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CHAPTER ONE

Introduction

I'm a great believer in luck, and I find the harder I work the more I have of it.

—Thomas Jefferson

MANY COMPANIES, GOVERNMENTS, AND NONPROFITS are experiencing turbulence and challenges. Several factors have converged to create unprecedented pressures and they are finding it essential to accelerate their corporate performance management (CPM) journeys for results. My first two books on CPM studied dozens of award-winning companies and provided a roadmap of their core and innovative best practices for others to emulate. I am grateful to you as a reader for helping them to become best sellers. This book takes a more focused view on one company that has earned numerous awards and chronicles its business improvement program while on its journey to excellence.

In my first book, *Five Key Principles of Corporate Performance Management*, published in 2007 by John Wiley & Sons, I researched over 100 award-winning companies and shared over 30 common core best practices grouped by the Five Key Principles.

Principle 1: Establish and deploy a CPM office and officer.

Principle 2: Refresh and communicate strategy.

Principle 3: Cascade and manage strategy.

Principle 4: Improve performance.

Principle 5: Manage and leverage performance.

Executives from 14 commercial, government, and nonprofit organizations generously shared their case stories in that book. They had earned an impressive roster of awards and honors, including:

- U.S. President's Malcolm Baldrige National Quality Award (MBNQA)
- Kaplan & Norton Global Balanced Scorecard Hall of Fame Award
- Deming Quality Award
- American Productivity & Quality Award (APQC) Best Practice Partner award
- State quality awards
- *Fortune* magazine's "100 Best Companies to Work For"
- Several other honors and awards in each case

In the first book, I shared my personal journey of leading Crown Castle International's Global CPM efforts while reporting to the chief executive officer (CEO). Crown earned several notable awards and honors:

- The *Wall Street Journal* ranked Crown in the top 20 most improved in shareholder value (out of over 4,000).
- The company's share price appreciated from \$1 to over \$30 during my tenure.
- The company earned the globally recognized Balanced Scorecard Hall of Fame Award from Drs. Kaplan and Norton.
- The company won the APQC Best Practice Partner award.

This was the beginning of the Five Key Principles model (shown in Exhibit 1.1) that has since been used by dozens of organizations to emulate these early winners.

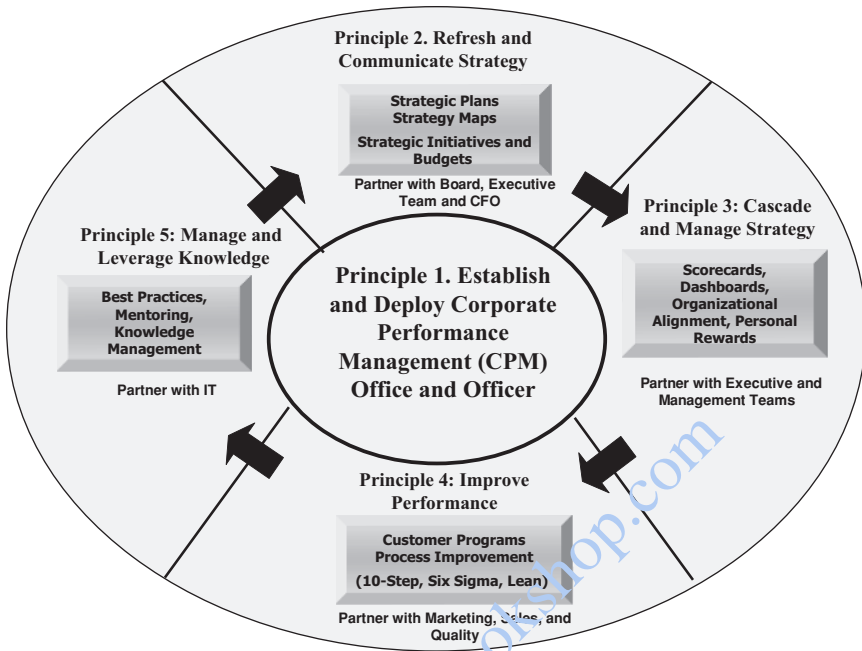


EXHIBIT 1.1 Five Key Principles of Corporate Performance Management

Source: Bob Paladino, *Five Key Principles of Corporate Performance Management* (Hoboken, NJ: John Wiley & Sons, 2007), p. 4. © Copyright 2010 Bob Paladino and Associates, LLC.

With regard to excellence, it is not enough to know, but we must try to have and use it.

—Aristotle

In my second book, *Innovative Corporate Performance Management* (John Wiley & Sons, 2011), I researched dozens of companies that were thriving during the worst recession in American history. In short, the 11 commercial, government, and nonprofit organizations that shared their cases had amassed over 175 notable national awards, including all of those noted earlier. I was astonished to discover that these organizations have devised 132 innovative best practices beyond the core best practices; the core and innovative best practices are stratified in Exhibit 1.2.

EXHIBIT 1.2 Core and Innovative Corporate Performance Management Best Practices

Five Key Principles of Corporate Performance Management	Core Common Best CM Practices	New Innovative, Company-Specific Best Practices	Total Best Practices
Principle 1: Establish and deploy a CPM office and Officer	8	8	16
Principle 2: Refresh and communicate strategy	6	39	45
Principle 3: Cascade and manage strategy	9	31	40
Principle 4: Improve performance	5	30	35
Principle 5: Manage and leverage knowledge	6	24	30
Totals	34	132	166

Source: Bob Paladino, *Innovative Corporate Performance Management* (Hoboken, NJ: John Wiley & Sons, 2011), p. xii. © Copyright 2011 Bob Paladino and Associates, LLC.

This research also provided a CPM Core Process Blueprint, which provides a roadmap for organizations to migrate from the current state to emulate award-winning organizations. The blueprint of core CPM processes is shown in Exhibit 1.3.

The blueprint of key processes also formalized key roles and responsibilities for each core process; the roles included process sponsors, process owners, process facilitator, and process participants.

All truths are easy to understand once they are discovered; the point is to discover them.

—Galileo Galilei



CORPORATE PERFORMANCE MANAGEMENT BEST PRACTICES

Corporate Performance Management Best Practices builds on prior research and expands on Principle 4: Improve performance. I was grateful to partner with

EXHIBIT 1.3 CPM Principles 1 to 5 Blueprint and Key Supporting Processes

CPM PRINCIPLES 1–5 ROADMAP	Year 1				Year 2				Year 3	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Key Supporting Processes										
Principle 1: Establish and Deploy CPM Office										
<ul style="list-style-type: none">▪ Executive Sponsorship and Trusted Advisor process▪ Recruit, Train and Manage Enterprise CPM Expert process▪ CPM Principles 2–5 Management processes▪ Manage CPM Centers of Excellence processes										
Principle 2: Refresh and Communicate Strategy										
<ul style="list-style-type: none">▪ Strategic Planning process▪ Enterprise Risk Management process▪ Budgeting and Strategic Initiative process▪ Strategic Communications and Change Management processes										
Principle 3: Cascade and Manage Strategy										
<ul style="list-style-type: none">▪ Corporate Balanced Scorecard process▪ Business and Support Unit Balanced Scorecard processes▪ Team and Personal Scorecard and Goal processes▪ BSC Automation and Meeting Management processes										
Principle 4: Improve Performance										
<ul style="list-style-type: none">▪ Customer and Competitor Survey and Innovation processes▪ Quality Improvement and Innovation processes▪ Benchmarking process										
Principle 5: Manage and Leverage Knowledge										
<ul style="list-style-type: none">▪ Best Practice and Innovation Sharing process▪ Mentor and Development process										

Source: Bob Paladino, *Innovative Corporate Performance Management* (John Wiley & Sons, 2011, Hoboken, NJ), p. 36.

the MidMichigan Health system executive and management teams and chronicle their journey and results. This book provides:

- *Five Key Principles of CPM* self-scoring diagnostic with 30+ best practices
- *Five Key Principles of CPM* Program Roadmap
- *Principle 4: Improve performance program maturity model* to chart your course
- *Principle 4: Improve performance* 35 new best practices to accelerate results
- *Principle 4: 10-step problem-solving* case studies to improve business units, shared services functions, and core and support processes
- *Practical insights* from 10-Step team leaders on how they achieved outstanding results

Teams leveraged real-time voice-of-the-customer surveys, net promoter scoring, internal and external benchmarking, creative exercises, prioritization techniques, and more. Consider this book a field guide that you can readily apply to your organization.

I will share the journey of applying CPM best practices and understanding the obstacles and lessons learned necessary to help accelerate your results. How does an organization apply best practices? What does an organization experience, and what adjustments does it make to realize value? What are the five levels of maturity? What resources does it take? How long does it take to go from the starting point to full maturity? This book addresses these and many more questions. It chronicles the journey the vast majority of organizations are on, striving to attain awards that a select few earn.

I have been honored to participate on the journey toward excellence with a special company and a dynamic team at MidMichigan Health system. I invite you to join me in tracing their journey of deploying CPM methods to accelerate results and explore their progress from level 1 (initial), to level 3 (defined), to level 5 (optimized), often referred to as best in class, and understand program best practices that enabled their metamorphic transformation.

In short, how has a Michigan hospital system applied the Five Key Principles of Corporate Performance Management to emulate award-winning organizations? How has the diverse employee base dealt with headwinds, including the collapse of the auto industry on its doorstep, unprecedented government intrusion, declining reimbursement (revenue) rates, reductions in customer/patient population, and new national competitors to improve performance across dozens of key measures? This book chronicles MidMichigan's CPM journey with a distinct focus on Principle 4: Improve performance, and offers best practices and key insights on how it tackled the sacred cows, proactively

myth-busted to refute long-held beliefs, and applied disciplined problem-solving methods to get it right to benefit patients, communities, doctors, and employees. Consider this book a field guide or implementers' guide that you can readily apply to your organization.

How have MidMichigan stayed focused, avoided the pitfalls, and achieved breakthrough results in the financial, customer/ patient, operational, and people perspectives of the business? How has it translated the cases and best practices into actions that employees can understand and support? The lessons learned and best practices apply to all organizations on the journey to excellence.

Trust one who has gone through it.

—Virgil

Corporate Performance Management Best Practices not only provides universal, innovative best practices but also brings you a proven implementation model that has accelerated breakthrough results. Learn practical techniques that have been adopted at all levels in the organization, from a facilities manager to the chief nursing officer, from a human resources supervisor to the chief financial officer, and from an hourly patient transportation worker to the chief executive officer.

Corporate Performance Management Best Practices moves well beyond traditional how-to books and offers a fresh approach for rapidly deploying solutions to accelerate and improve performance.



EXECUTIVE VIEWS ON CPM

The 10-step program offers a simpler, less complicated approach [than Six Sigma or lean] to solving real-world problems in a team environment. It has been a very effective and successful tool for our organization.

—Adelberto J. “Al” Adan, MBA, FACHE, Executive Vice President and COO, MidMichigan Physicians Group, and Vice President, MidMichigan Medical Center—Midland

Provides a structured approach to process improvement that is easy to learn and is data driven. Requires you to move quickly and encourages you to think outside the box.

—Scott Currie, Vice President and Chief Financial Officer, MidMichigan Medical Center—Midland

Bob Paladino's 10-step program brought a logical, repeatable process to MidMichigan Health. Following the disciplined step-by-step process, you peel back the onion to expose the true cause of the issue that you are working on. We drove home results that would not have been achievable without the program.

—Mike Erickson, Vice President of Facility Services,
MidMichigan Medical Center—Midland

I believe the CPM training provided our staff with the tools and clarity to really focus on results/outcomes that aligned with our system strategic goals and objectives. Once the team was selected and team roles were identified, the team followed the code of conduct and quickly gathered a tremendous amount of information which were then used to make decisions on our new process. The 12-week deadline at first seemed impossible but the team bonded quickly and came to a solution that we knew would create efficiencies and cost/time savings for our facility.

—Lorie Mault, MSA, PHR, Director of Labor Relations,
MidMichigan Health

The 10-step process has provided MidMichigan Health with a consistent systematic methodology to approach problem solving. Within this structured framework which has defined beginning, middle and end dates, our multidisciplinary teams have been extremely successful in identifying solutions that result in measurable changes to improve quality, efficiency, patient satisfaction, and financial results aligning with our strategic initiatives.

—Deb Mills, Director of Corporate Performance
Management, MidMichigan Health

It WORKS! A process that has a defined beginning, middle and end has been very effective for our organization. This process has been valuable in assisting us with problem solving, changing processes, and implementing these changes in a very disciplined and timely manner. While a great deal of work is accomplished by our teams, the members of the teams have fun and feel a great sense of accomplishment.

—Diane Nold, Vice President, MidMichigan Medical
Center—Midland

From my perspective the value of the 10-step program for MidMichigan Health has been its ability to “focus” the organization. The 10-step program focuses on:

Facts;

Operations and solving “real” problems;

Cross-functional collaboration;

Utilizing innovation and best practices for its solutions; and

Success and accountability.

By setting the bar that each team must have some type of “hard” dollar impact (revenue or expense reduction).

—Francine Padgett, Chief Financial Officer, Senior Vice President and Treasurer, MidMichigan Health

I have been particularly impressed with how the 10-Step Program helps each team (many of whom have never worked together before) solve problems in unique, enlightening ways, ultimately affording us financial wins and improvements in our abilities to take care of our patients.

—Dr. Lydia Watson, Vice President of Medical Affairs, MidMichigan Medical Center—Midland

The value is the ability of the process to direct focus to the root cause of an issue and to accomplish an action plan in a defined period of time.

—Shelli Wood, Vice President and Chief Nursing Officer, MidMichigan Medical Center—Midland

However beautiful the strategy, you should occasionally look at the results.

—Winston Churchill



MIDMICHIGAN AWARDS, HONORS, AND RESULTS

According to the MidMichigan Health 2011 Community Report, MidMichigan Health has earned several honors and awards and realized several safety improvements, which are described next.

Awards and Honors

- For the third consecutive year, MidMichigan Health was selected as one of the best health systems in the country by Thomson Reuters, scoring in the top 20 percent of 285 organizations nationwide. Top-quintile performers are proven to have much better patient outcomes, higher-quality care, and better patient satisfaction scores.
- MidMichigan Medical Center–Gratiot received the HealthGrades 2011 Outstanding Patient Experience Award™. This distinction ranks the Medical Center among the top 5 percent of hospitals nationwide, based on an analysis of patient satisfaction data for 3,797 U.S. hospitals.
- MidMichigan Medical Center–Gladwin was recognized for quality improvement in clinical performance by the Michigan Center for Rural Health.
- MidMichigan Medical Center–Gladwin was named one of the nation's top-performing hospitals on key quality measures by the Joint Commission, the leading accreditor of health care organizations in America. It is one of only 405 U.S. hospitals to earn the distinction.
- MidMichigan Medical Center–Clare met rigorous national standards to earn the Joint Commission's Gold Seal of Approval™ for health care quality and safety. The Joint Commission's unannounced on-site review serves as an independent audit of quality and patient safety.
- The RehabCentre at MidMichigan Medical Center–Gratiot received three-year accreditation from the Commission on Accreditation of Rehabilitation Facilities, the fifth consecutive accreditation for the inpatient rehabilitation and the second for the stroke specialty program.
- MidMichigan Medical Center–Gratiot and Bariatric Surgeon Ernest Cudjoe, M.D., earned the American Society for Metabolic and Bariatric Surgery Bariatric Surgery Center of Excellence designation for the second consecutive year.
- The inpatient medical/pediatric care unit at MidMichigan Medical Center–Gratiot received the 2010 Professional Research Consultants 5-Star Excellence Award for Quality of Care. Recipients scored in the top 10 percent of PRC's national database in confidential interviews for units rated "excellent."
- The Michigan Peer Review Organization awarded MidMichigan Gladwin Pines special recognition for efforts to reduce the use of physical restraints on facility residents. The focus was based on a 2008 to 2011 patient safety quality improvement initiative.

Safety Improvements

According to MidMichigan Health's quality reports, several affiliates of MidMichigan Health ranked in the top 10 percent nationwide for listed achievements (national core measure abbreviations in parentheses):

- Aspirin at arrival (AMI-1). AMI patients who received aspirin within 24 hours before or after hospital arrival
- Aspirin prescribed at discharge (AMI-2). AMI patients who are prescribed aspirin at hospital discharge
- Beta blocker prescribed at discharge (AMI-5). AMI patients who are prescribed a beta blocker at hospital discharge
- Evaluation of LVS function (HF-2). Heart failure patients with documentation in the hospital record that the LVS function was evaluated before arrival, during hospitalization, or is planned for after discharge
- Adult smoking cessation advice/counseling (HF-4). Heart failure patients who have a history of cigarette smoking within 12 months who are given advice/counseling
- Blood cultures collected in the ED before first antibiotic received (PN-3b). Pneumonia patients whose initial emergency room blood culture specimen was collected prior to first dose of antibiotics
- Antibiotic selection non-ICU Patients (PN-6b). Immuno-competent non-ICU patients with CAP who receive an initial antibiotic regimen during the first 24 hours that is consistent with current guidelines
- Resident falls with injury. Number of falls with serious injury

Results

MidMichigan Health has embraced the Five Key Principles of Corporate Performance Management by focusing first on three principles concurrently:

Principle 1: Establish and deploy a CPM office and officer.

Principle 3: Cascade and manage strategy.

Principle 4: Improve performance.

Given the market pressures noted, the focus of this book is on Principle 4 so I highlight some of the results identified by the 10-step improvement teams and reported in the CPM 10-Step Team Status Report of CPM MidMichigan Health dated March 15, 2012. Case studies, including detailed results, working papers, key tips, and techniques, are shared in later chapters.

Financial Improvements

- Improved earnings by over \$16,000,000 annually from rounds 1 to 7 teams
- Improved earnings by over \$89,000,000 in the next five years
- Beyond these earnings, identified one-time cash award of \$26,400,000
- Increased revenue for neurology procedures by \$128,000 per annum
- Increased procurement card savings by \$400,000 per annum
- Increased revenue by \$300,000 per annum through reduced leave before treatments
- Reduced mileage reimbursement by \$200,000 per annum
- Reduced account receivable write-offs by \$85,000 per year
- Reduced sales tax expenditures by \$75,000 per annum
- Reduced procurement costs for orthopedic replacements by \$397,000 per annum
- Improved revenue by \$647,000 per annum through more accurate diagnoses and billings
- Reduced medical insurance rejections by \$200,000 per annum
- Reduced software expenses by \$300,000 per annum

Customer/Patient Improvements

- Improved emergency department patient satisfaction to “Excellent (highest) Rating” from 40 percent to 52 percent
- Achieved top HCAPS (Hospital Consumer Assessment of Healthcare Providers and Systems) patient scores across all hospitals in state of Michigan
- Decreased inpatient length of stay for degenerative nervous system disorders by 2.9 days, resulting in a total savings of \$400,000 per annum (net of adjusted reimbursement)

Process Improvements

- Reduced cycle time to review new, innovative medical products from 161 days to 31 days
- Reduced financial budget complexity across the system by 52 percent from 21,000 to 9,000 lines of detail in one year
- Reduced page counts across the system in management/financial reports by 35 percent in one year
- Increased customer volume, additional 600 mammographic screenings per annum
- Reduced emergency room cycle time by 30 minutes
- Reduced month-end financial statement close from 10 days to 5 days

People and Technology Improvements

- Reduced nursing turnover on medical surgical floors by 43 percent in first year
- Reduce employee requisition cycle time from 45 days to 38 days
- Reallocated four finance department full-time equivalents from traditional finance activities to CPM champion responsibilities
- Trained 56 nurses on neurology procedures to establish neurology step-down unit



MY PROMISE

Corporate Performance Management Best Practices provides practical executive and practitioner best practice examples on how to embrace and deploy a CPM *Improve Performance* program using integrated CPM processes. I am fortunate to have been part of the journey with this special company and others and am glad to share practical truths to help you with yours.

Honesty is the first chapter in the book of wisdom.

—Thomas Jefferson

<http://www.pbookshop.com>