

Workforce[®]

workforce.com

MARCH 17, 2008 • \$8

MANAGEMENT



OutFront

DOUBTS ABOUT MEGA-HRO DEALS

4 Wachovia's decision to reduce Hewitt pact reveals more flaws in the system.



PUBLIC HEALTH BEING HIT HARD

6 Workers not drawn to aid agencies despite an epidemic of concern.

EMPTY SEATS

10 National Labor Relations Board's work stymied by a lack of appointees.



Crain Communications Inc

Subscribe to Workforce Management, the only magazine that keeps you up-to-date on economic & business trends that can impact HR. Subscribe on the web: www.Workforce.com

Derrick Sueha, chief quality officer, Crouse Hospital

from the HEALING the INSIDE

BANKRUPT CROUSE HOSPITAL CALLS ON EMPLOYEES AT ALL LEVELS TO FIX ITS AILING CULTURE AND SECURE THE ORGANIZATION'S FINANCIAL FUTURE.

BY PATRICK J. KIGER

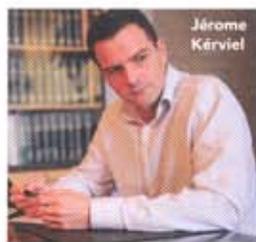
IT WAS EARLY 2002, and Syracuse's Crouse Hospital was still in the excruciating throes of bankruptcy when interim CEO David Speltz and his turnaround senior management team summoned the hospital's middle management to an off-site retreat.

The managers at Crouse, whose 566 beds and 2,600 employees make it the largest acute-care institution in the central New York region, undoubtedly were prepared for the worst. Even before Chapter 11, they'd already endured painful layoffs and budget cuts, and struggled to remain focused on their work despite rumors that the once-proud institution, home to one of the nation's finest neonatal intensive care units, would be broken up or sold outright.

But what transpired was probably an even bigger shock. Instead of leading the meeting, the turnaround management...

continued on page 18

NO ESPRIT DE CORPS?



A costly scandal at a French bank raises the question: Why didn't workers report suspicious activity? Poor engagement may be to blame.

By Jessica Marquez

The recent turn of events at Société Générale, where a low-level trader lost billions of dollars for the giant French bank through illicit trades, may seem like a one-off situation. But observers say the scandal highlights some of the cultural challenges facing employers with workers in France today.

On January 24, Société Générale announced that for years one of its junior traders, Jérôme Kérviel, had been masking trades, which ultimately resulted in €4.9 billion (\$7.2 billion) in losses for the bank.

While only one other trader has been taken into custody for questioning over the scandal, an internal probe has

continued on page 3

MICHAEL O'CONNORSKI



Crouse employees Shannon Spicer, left, and Joanie Phillips, perioperative aides in the hospital's OR, rush a gurney down a hallway. Annual workforce turnover at Crouse has declined from a high of 49 percent in 2001 to 18 percent today.

COMPLETE RECOVERY

IN EMERGING FROM BANKRUPTCY, NEW YORK'S CROUSE HOSPITAL USED ITS REORGANIZATION NOT ONLY TO FIX ITS FINANCES, BUT ALSO TO REINVENT ITS CULTURE.

BY PATRICK J. KIGER • PHOTOS BY MICHAEL OKONIEWSKI

CONTINUED FROM THE COVER

ment simply sat around the table like everyone else while a hired consultant ran the show. When it was the top executives' turn at last to speak, their message was brief and to the point,

"They told us, 'At some point in the near future, we're going to be gone,'" recalls Derrick Suehs, who was at the meeting and is now Crouse's chief quality officer. "We'll be turning it over to you, to sink or swim. This is the team right here that's going to lead the organization forward."

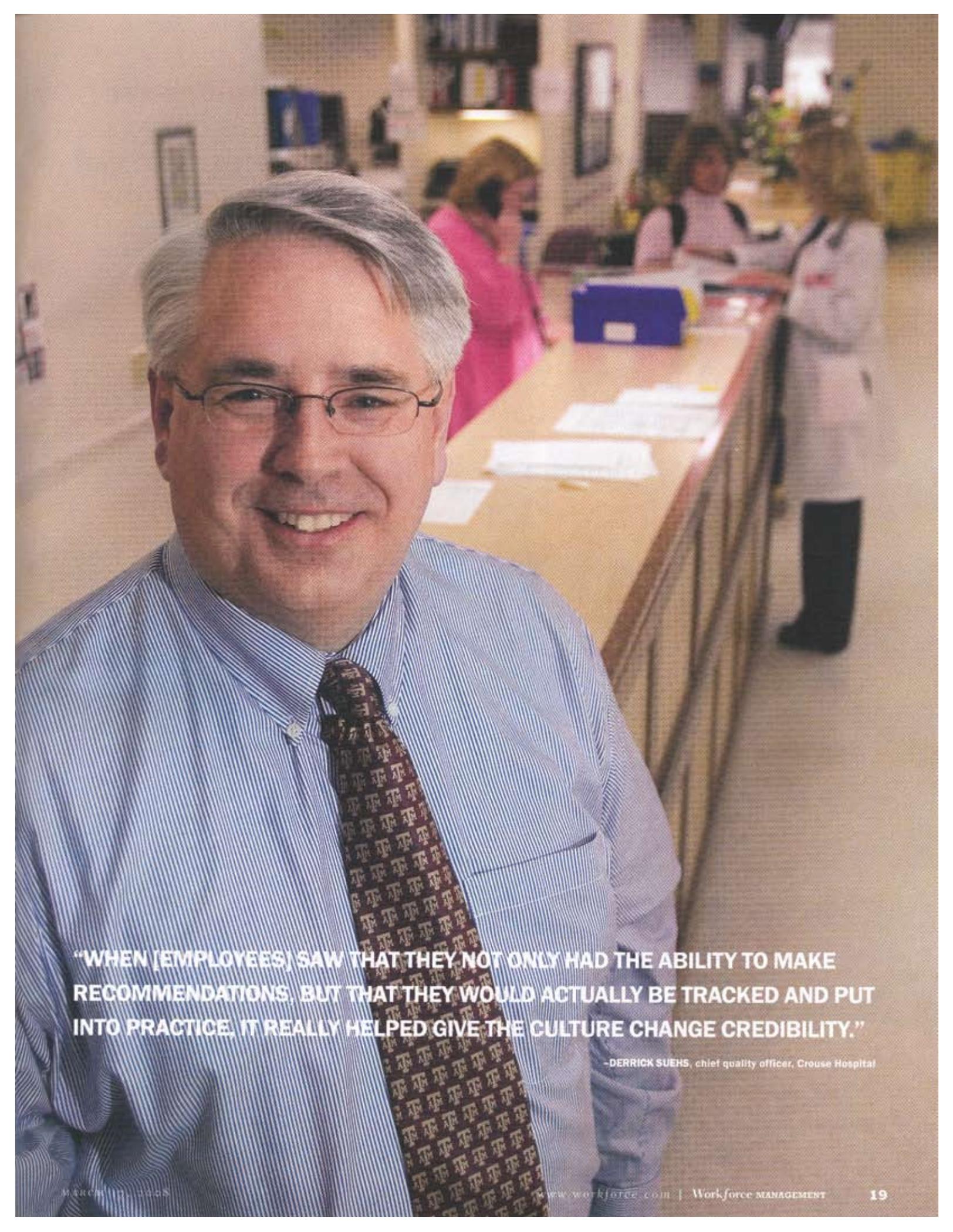
It was not an admission born of sheer benevolence.

"The turnaround guys knew that once the financial bleeding is stopped and the holes are stitched up, you're still vulnerable," Suehs says. "You've got to sustain life, or the patient's not going to make it. To get Crouse healthy again, the culture had to change, and they were smart enough to know that wasn't their area of expertise. So they handed that job off to us. I'm not

sure they realized it at the time, but what they had done was very powerful and empowering."

What transpired was a marked contrast to the typical institutional struggle to survive a bankruptcy, in which scorched earth austerity measures leave the workforce feeling alienated and powerless, and erode the commitment to the organization's mission that is so essential to high performance and a positive relationship with customers.

Instead, Crouse used its reorganization and the aftermath not just to regain its financial footing, but also to reinvent its culture. As a result, the hospital has significantly improved the quality of its services and regained its position as a leader in a highly competitive regional market. The key to that success has been bringing together employees from all levels and allowing them free rein to remake the organization, from refocusing the hospital's mission to reinventing processes from the ground level to improve efficiency.



"WHEN [EMPLOYEES] SAW THAT THEY NOT ONLY HAD THE ABILITY TO MAKE RECOMMENDATIONS, BUT THAT THEY WOULD ACTUALLY BE TRACKED AND PUT INTO PRACTICE, IT REALLY HELPED GIVE THE CULTURE CHANGE CREDIBILITY."

-DERRICK SUEHS, chief quality officer, Crouse Hospital



“TRADITIONALLY, PEOPLE WOULD COME TO WORK AT CROUSE AND THEN STAY HERE FOR THEIR ENTIRE CAREERS. DESPITE ALL THE PROBLEMS, PEOPLE STILL WERE LOYAL TO THE PLACE, AND WORKING TO KEEP IT GOING. IF THEY HADN’T, WE WOULD HAVE GONE DOWN THE DRAIN.”

—BOB ALLEN, vice president for communications and governmental affairs, Crouse Hospital

LOYALTY DESPITE CRISIS

Crouse’s revival, which earned the hospital the 2006 “Business of the Year” award from the Greater Syracuse Chamber of Commerce and an “Employer of Choice” citation from the central New York chapter of the Society for Human Resource Management, is reflected by a healthier bottom line and improvements in key workforce and performance metrics.

Crouse posted a profit of \$11 million in 2007, compared with a \$15 million net loss in 2000. Crouse’s operating margin of 3.5 percent approximates the national average, but is outstanding in New York state, where more than half of hospitals either lose money or achieve a margin of less than 1 percent, according to the Healthcare Association of New York State, an industry group.

Crouse has regained much of the market share that it lost to other Syracuse area hospitals during its financial travails; last year, the hospital handled 55,000 emergency room visits and discharged 26,000 patients, both tops in the region.

“All of the indicators, such as ambulance traffic, are back up,” says Bob Allen, Crouse’s vice president for communications and governmental affairs. “We’re delivering half of all the births in our county, and our neonatal intensive care unit is treating the sickest premature babies from Binghamton in the south all the way to the Canadian border,” a distance of 200 miles.

Within the organization, annual workforce turnover has declined from a high of 49 percent in 2001, before the hospital’s culture change, to just 18 percent today. Employees’ belief that they are treated fairly by senior management has risen from below industry average levels to a high of 74.5 percent, significantly above the industry norm of 67 percent. Overall job satisfaction has climbed to 91.9 percent, slightly above the industry average of 87 percent. After Crouse’s most recent labor negotiations in 2006, a new contract won approval from 97 percent of unionized employees.

For much of its 120 year history, Crouse Hospital was both a market leader and a venerable community institution in the Syracuse area. But starting in the late 1990s, the institution began to struggle financially and operationally. Crouse stumbled to net losses of more than \$6 million in 1999 and \$15 million in 2000. By January 2001, the hospital was barely generating enough cash to cover its payroll and other expenses, and Standard & Poor’s slashed Crouse’s bond rating by seven notches to single B minus, denoting it as one of the financially weakest hospitals in the nation.

According to news accounts, the hospital’s then management blamed Crouse’s woes on a variety of problems, from cutbacks in federal Medicare payments to the high cost of delivering services not provided by other local hospitals, to computer related billing problems. But Allen, who was with Crouse at the time, offers a different explanation.

Rather than focusing on Crouse’s traditional strengths, he says, the hospital’s executives became preoccupied with building an alliance with another local hospital and creating an integrated system of “cradle to grave” health care services.

“It was a miserable failure,” he explains. “The cultures of the two institutions and their medical staffs were totally different, and not necessarily respectful of each other. Management got caught up in trying to make it work on

a big picture level, at the expense of the details. In this industry, where quality is absolutely vital, you can’t do that.”

Budget cutbacks and layoffs at Crouse only served to worsen the downward spiral. In February 2001, Crouse was forced to file for Chapter 11 bankruptcy protection. Senior management eventually resigned, and at the urging of debt holders, in early 2002 a new team headed by Speltz, a turn-around specialist, took over.

The turnaround team made some important discoveries. Crouse’s troubled cash flow and aging infrastructure notwithstanding, the hospital had one very solid asset its wealth of human capital, such as a nursing staff whose members often had 15 to 20 years of experience.



Employees throughout the hospital, from valet services (above left) to nursing and OR staff (above right) and housekeeping are allowed input in reinventing processes from the ground up.

“Traditionally, people would come to work at Crouse and then stay here for their entire careers,” Allen says. “Despite all the problems, people were still loyal to the place, and working to keep it going. If they hadn’t, we would have gone down the drain.”

That said, the workforce’s relationship with hospital leadership had badly deteriorated because of what Suehs describes as a top driven, bureaucratic organizational culture, in which managers and line employees had little autonomy and few



Simply the Best committee member Vicki Darwood, director of patient access at Crouse, addresses the group’s February 22 meeting. The 18-member committee, consisting of volunteers from middle management and staff, is empowered by senior management to help reinvent Crouse’s culture to meet the hospital’s mission.

opportunities to advocate their ideas for solving problems or improving performance. As a result, Crouse’s 1 traditional reputation for high quality care had suffered.

“Quality begins with people,” Suehs says. “You can try to manage the technical aspects of work, but if it isn’t aligned with your people strategy, it isn’t going to work very well.”

The turnaround team, whose expertise was in straightening out financial problems, didn’t have a solution for Crouse’s cultural malaise. So they asked the workforce to find one.

FOCUSING THE MISSION

At the first off site corporate retreat in early 2002, middle and senior management got down to business with what for Crouse was unusual candor. What was working in the organization, and what wasn’t? What operational trouble spots should be priorities for attention and energy? But gradually, the attendees realized that to truly fix all of Crouse’s problems, they needed to shift to the more philosophical level of mission, vision and values.

“At the time, we had a 53 word mission statement—two paragraphs that nobody could even remember,” Suehs says. “We started working on writing something that had a real meaning. Why do we exist? What are we doing for this community? We had to all be clear on that before we could figure out how to make things better.”

Eventually, Crouse employees whittled the verbose mission statement down to just 12 words: “To provide the best in patient care and to promote community health.”

“Notice that we didn’t say, ‘high quality patient care,’ but ‘the best in patient care,’” Suehs says, “That’s significant, because this is an industry where everyone compares themselves to the norm. We wanted to go beyond average, to optimum.”

Based upon that mission statement, they also developed a list of six core values for the organization, corresponding to the letters in Crouse’s name: community-working together; respect honor, dignity and trust; open and honest communication; undivided commitment to quality, service to our patients, physicians and ourselves; excellence through innovation and creativity.

To help transform those abstract concepts into actual change, senior management appointed an 18 member oversight committee consisting of volunteers from middle management and staff. Suehs led the oversight group—which was dubbed the “Simply the Best” committee, or STB for short—in creating a culture reinvention process that would help achieve the hospital’s mission.

For structure, Suehs chose the National Institute of Standards and Technology’s Baldrige performance excellence criteria, a self auditing process that an organization can use to improve overall performance.

“We needed a model that the management group could

THE BALDRIGE STANDARD

IN ITS CULTURE reinvention process, Crouse chose to utilize the Baldrige performance-excellence criteria as a framework. Here are its seven key areas of focus, adapted from the Institute of Standards and Technology’s Baldrige National Quality Program Web site (www.quality.nist.gov/):

1 LEADERSHIP: How senior executives guide the organization and how the organization addresses its responsibilities to the public and practices good citizenship.

2 STRATEGIC PLANNING: How the organization sets strategic directions and how it determines key action plans.

3 CUSTOMER AND MARKET FOCUS: How the organization determines requirements and expectations of customers and markets; builds relationships with customers; and acquires, satisfies and retains customers,

4 MEASUREMENT, ANALYSIS AND KNOWLEDGE MANAGEMENT: How the organization manages, analyzes and improves data and information to support key processes and the performance management system,

5 WORKFORCE FOCUS: How the organization enables its workforce to develop its full potential and how the workforce is aligned with

the organization’s objectives.

6 PROCESS MANAGEMENT: How key production/delivery and support processes are designed, managed and improved.

7 RESULTS: The organization’s performance and improvement in its key business areas: customer satisfaction; financial and marketplace performance; human resources; supplier and partner performance; operational performance; and governance and social responsibility. How the organization performs relative to competitors.

— P.J.K.

“THE BIGGEST CHALLENGE FOR US WAS OPEN AND HONEST COMMUNICATION. ... THE COMMITTEE BECAME BOTH A RELIABLE SOURCE OF INFORMATION THAT HELPED DECREASE RUMORS AND A SOUNDING BOARD. EVERYTHING SAID IN THERE STAYS IN THE ROOM.”

-LUANA REEVES, director of educational services, Crouse Hospital



Simply the Best committee meeting,
February 22, Crouse Hospital

buy into relatively easily,” he explains. “It was proven, and it was broad based, which was important because we needed to change the entire organization, not just a part of it.”

To that end, the STB committee, which eventually grew to 25 members, would organize another 10 corporate retreats over a five year period. The committee’s twice monthly 7:30 a.m. meetings became a forum that facilitated cooperation among the hospital’s various departments, according to director of educational services Luana Reeves.

“The biggest challenge for us was open and honest communication,” she says. “But in every organization, there are some people that everybody trusts, that if they say something is or isn’t going on, you can bank that it’s for real. So the committee became both a reliable source of information that helped decrease rumors and a sounding board. Everything said in there stays in the room. So if you have somebody that’s not performing, you can talk about it without creating gossip.”

The reinvention process also spawned scores of smaller group discussion sessions to which employees at every level of the organization were invited to participate. The small groups grappled with how to translate the mission statement and values into specific behaviors that would improve customer service and other aspects of performance. In the first year alone, the small group process generated more than 900 recommendations.

In the past, employee ideas at Crouse might have vanished into a bureaucratic shredder. To keep that from happening, Crouse put the ideas into a project management process, and assigned each one to a member of management who would guide it to fruition. At the end of the first full year, Crouse achieved an 85 percent implementation rate.

“When people saw that they not only had the ability to make recommendations, but that they would actually be tracked and put into practice, it really helped give the culture change credibility,” Suehs says.

WORDS INTO ACTION

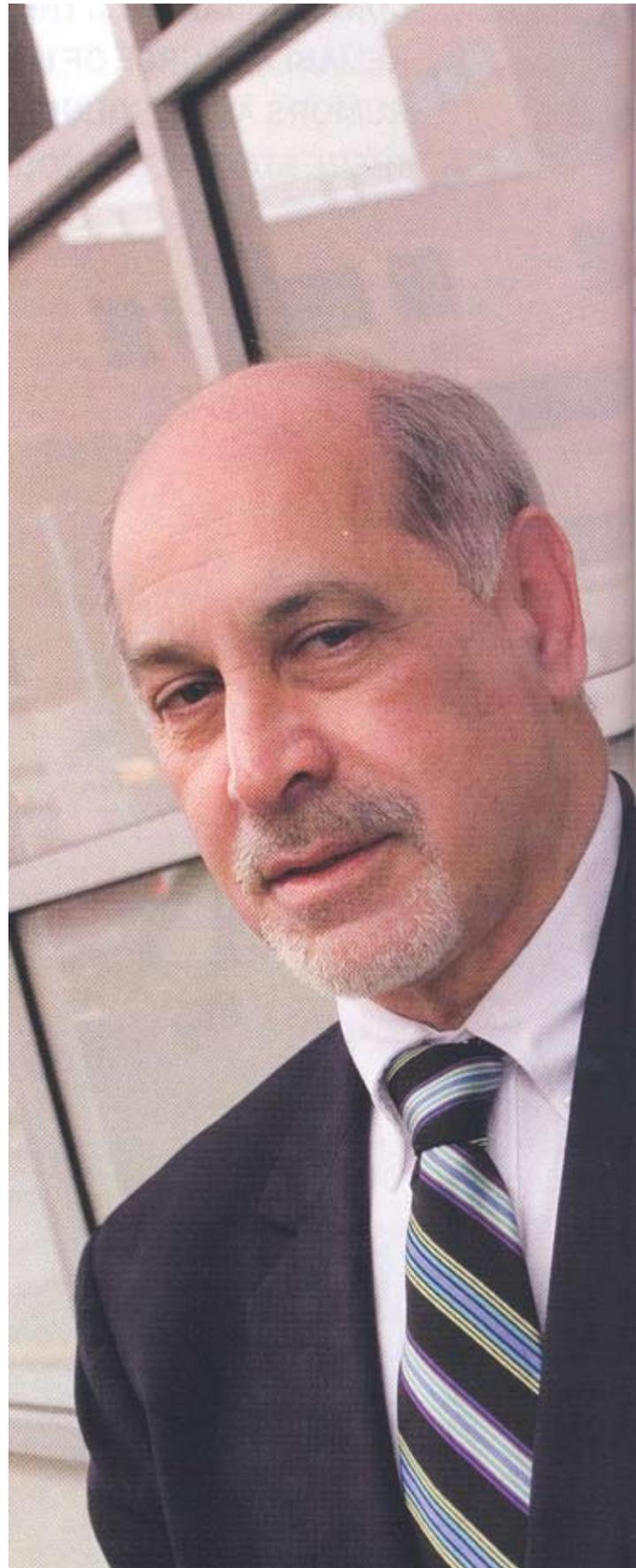
In February 2004, six months after Crouse successfully emerged from Chapter 11, Dr. Paul J. Kronenberg, a 20-year practicing physician and former chief of medicine at Crouse, became the CEO. Under the new leader, the pace of cultural reinvention has accelerated.

“I didn’t know much about hospital administration, but I could see that with the STB committee, something radical was happening,” he recalls. “I had some discussions with them, to the effect of, ‘Why are you guys off on the side? This has to go mainstream.’”

Kronenberg tossed out an existing strategic plan created by his predecessor and embarked upon creating a new blueprint based upon the mission, vision and values that the employees had developed, an effort that is still in progress.

“Instead of focusing on specific metrics, we’ve decided to make a plan focused on our values.”

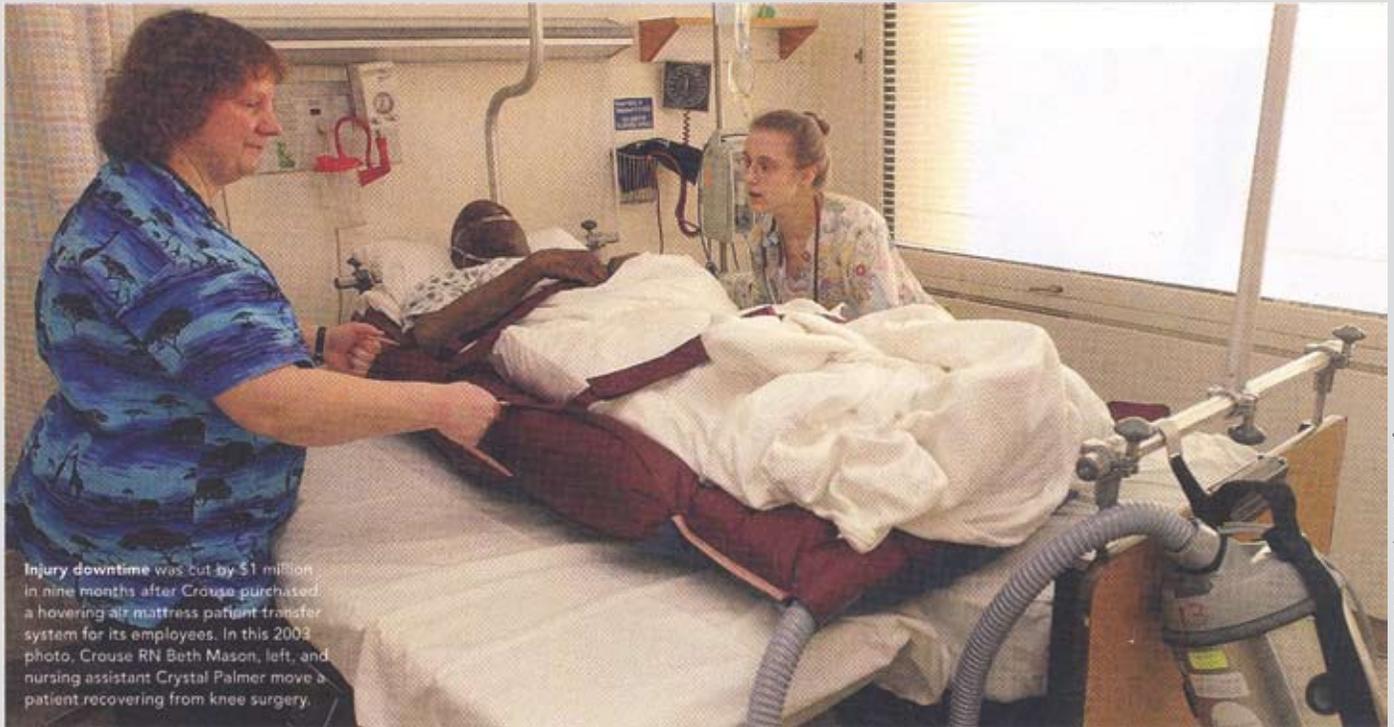
Under Kronenberg, Crouse began to apply its mission, vision and values to the recruiting, hiring and onboarding process. Job applicants now watch an eight minute video on the hospital Web site that spells out Crouse’s values and includes interviews with employees and a patient about how they are applied. The hospital also has expanded its orientation process to deal more with Crouse’s values, and has added follow up sessions at the six month and one year marks to reinforce the message. Suehs credits those changes with reducing the turnover rate for employees with





**"I COULD SEE THAT WITH THE STB COMMITTEE,
SOMETHING RADICAL WAS HAPPENING."**

-DR. PAUL J. KRONENBERG, CEO, Crouse Hospital



Injury downtime was cut by \$1 million in nine months after Crouse purchased a hovering air mattress patient transfer system for its employees. In this 2003 photo, Crouse RN Beth Mason, left, and nursing assistant Crystal Palmer move a patient recovering from knee surgery.

JOHN BERRY/THE POST-STANDARD

Valuing worker welfare is just good business

DURING A FINANCIAL CRISIS, taking good care of employees isn't just the right thing to do, explains Crouse chief quality officer Derrick Suehs—it can also help the bottom line

In 2002, when Crouse was still fighting to emerge from Chapter 11, the hospital was

plagued by a higher than normal rate of employee injuries. A group of workers and managers, led by Suehs, was given the task of investigating, and discovered that the big problem was nurses who were straining their backs and shoulders lifting patients. "People have been getting heavier, and it was taking two or three nurses to move someone," Suehs says. "That could get awkward, and so a lot of them were getting hurt."

The group also discovered a possible solution: the HoverMatt patient transfer and repositioning system, a mattress riding on a cushion of air that

can be manipulated safely by a single nurse. The downside was that installing the newly developed, still unproven technology would cost \$350,000, a hefty sum for a cash strapped organization already struggling under the weight of multimillion-dollar losses. Nevertheless, Suehs and his group persuaded management to somehow find the money to buy it anyway.

The decision quickly paid off. Within nine months, a reduction in time lost to injuries enabled Crouse to save \$1 million.

—P.J.K.

one year of service by more than half.

To aid in the cultural transformation, Crouse also developed its own distinctive terminology. Exceeding the basic job requirements has come to be known as "STB Performance." "An example of it is the Crouse security guard who ventured out into the parking lot before a rainstorm to close the windows of an emergency room patient's car.

The workforce also learned to apply "The Momma Test" to behavior. "It's simple," Suehs says. "If the patient was your momma, how would you want her to be treated? Naturally, you'd want her to have the best. Not the industry average, but the best."

The Momma Test spurred Crouse to redesign processes such as the delivery of antibiotics to patients.

"We were getting the first dose of an antibiotic from the pharmacy to the patient within 3.9 hours of it being prescribed, which is slightly better than the industry norm of four hours," he says. "But you wouldn't be satisfied with that if Momma was the patient—you'd want her to have the medicine as quickly as possible. So we went in and simplified the documentation and made technological improvements to enhance our ability to manage medication. In the end, we got it down to 1.9 hours."

To reduce emergency room gridlock, Crouse began sending an employee with a wireless notebook computer to register patients while they receive care, instead of making them wait in line to sign in.

Kronenberg also has put a new cultural emphasis on the welfare of employees as well as patients. "We hired a physician whose job is to focus on employee health," he says. "We've started a lot of wellness activities, and we're creating a 'healthy option' on the cafeteria menu. We may eventually reward people with healthy habits by giving them a reduced cost for health care."

Perhaps because employees have been so heavily involved in reshaping Crouse's culture, the culture change has achieved an unusually high rate of workforce buy in. According to an internal survey, 86 percent of employees say that they rely upon Crouse values in their decision making.

"That's compared to an industry norm of 45 percent," Suehs says. "So we must be doing something right."

PATRICK J. KIGER is a freelance writer based in the Washington, D.C., area. To comment, e-mail editors@workforce.com.