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Financial *focus*

ADDRESSING THE NEEDS OF INDIVIDUALS AND PLANTING THE SEEDS FOR A SECURE FUTURE.

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Performance Coaching for Hospital Leaders

Richard C. Huseman, Ph.D.— Executive Coach

My work with leaders in healthcare has offered me two major insights. The first is that people in healthcare are some of the brightest and most caring individuals I have ever had the opportunity to work with. The second insight is that healthcare is one of the worst run businesses in the world.

Many clients have tried to tell me that healthcare, especially hospitals, cannot or should not be focused profit-centers... at least not major profit centers. They feel that hospitals should be primarily mission-driven. The word "mission" evokes the image of Clara Barton tenderly caring for the ill, a very worthy and compelling image to draw inspiration from. But, in order to do ourselves and the future of healthcare jus-

tice, we must remember that Clara Barton didn't have to worry about insurance companies, JCAHO, liability, federal regulations or keeping up with the latest advances in treatment and technology. Those of us in healthcare today, do. We need to face these challenges and more in order to complete our mission... offering quality care to those in need.

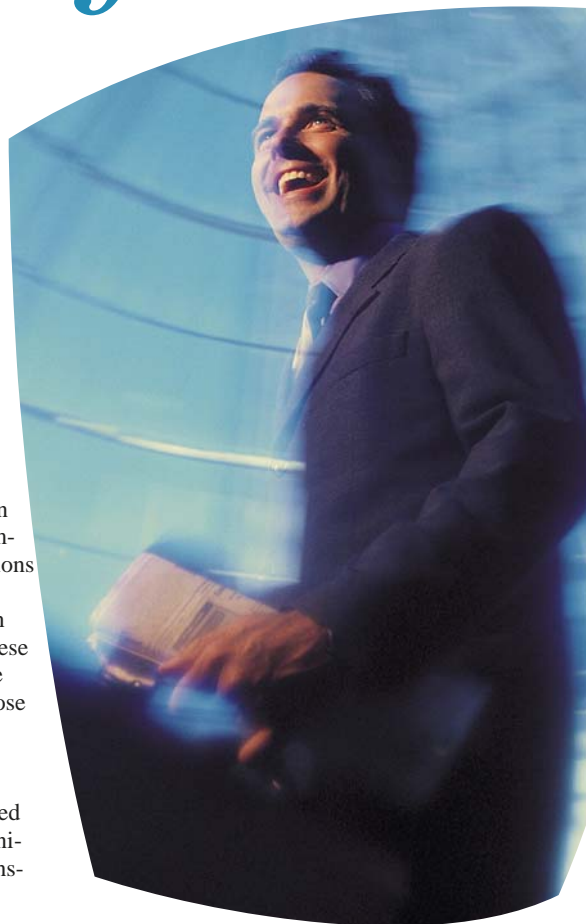
The purpose of this article is to make the case that external coaching (a concept used by many forward-thinking business organizations) can be used to help hospitals transform into performance-driven, business-oriented organizations. By placing this emphasis on their human capital, these hospitals can gain a sustainable advantage over their competition.

Mission Versus Margin

In my opinion, the trust in mission is one of the beliefs that is at the core of the healthcare crisis today. I believe most of those working in healthcare do so with genuine care and concern for others... especially those who work at the bedside. They are mission-driven... they want to

help those in need and provide a quality service to those seeking their assistance.

However, "mission," as a cultural concept guiding hospital strategic planning and decision-making has taken on a strange connotation. Because of "mission," we falsely believe that it would be "wrong" to put too strong a focus on the "business" realities of making healthcare a highly profitable and competitive industry. Per the mission-driven mindset, if healthcare did go



over to the business darkside, we would sacrifice our dedication to altruism and selflessly caring for those in need. The irony is that the opposite is true. By not focusing on the “business” of healthcare and the need to make it profitable and competitive, we have not, are not and will not be able to offer patients the quality of care they deserve.

The focus on “mission” allows 3% and 4% margins to be considered acceptable (a margin completely unacceptable for most businesses... much less investment accounts). It also allows us to rather complacently accept that everyone other than those actually offering “patient care” to make the rules about how that care is offered (i.e., legislators, insurers, pharmaceutical firms, etc.). As such, the majority of healthcare providers are scrambling to just barely keep from drowning in a flood of new directives, regulations and “improvement” initiatives (not to mention patients) rather than leading the charge for significant and substantial improvement in the care they provide.

In addition, the false sense of mission allows many to rationalize poor performance, not hold people accountable, and make excuses for failing to execute more efficient and effective processes. Even in hospitals with relatively high margins, “mission” is used more as an excuse for poor performance and lack of results than it is used to motivate people to offer better care. Our patients (or more correctly, our customers) suffer because of this.

Healthcare is a business no matter how much we would like to believe otherwise. Any industry that eats up \$1.5 trillion (15%) of the GDP cannot be anything else. And only by accepting this fact will any healthcare organization’s “mission” truly be fulfilled. It is my belief that if your goal is to offer the best care possible to your patients, you better start thinking of how to be successful as a business. Only then will you have the physical, fiscal and human resources to be in a position to continue offering quality care to those you would serve.

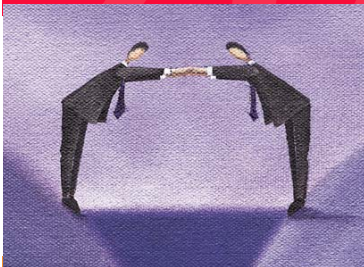
The Age Of Customer-Driven Performance

Businesses operate under a strong umbrella of accountability... one which many in healthcare do not. Businesses are truly accountable to their customers. Healthcare providers may be accountable to numerous legislative agencies and other outside influences, but until recently, patients (customers) held little sway over how they receive their care. Healthcare is one of the few places where service providers get paid regardless of the quality of care people feel they receive. But, times are changing. JCAHO, Medicare, and other agencies, no longer ignoring the patient experience as a determinant for ranking and reimbursement, are putting ever increasing pressure on hospitals to stop treating patients and start serving customers.

Pay For Performance

Anyone who works in healthcare is probably all too familiar with JCAHO’s accreditation programs and the changes being introduced by the Centers for Medicare and Medicaid Services (CMS). The phrase “Pay For Performance” increasingly will become a reality for everyone working in healthcare... a major shift from what most of us are used to.

HUMAN CAPITAL: Defining Human Value



The term “human capital” originates with Theodore Schultz. Dr. Schultz found that in order to help the impoverished people of underdeveloped nations, what was needed was knowledge – not land, not machinery and not energy. Schultz, who won the Nobel Prize in 1979, described this human side of economics as follows:

Consider all human abilities to be either innate or acquired. Every person is born with a particular set of genes, which determines his innate ability. Attributes of acquired population quality, which are valuable and can be augmented by appropriate investment, will be treated as human capital.

A far older and far simpler explanation of human capital can be found if we go back to the time of Chinese Taoist Philosopher, Lao Tze (c. 600 B.C.E.).

*If you give a man a fish,
you will feed him once.
If you take a man fishing,
you will feed him for a week.
If you teach a man to fish,
he will never be hungry.*

Our unique ability to learn, and from this learned knowledge, to create more knowledge, gives us as humans our true value.

Patient satisfaction scores once only used internally within healthcare organizations as a measure of performance are now being outed for access by anyone interested in determining a particular organization’s performance. Websites such as www.healthgrades.com allow the public to rate and rank hospitals in terms of not only how well they provide clinical care (which most people are not qualified to assess anyway) but also how well patients are treated as people (which most are able to evaluate extremely effectively). A healthcare organization’s performance will be open for examination by not only patients, but the media, insurance providers, lawyers, etc. Even more importantly, an organization’s ranking will determine reimbursement for services provided to the tune of millions of dollars.

A full examination of JCAHO’s accreditation programs and CMS’s “Pay for Performance” standards is not within the scope of this article (please visit www.jcaho.org and www.cms.hhs.gov for more information). However, it is important to point out that performance at all levels... be it clinical, technical or satisfaction oriented... is now and forever going to be the key to success and survival within healthcare.

Within a performance-driven environment, hospitals and other healthcare providers will be competing with ever increasing ferocity for patients, physicians, nurses, support staff, physical/fiscal resources, and marketplace credibility. The only way to compete effectively will be to take on the **business** of healthcare so that hospitals have the resources to make their mission of delivering quality care a reality.

Coaching: Borrowing From Business To Enhance Healthcare Performance

To transform healthcare organizations of today into powerfully performance-driven, business-oriented entities is a daunting task indeed. Most healthcare leaders, especially those close to the bedside, need every bit of their energy and effort to simply get through the day. They are running a race that has no end in sight... and, in many cases, they are running it in a way that will only frustrate, exhaust and, ultimately, take them out of the game.

Exhausted, frustrated people cannot develop and execute the colossal transformations that will be necessary to ensure the creation of an effective healthcare business. And, only the people in healthcare will be able to make these changes happen. In order to obtain the financial wherewithal to keep healthcare afloat, we all need to place a major emphasis on leveraging human capital (i.e., people).

For some time now, forward-thinking corporations have taken to using external coaching as a way of investing in their human capital to increase performance and effectiveness on the job. Coaches can provide support, guidance, focus and direction when it comes to setting and reaching performance goals. In healthcare, coaching can, and in a few cases, is already being utilized to help healthcare professionals change the way they are running the race to provide quality care from one that leads to collapse to one that leads to success.

Coaching would not be the first business tool that healthcare has borrowed from the corporate world. Whether it is the LEAN process adapted from the Japa-



nese to streamline department flow-through or customer service approaches from the hospitality service industry used to enhance in-patient satisfaction, healthcare organizations have looked to other business models to help them improve their own performance.

Coaching can be a resource for leaders at all levels within an organization, but we will focus on two in order to give a brief overview of the benefits associated with a coaching approach.

Challenges Facing Hospital Executives and Nurse Leaders

Healthcare executives face a constant challenge of balancing relationships: relationships with vendors, physicians, medical support staff, insurance providers, government regulators, the community, et. al. In addition, they are many times so far removed from the bedside that the realities of providing day-to-day care are not familiar to them. As such, they are frustrated when directive after directive, initiative after initiative, performance does not improve.

Closer to the bedside, nursing leaders find themselves the frustrated middle-managers of the healthcare world. With one hand, they are trying to lead a team of overworked caregivers to offer quality service to patients and their families. With the other, they try to juggle the various administrative directives and initiatives that fall down upon them from on high. By some miracle, most nursing leaders use a third hand to manage nurse/physician relations (a topic of a future article entitled, "Coaching Physicians and Physician Coaches").

Even more critical for nurse leaders is that many of them found their way to their leadership role by exhibiting outstanding nursing skills... not necessarily leadership skills. Once promoted, very few of these great nurses ever receive adequate support and/or training on how to deal with the leadership challenges and issues they now face. It is somewhat incomprehensible to me that leaders who must deal in a crisis environment on a daily basis serving people who are injured, fearful, vulnerable and distressed (both patients and their families) are offered mostly token training on how to deal with these situations. Having worked in healthcare over the past several years, I have come to a new level of respect for those who work in this industry, especially at the frontline. What I have also determined is that it is these same nurse leaders who can benefit most greatly from working with a coach.

Coaching For Performance

Our two groups, hospital executives and nurse leaders, each face their own challenges. Starting at the top, coaching hospital executives and other senior leaders begins with a detailed process of targeting goals, analyzing processes and gathering feedback on current performance at multiple levels of the organization. Before working to move forward in any way, coaches need to be certain that the executive has a clear picture of where things

are right now. With a clear picture in place, performance coaches then do what they have done with sports and business athletes... they help healthcare executives find their blind spots. Coaches help identify problem areas hindering performance, offer solutions and then support their executives as these executives work to reach their self-determined goals.

In addition, coaching offers unique insights to aid in hospital succession planning... both in identifying potential future leaders and in developing those for new roles in the future.

In the highest performing organizations, all workers... need to be coached to learn how to reduce ambiguity systematically and how to continually improve processes.

STEVEN J. SPEAR
"FIXING HEALTHCARE FROM THE INSIDE"
HARVARD BUSINESS REVIEW (2005)

While working with hospital executives usually leads to some very positive performance breakthroughs, the effect is intensely magnified when coaching is pushed to lower levels in the organization... especially when utilized with nurse managers and assistant nurse managers. That's when the investment in human capital gets taken to a new level.

Leveraging The Power of Coaching

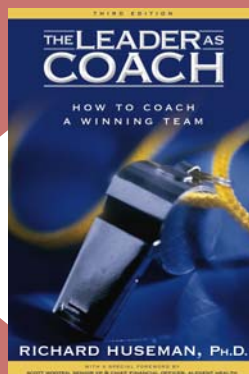
Coaching at the nurse manager and assistant nurse manager levels provides these leaders with an almost unprecedented measure of support. With a coach, nurse managers and assistant nurse managers have an opportunity to receive valuable guid-

ance on leadership issues and challenges. When coaching nurse leaders, one of the first things a coach does is collect data from a leader's direct reports about team challenges and a nurse leader's leadership ability. As such, nurse leaders have the opportunity to receive some real feedback from those they work with about how they are doing and that feedback becomes the launch pad for development and training efforts.

Another benefit to providing coaching for nurse leaders is the positive, supportive message it sends from the administrative level down to nursing leaders. Nurse leaders are offered tangible proof that top leadership values their efforts and is willing to provide them the support they need in order to make positive steps forward in providing care at the bedside.

One of the most valuable contributions coaching can offer is that coaches can serve as a conduit between nursing leadership and the executive level... helping administrators clearly communicate their agenda and target goals while helping nurse leaders get the word up the line about issues detracting from performance.

Coaches also serve as neutral parties to help facilitate difficult discussions between units and individual staff members. Through coaching, the "elephants under the rug" that so often plague performance enhancement efforts can be uncovered and addressed openly. Most importantly, coaching allows both executives and nurse leaders to feel supported through times of profound transition and change... which will be norm rather than the exception in healthcare for many years to come.

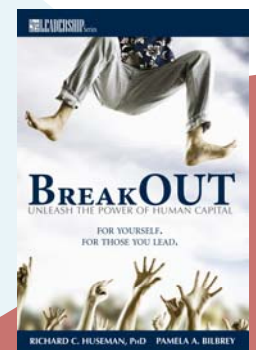


THE LEADER AS COACH by Richard C. Huseman, Ph.D.
Special Foreword by Scott Wooten

Do you want to be managed... or do you want to be coached. If you said you want to be "coached," then you need to open the cover and keep reading... because in all likelihood, the team you lead wants to be "coached," too.

BREAKOUT by Richard C. Huseman, Ph.D. and Pamela A. Bilbrey

Most of us are trapped in a prison of our own creation... the self-determined limitations that we have imposed on our potential for success. BreakOUT is a path back to finding your competitive edge, for any leader at any level... and you don't have to wait for the rest of your organization to "convert."



Coaching: The Return on Investment

In order to make the case for how coaching might be of value to hospitals in terms of the bottom line, I would offer an example of coaching utilized in one of the giants of the oil industry. Shortly after the announcement of the merger with fellow giant Exxon, leaders at Mobil made a decision to spend \$1.4 million dollars to coach 102 executives in the company.

This choice to invest in coaching was made at a very interesting time. Naturally, the choice to have such a large number of executives coached when the details of the merger were still under deliberation was unusual. But also, the area selected for coaching was remarkable. North American Marketing and Refining (NAM&R) division executives would be coached... a division which by industry standards had been holding the number one position among its competitors for the last three years. Mobil decided to coach their top players at a time when they were already ahead. The rationale for the investment in coaching was that it would help keep people's "heads in the game" during the merger while at the same time keep NAM&R at the head of the pack during a time of great transition.

After 12 months of coaching, interviews with the head of Mobil's NAM&R division and his five senior leaders determined that the short-term return of their initial \$1.4 million investment was over \$11 million (an almost 800% return on investment). Additionally, since the coaching impacted many processes on an ongoing basis, it was estimated the coaching would bring an ongoing savings of \$7 million annually moving forward.

In healthcare, one of the payoffs coaching can offer is a significant positive impact on the bottom line as processes and procedures are streamlined. However, the greatest potential for coaching lies in increasing patient satisfaction and clinical performance. As JCAHO and CMS measures are more openly available to the public, hospitals will be an open book to those looking for quality healthcare... and how a hospital stacks up against its competitors will determine its success or failure.

A Final Word On Human Capital

Human capital (people) will be increasingly important in all industries as we move into the future. However, there is perhaps no other sector where human capital will play as crucial a role in

determining the future of an industry than in healthcare.

The use of external coaching for healthcare professionals (at the executive and nursing levels):

- Helps develop leadership skills on-the-job.
- Places a premium on identifying and achieving performance targets.
- Serves as a conduit between the administrative and clinical care levels of the organizations helping to communicate issues and concerns from the boardroom to the bedside and vice versa.
- Offers neutral third-party data and perspective for a hospital's leader succession planning process.

As healthcare continues to address the business of offering quality care, coaching may well find its greatest significance... by supporting healthcare professionals as they chart the course to help those in need both now and into the future. ■

ACTION: Consider engaging external coaches to enhance performance



Scott Wooten, CFO
Alegent Health

INVESTING IN HUMAN CAPITAL: The Alegent Edge

We, at Alegent Health, are at a very interesting turning point in our story... and our story up till now has been very exciting. We've come a long way in the last 10 years and there are many great opportunities for us in our future. In order to capture those opportunities and leverage them into reality, we need to rely more and more on the single most important resource we have at Alegent Health: caring, compassionate and dedicated employees, physicians and volunteers. In other words, our hope rests in the hands of the people who make Alegent Health what it is today and who will shape its future destiny.

What counts at Alegent Health is not our buildings, our technology or our processes. These only become meaningful when placed in the hands of competent, caring people who choose to come to work with both their heads and their hearts.

We make decisions with our heads; we make commitments with our hearts. And in order to continue to motivate and inspire people to tackle new challenges and reach new heights, we need to focus on growing our leaders. Leadership will be the key to tapping the power of our human capital.

**We make decisions with
our heads;
we make commitments
with our hearts.**

SCOTT WOOTEN

When I first met Dick Huseman, he began to talk to me about how a coaching approach to leadership development can be such a valuable investment in human capital. He said that the relatively minor investment of providing coaching to leaders in an organization could generate an enormous shift in productivity and employee satisfaction. I realized that this is precisely what we wanted to have happen to Alegent Health in our finance area.

I have seen the power and potential coaching can have for individuals and teams. A "coaching" approach to leadership development allows us to stretch our limits and maximize our potential so that we all play at our best... with all of our heart and spirit. It was only our investment in human capital that made us as successful as we are. And, it is only by continuing to invest in our human capital that we will be able to sustain our success and reach new heights of performance and productivity into the future. ■