27
5 Organization open to change/innovative		2	2	23	8	25	10
6 Organization able to adapt quickly		0	4	15	16	15	20
TOTAL		5	19	82	107	87	126
II-B CULTURE & VALUES CLARITY							
7 Values clear to all		0	4	10	23	10	27
8 Simple values definition for hourly people		1	3	11	22	12	25
9 Are values enforced		0	4	8	25	8	29
10 Little effort expended to fight the system		0	4	7	24	7	28
11 People feel free to speak up		3	1	16	17	19	18
12 Management team is excellent		1	3	23	5	24	8
13 Competence, not position, makes decisions		2	2	12	18	14	20
14 Too many levels/departments		2	2	6	23	8	25
15 People feel empowered/can see behavior		1	3	21	12	22	15
TOTAL		10	26	114	169	124	195
II TOTAL		15	45	196	276	211	321

OPRA RESULTS SUMMARY
NORTHERN MICHIGAN REGIONAL HEALTH SYSTEM - FEB 2004

III MANAGERIAL FACTORS		Executives (4)		Managers (32)		Total (36)	
III-A MANAGEMENT TEAM		YES	NO	YES	NO	YES	NO
1 90% managers clearly winners		1	3	25	7	26	10
2 Managers accomplishing results		0	4	15	13	15	17
3 Managers aggressive versus passive		1	3	16	14	17	17
4 Managers have enough freedom to act		0	1	17	16	17	17
5 Managers can make \$1000 expenditure		2	2	16	16	18	18
6 Performance evaluation system effective		0	4	4	28	4	32
7 Recognition for good performance		0	4	7	23	7	27
8 History of sustained management training		0	4	5	25	5	29
TOTAL		4	25	105	142	109	167
III-B MANAGEMENT SYSTEM							
9 Have a strategic plan, understood		4	0	16	17	20	17
10 Have a managing system		1	3	10	23	11	26
11 Meetings routinely start on time		2	2	18	15	20	17
12 Work managed by quarterly plan		1	3	11	20	12	23
13 Managers operate smoothly together		1	3	25	7	26	10
14 Project management system in place		0	4	10	22	10	26
15 Forums for middle management input		2	2	13	19	15	21
16 Managers find it easy to sell ideas		1	3	17	15	18	18
TOTAL		12	20	120	138	132	158
III TOTAL		16	45	225	280	241	325
IV CHANGE AGENTS & POLITICAL SUPPORT		Executives (4)		Managers (32)		Total (36)	
IV-A EXECUTIVE SUPPORT		YES	NO	YES	NO	YES	NO
1 CEO committed to changing things		4	0	30	0	34	0
2 Executives agreed about change direction		4	0	31	0	35	0
3 Political crosswinds adequately handled		4	0	26	3	30	3
4 Willing to commit resources		4	0	24	6	28	6
5 System executives aware/supportive		1	1	20	0	21	1
TOTAL		17	1	131	9	148	10
IV-B POLITICAL CLIMATE							
6 Decisions not highly politicized		3	1	21	7	24	8
7 Is risk taking appreciated		4	0	23	8	27	8
8 VPs committed to changing things		4	0	31	1	35	1
9 Managers committed to change		0	3	26	6	26	9
10 Associates waiting for management action		4	0	30	1	34	1
11 Managers supported in conflicts		3	0	20	10	23	10
12 Imp. constituencies won't prevent change		3	1	13	13	16	14
TOTAL		21	5	164	46	185	51
IV-C WIDESCALE CHANGE READINESS							
13 Renewal sustained as priority		4	0	20	11	24	11
14 Org. ready to change managing system		4	0	25	7	29	7
15 Organization would benefit from renewal		4	0	32	0	36	0
16 Managers/employees share opinion		3	1	22	7	25	8
TOTAL		15	1	99	25	114	26
IV TOTAL		53	7	394	80	447	87
GRAND TOTAL		112	141	1032	920	1221	1061
GRAND TOTAL %		44%	56%	53%	47%	54%	46%

ON A SCALE OF 1-10, HOW EXCELLENT...

- | | | |
|----|---|-----|
| 1. | ARE WE NOW AS AN ORGANIZATION? | 6 |
| 2. | DO OUR CUSTOMERS THINK WE ARE? | 7 |
| 3. | IS STAFF MORALE? | 5 |
| 4. | ARE WE AS A TEAM? | 5.5 |
| 5. | COULD WE BE IN A YEAR IF WE TRIED HARD? | 9.5 |

—NMH MANAGER RATINGS 11/04

IS THIS GOOD ENOUGH?

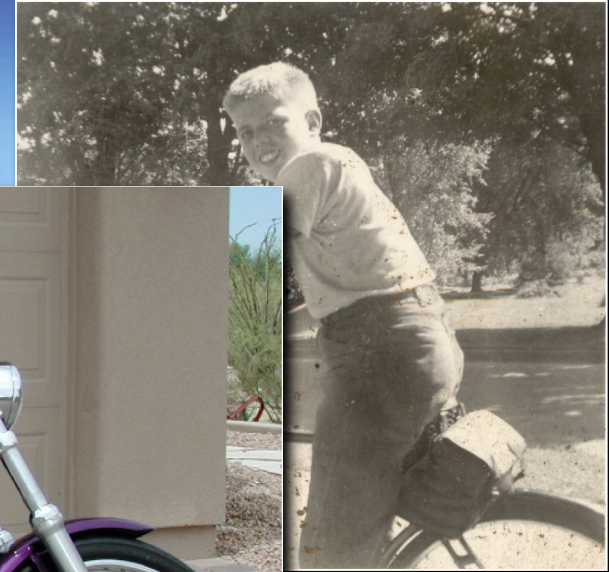
ASSIGNMENT: RUN THESE QUESTIONS ON
YOUR OWN UNIT & DISCUSS IN TEAM MEETING

THE JEOPARDY! SONG

DUH DUH DUH DUH DUH DUH DUH,
DUH DUH DUH DUH DUH DUH-DUH-DUH-DUH-DUH,
DUH DUH DUH DUH DUH DUH DUH,
DUH DUH DUH DUH DUH DUH DUH!



WHERE DID YOU LEARN
ABOUT EXCELLENCE?



RALEIGH



1950 PANTHER

*RIDE TO LIVE
LIVE TO RIDE*

WHO DO WE WANT TO BE LIKE?

FORTUNE'S 1999 RANKINGS

- QUALITY OF MANAGEMENT • QUALITY OF PRODUCTS/SERVICES • INNOVATIVENESS
- ABILITY TO ATTRACT, DEVELOP, KEEP TALENTED PEOPLE • LONG-TERM INVESTMENT VALUE
- USE OF CORPORATE ASSETS • FINANCIAL SOUNDNESS • COMMUNITY & ENVIRONMENTAL RESPONSIBILITY

COMPANY

INDUSTRY

1. GENERAL ELECTRIC	ELECTRONICS/ELEC EQUIP
2. COCA-COLA	BEVERAGES
3. MICROSOFT	ELECTRONICS
4. DELL COMPUTER	ELECTRONICS
5. BERKSHIRE HATHAWAY	INSURANCE
6. WAL-MART	RETAILING
7. SOUTHWEST AIRLINES	AIRLINES
8. INTEL	ELECTRONICS
9. MERCK	PHARMACEUTICALS
10. WALT DISNEY	ENTERTAINMENT

FIRST IN INDUSTRY BELOW TOP 10

• McDONALD'S	FOOD SERVICES
• HOME DEPOT	SPECIALIST RETAILERS
• MARRIOTT	HOSPITALITY

RETAILING'S CATEGORY KILLER

AMERICAN MERCHANDISERS COMPARED

WORLD RANK	COMPANY	2000 REVENUES (M)	2000 PROFITS (M)
1	WAL-MART	\$193,295	\$6,295
2	SEARS	\$40,937	\$1,343
3	KMART	\$37,028	(\$244)
4	TARGET	\$36,903	\$1,264
5	J.C.PENNEY	\$32,965	(\$705)
9	FEDERATED	\$18,407	(\$184)
11	MAY	\$14,511	\$858
TOTAL ALL OTHER USA CHAINS		\$180,751	\$2,332

—Fortune's 2001
500 Report

- 2002 > WORLD'S LARGEST CORPORATION
- 2003 > SALES \$244 B, PROFITS \$8 B, 2.5% GNP
- 1.3 M PEOPLE IN 4700 STORES, LARGEST EMPLOYER IN 26 STATES
- NOW CONTROLS 19% GROCERIES, 16% PHARMACY, 20% CDs/DVDs

STRATEGY: LOWEST PRICE + THE THREE BASIC BELIEFS

1. RESPECT FOR THE INDIVIDUAL
2. SERVICE TO OUR CUSTOMERS
3. STRIVE FOR EXCELLENCE

RULES FOR BUILDING A BUSINESS

1. COMMIT TO YOUR BUSINESS. IF YOU BELIEVE IN IT WHOLEHEARTEDLY, YOUR PASSION WILL SPREAD
2. SHARE YOUR PROFITS WITH ALL YOUR ASSOCIATES AND TREAT THEM AS PARTNERS. PROFIT SHARING WAS THE "SINGLE BEST THING WE EVER DID"
3. MOTIVATE YOUR PARTNERS. EVERYDAY THINK OF NEW WAYS TO MOTIVATE YOUR PARTNERS/ASSOCIATES
4. COMMUNICATE EVERYTHING YOU CAN TO YOUR PARTNERS. "INFORMATION IS POWER, AND THE GAIN YOU GET FROM EMPOWERING YOUR ASSOCIATES MORE THAN OFFSETS THE RISK OF INFORMING OUR COMPETITORS"
5. APPRECIATE EVERYTHING YOUR ASSOCIATES DO FOR THE BUSINESS. PAYCHECK IS NOT ENOUGH. SINCERE WORDS OF PRAISE ARE WO
FORTUNE
6. CELEBRATE YOUR SUCCESSES. DON'T TAKE YOURSELF SO SERIOUSLY. FUN. SHOW ENTHUSIASM
7. LISTEN TO EVERYONE IN YOUR COMPANY. THIS IS WHAT TOTAL QUALITY ABOUT
8. EXCEED YOUR CUSTOMERS' EXPECTATIONS. GIVE THEM WHAT THEY WANT AND A LITTLE MORE. STAND BEHIND EVERYTHING YOU DO. THE TWO MOST IMPORTANT WORDS: "SATISFACTION GUARANTEED"
9. CONTROL YOUR EXPENSES BETTER THAN YOUR COMPETITION
10. SWIM UPSTREAM. IF EVERYBODY ELSE IS GOING ONE WAY, THERE'S A GOOD CHANCE YOU CAN FIND YOUR NICHE BY GOING THE OPPOSITE WAY

—Sam Walton: *Made In America*



WHAT REALLY WORKS = 4 + 2

THE PROFILE OF EFFECTIVE ORGANIZATIONS

PRIMARY MANAGEMENT PRACTICES

- **STRATEGY**—ANY POSITIONING APPROACH BASED ON TRUE CUSTOMER NEEDS—SHARPLY DEFINED, COMMUNICATED, UNDERSTOOD—STICK WITH CORE
- **EXECUTION**—OPERATIONAL EXCELLENCE—ALWAYS DELIVER THE GOODS—2 X INDUSTRY PRODUCTIVITY RATE
- **CULTURE**—WORK IS FUN + HIGH EXPECTATIONS + PRIDE IN CHALLENGE + SATISFYING WORK ENVIRONMENT + ENFORCED VALUES
- **STRUCTURE**—ANY THAT REDUCES BUREAUCRACY, ↑ COOPERATION, SIMPLIFIES WORK, & HAS SYSTEMS FOR KNOWLEDGE SHARING

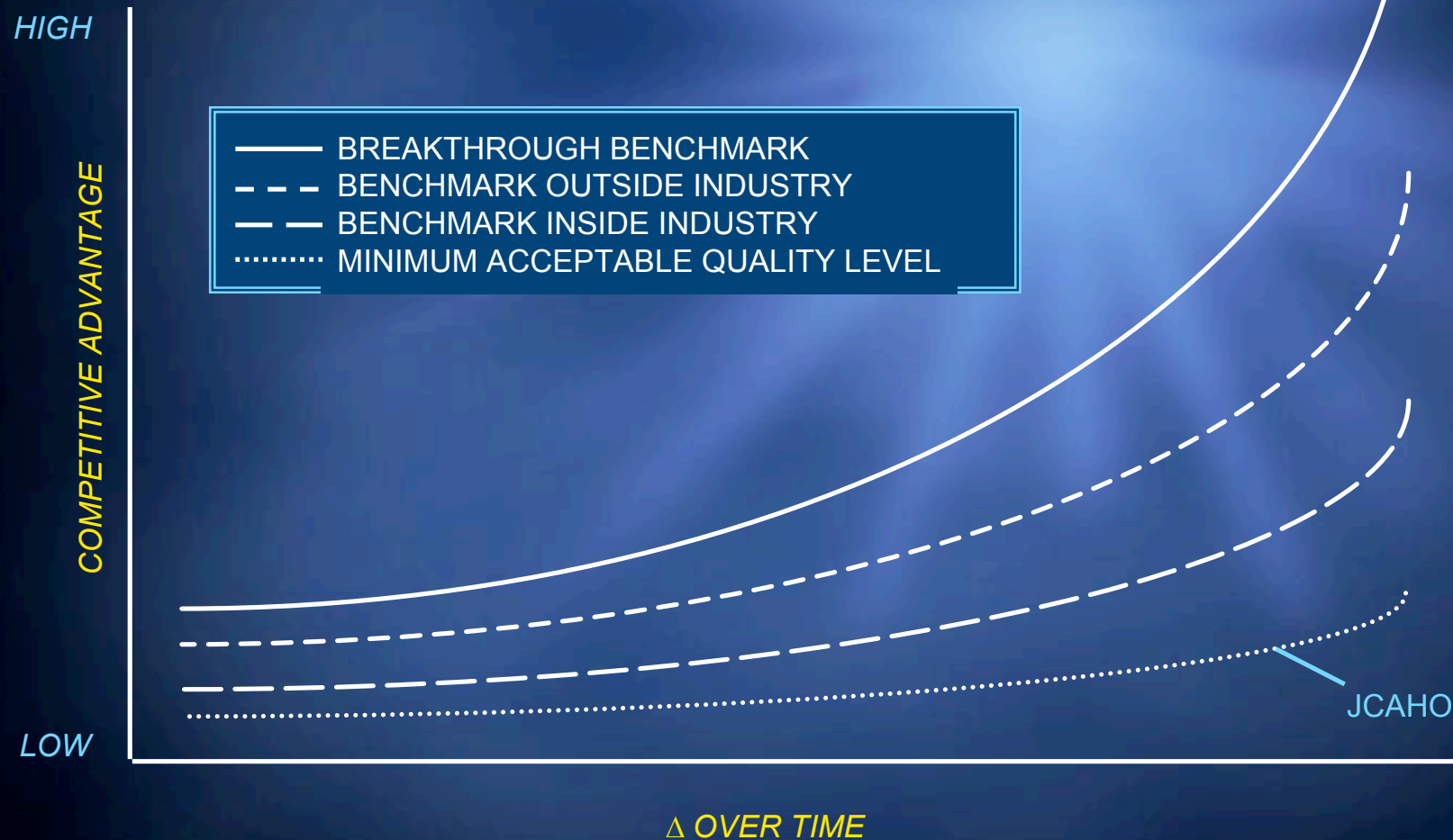
SECONDARY MANAGEMENT PRACTICES—PICK 2

- **LEADERSHIP**—GREAT CEO's/TEAMS, PEOPLE CONNECTED, PAY/PERFORMANCE LINK
- **TALENT**—RETAIN TALENT, DEVELOP MORE, INTERNAL PROMOTION, EXECS INVOLVED
- **INNOVATION**—CHURN OUT NEW PRODUCTS/SERVICES RATHER THAN REACTING LATE, DON'T DEFEND YESTERDAY'S STUFF
- **MERGERS/PARTNERSHIPS**—DANGER! GENERATE INTERNAL GROWTH + MOVE INTO NEW BUSINESSES IF LEVERAGE EXISTING CUSTOMER RELATIONSHIPS & STRENGTHS

—Nohria, Joyce, Roberson “What Really Works,” HBR July 2003

SETTING STANDARDS

WHAT IS DOABLE AND SENSIBLE?



COMMITMENT TO PERFECTION

LEXUS REVOLUTIONIZED LUXURY CARS BY CREATING THE BEST RATED CAR IN ITS FIRST YEAR OF MANUFACTURE, MAINTAINING THAT POSITION EVERY YEAR SINCE, AT A LOWER COST THAN ITS COMPETITORS. HOW? LEXUS SAYS THE LEXUS COVENANT IS THE BASIS FOR EVERY DECISION THEY MAKE

THE LEXUS COVENANT

LEXUS WILL ENTER THE MOST COMPETITIVE,
PRESTIGIOUS AUTOMOBILE RACE IN THE WORLD.
OVER 50 YEARS OF TOYOTA AUTOMOTIVE EXPERIENCE
HAS CULMINATED IN THE CREATION OF LEXUS CARS.
THEY WILL BE THE FINEST CARS EVER BUILT.

LEXUS WILL WIN THE RACE BECAUSE
LEXUS WILL DO IT RIGHT FROM THE START.

LEXUS WILL HAVE THE FINEST
DEALER NETWORK IN THE INDUSTRY.
LEXUS WILL TREAT EACH CUSTOMER
AS WE WOULD A GUEST IN OUR HOME.
IF YOU THINK YOU CAN'T, YOU WON'T...
IF YOU THINK YOU CAN, YOU WILL!
WE CAN, WE WILL.



CAN YOU SPOT THE DIFFERENCE?
WHAT DO WINNERS ADD THAT IS VALUED?



DRIVE NMH WITH MISSION & VALUES



KEY: MISSION/VALUES NOT SIMPLY SLOGANS—THEY ARE...

- DECISIONMAKING GUIDES THAT TELL EVERYONE WHAT TO DO
- THE MOST IMPORTANT PIECE OF THE MANAGEMENT SYSTEM

DRIVE NMH WITH OPERATIONAL EXCELLENCE

OUR NAH MARKET STRATEGY & BHAGs

HIGH SATISFACTION

CUSTOMER FRIENDLY, POSITIVE COMMUNICATION,
NO HASSLES, NO WAITS, ALL “WOWS”

HIGH QUALITY

NO ERRORS, STANDARDIZED PRODUCT/SERVICE,
RELIABLE, INTEGRATED, SIMPLIFIED

LOW COST

EFFICIENCY FOR LOWEST POSSIBLE PRICE,
QUICKNESS IN TRANSACTIONS

• • • • •

BEST PEOPLE

STRONG DEVELOPMENT, BRILLIANT IDEAS, AGGRESSIVE TEAM.
WORLD CLASS PEOPLE PRODUCE WORLD CLASS CARE

WHEN?

WHO?

HOW?

MEASURE?

THE NEW NMH APPROACH TO OPERATIONAL EXCELLENCE



TEAM/INDIVIDUAL GOALS

HIGH SATISFACTION

OBJECTIVES	MEASURES	ACTUAL		TARGETS			INITIATIVES
		QTR	YTD	1996	1997	1999	

HI QUALITY

OBJECTIVES	MEASURES	ACTUAL		TARGETS			INITIATIVES
		QTR	YTD	1996	1997	1999	

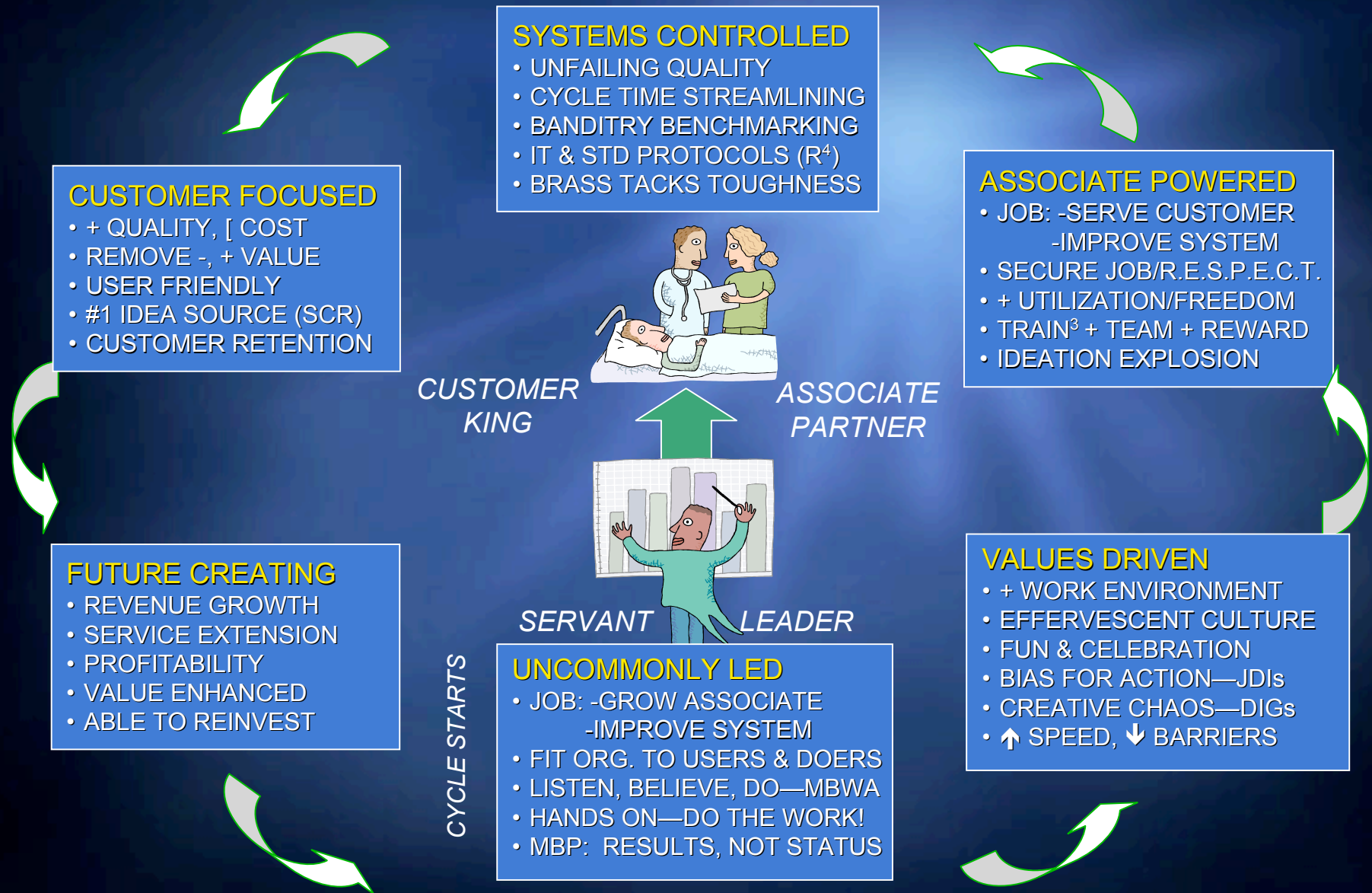
LOW COST

OBJECTIVES	MEASURES	ACTUAL		TARGETS			INITIATIVES
		QTR	YTD	1996	1997	1999	

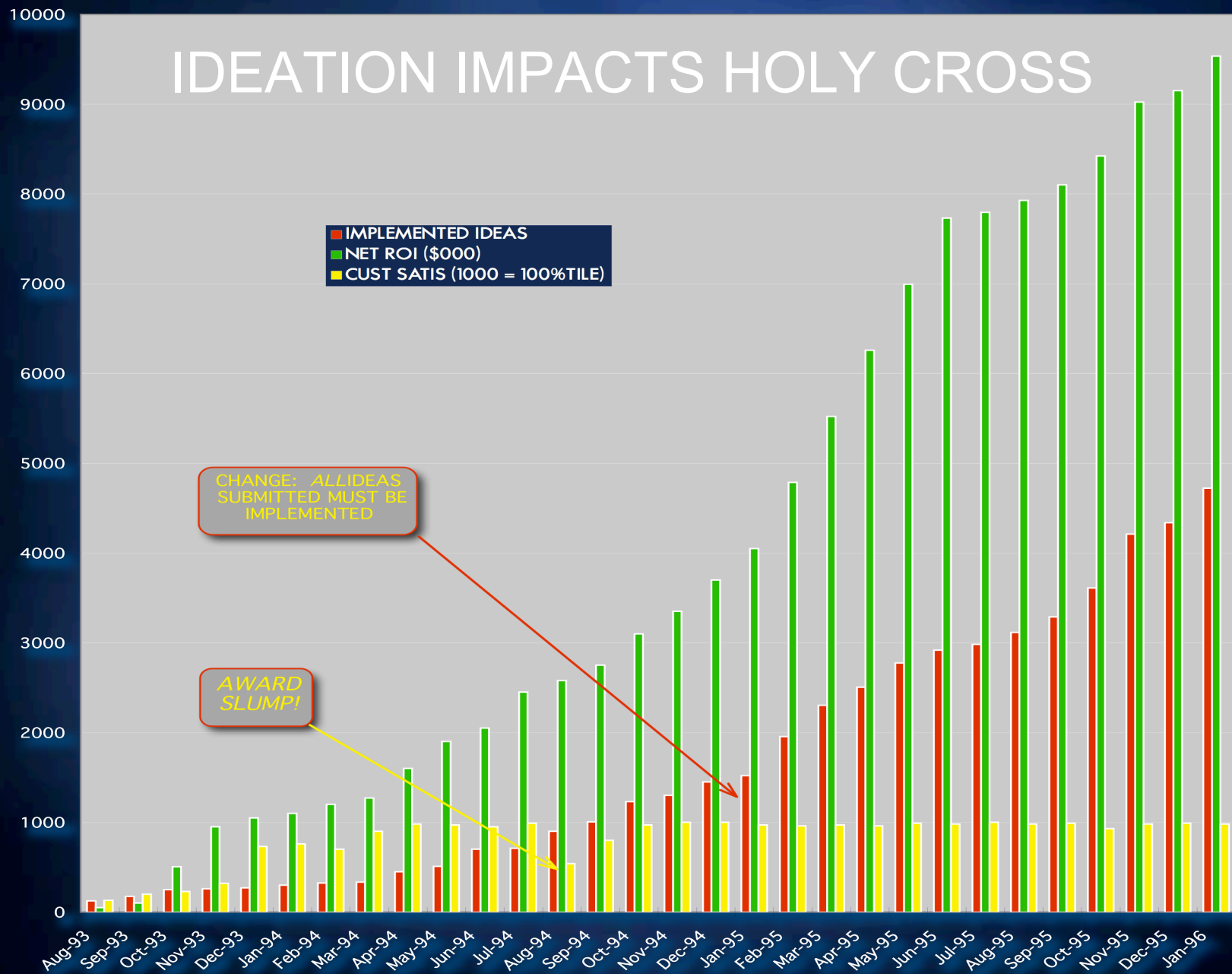
BEST PEOPLE

OBJECTIVES	MEASURES	ACTUAL		TARGETS			INITIATIVES
		QTR	YTD	1996	1997	1999	

THE NEW AMERICAN HOSPITAL



IDEATION IMPACTS HOLY CROSS



CREATING A TEACHING MOMENT!

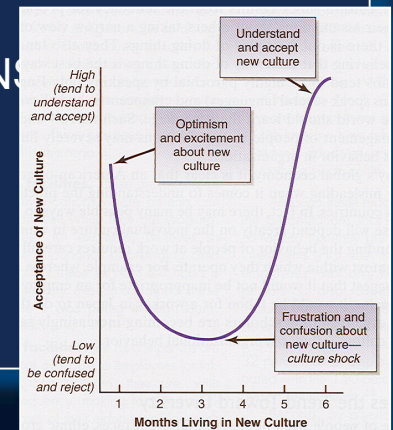


CREATING ORGANIZATION EXCELLENCE

PARTICIPANT EXPECTATIONS & REALITIES

- EXCELLENCE \neq PERFECTION. IT DOES = CI, LOTS OF FUN, BETTER THAN COMPETITION, & A MAGNIFICENT OBSESSION!
- LOT TO LEARN & DO—DON'T GET LEFT BEHIND!
 - NO IMPROVED ORG UNLESS WE IMPROVE—ROLE CHANGES
 - WE WILL TALK THE TALK BEFORE WE WALK THE WALK
- REQUIRED BEHAVIOR & ATTITUDE CHANGE: HOW CUSTOMERS SERVED, PEOPLE TREATED, WORK DONE & ORG MANAGED
- SUPPORT FOR YOU WILL BE IMPERFECT
 - EXECS ARE LEARNING, TOO—TEACH & CHALLENGE—ROLE CHANGES
 - CLAY HAS SOME, BUT NOT ALL THE ANSWERS—HIS ROLE
 - MAC-CAC-SAC-TAC-RAC ARE YOUR REPRESENTATIVES
- BEHAVIORS TOWARD TEAM HAVE BOTH + & -
LESS PAIN IF TRUST BEGINS NOW
- WIN OR LOSE, THIS IS YOUR PROGRAM—
MAKE A DIFFERENCE!

CON



CREATING THE NEW AMERICAN HOSPITAL

DISCUSSION TOPICS

1. DREAM SPEAKERS: WHAT KIND OF HOSPITAL DO WE WANT TO CREATE? WHAT'S IN IT FOR US?
2. WHAT CAN AN INDIVIDUAL MANAGER DO WITH NAH CONCEPTS? IN THE ABSENCE OF A TEAM APPROACH, WHAT CAN A PROFESSIONAL MANAGER DO?
3. WHAT ARE THE QUALITY & RISK MANAGEMENT IMPLICATIONS OF THE OAH? WOULD A NAH APPROACH ACTUALLY PRODUCE BETTER QUALITY SERVICE?
4. WHAT ASSOCIATE/PEOPLE FACTORS NEED FIXING, ADDING, REMOVAL?
5. WHAT CUSTOMER FACTORS NEED FIXING, ADDING, REMOVAL?
6. WORK PROCESSES—WHAT NEEDS FIXING? WHERE DO HIGHER STANDARDS OR MORE STANDARDIZED APPROACHES MAKE SENSE?
7. WHAT SHOULD MANAGERS DO TO BETTER RESPOND (LISTEN—BELIEVE—DO) TO CUSTOMERS, STAFF, & HOW BUSINESS IS REALLY FUNCTIONING?
8. CREATE/REVIEW A VALUES CREDO: MUST BE SHORT, MOTIVATING, A GUIDE TO DECISIONS, AN ACRONYM IF POSSIBLE. TEST: RESPECT, SERVE, EXCEL.
9. IS THEIR FEAR IN OUR ORGANIZATION? ID KINDS & SOURCES. HOW CAN WE DRIVE IT OUT, AND EMBOLDEN & ENCOURAGE PEOPLE FOR CHANGE?
10. WHAT BARRIERS NOW STAND IN THE WAY OF EXCELLENCE? HOW CAN WE CHANGE THEM?