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at Scripps Health

Critical CARE

**HOW CHRIS VAN GORDER WON BACK
THE PROFESSIONAL STAFF AND THE BOTTOM LINE
AT SCRIPPS HEALTH**

BY LESLIE STEVENS - HUFFMAN



It was 1999, and Chris Van Gorder was in the midst of his first day on the job as COO of Scripps Health when the real challenge of his new position suddenly became apparent. ❤️ “I realized we were in trouble,” Van Gorder says. “In retrospect, I probably did not do enough homework before coming into the role.”

“ I have three core beliefs when it comes to performance management. You have to want responsibility, authority and accountability, and as a leader, you have to give them all three. ”

Chris Van Gorder,
president and CEO,
Scripps Health

There had been a major blow-up between the administrators and the physician groups that day, and Van Gorder says that he soon discovered that patient numbers were declining, as were the contributions from philanthropists. As it turned out, those were not unusual occurrences, and neither was the mounting red ink.

Today, Scripps Health is a \$1.6 billion, nonprofit health care system with more than 10,000 employees that treats close to 500,000 patients annually. Composed of five hospital campuses, a network of clinics, physicians' offices, outpatient centers and home health care services throughout San Diego County, Scripps has been a leading health care organization since its founding by philanthropist Ellen Browning Scripps in 1924.

But in 1999, things were coming to a head just as Van Gorder joined the staff. Within 90 days of his hiring, the CEO left Scripps following a no-confidence vote from the doctors. Thirty days later, Van Gorder found himself in the CEO's chair of a large health care organization that appeared in need of life support.

Van Gorder, who also is the company's president, describes himself as generally being a very lucky man, and perhaps he is. However, it would take much more than luck to turn this organization around.

Resolving the people problems

Van Gorder says he found several fundamental issues at the core of the problems at Scripps.

“There was a very good strategic plan in place when I got here, but they were trying to implement it in a linear fashion,” he says. “The plan might have been a little ahead of its time, but there was no flexibility and no collaboration with the professional staff.”

When the business plan implementation style was combined with a centralized management team that did not reside on any of the health care campuses, the professional staff, particularly the physicians, felt that the administration was out of touch with their prob-

lems. And they wanted to be included in the key decisions that affected them.

After initial assessments, and given the history of the lack of confidence from the staff, Van Gorder met with each Scripps board member one-on-one to make certain that he had their backing to begin instituting the changes that needed to take place. Armed with the go-ahead consensus endorsement from the board, Van Gorder began attacking the personnel issues that he had identified as crucial to improving the business.

“The leadership of the physician groups had been put in place by the previous management,” Van Gorder says. “I dissolved those and let them appoint their own leaders.”

Van Gorder placed a management team on-site at each of the health care locations to improve communications and speed up the problem resolution process. He also created a Physician Leadership Cabinet that represents the doctors on key matters and gave them a unified voice to air their grievances.

This initial move helped to ease tensions by allowing physicians to regain some of the control they were seeking. Strategically, that was a wise decision, because Van Gorder also had to draw some lines.

“They also demanded to be an official board with power, and I had to say no,” he says.

One of the keys to taking the next steps in building positive relations with this group was using management transparency and an open and honest style to work with the group to resolve key issues.

“They provided me clinical information, and I gave them business information,” Van Gorder says. “The previous administration was very secretive financially. Together, we solved the problems. I opened up the balance sheet, showed them the numbers, and asked them what they would do.

“A good example was, we were paying \$8 million per year for emergency room on-call physicians; they wanted \$4 million more. Well, that happened to be the



budget for the nurses' raises. I showed them the numbers, and they formed a task force to solve the problem. They came up with some cost reductions elsewhere and ended up only asking for half of what they originally wanted. I empowered them to think as business-people."

Managing professionals — whether they are engineers, lawyers, IT developers or accountants — can be a challenging task for any CEO. With a continued shift to a greater number of knowledge workers in most organizations, Van Gorder has some advice that he says is a best practice for engaging high-level staff in any industry.

"From a philosophical perspective, administrators must listen very carefully to the clinical professionals when they provide input and counsel on patient care and their area of expertise," he says. "At the same time, administrators — being responsible for the health of the organization — must translate input from various sources and profes-

sionals into decisions that benefit the patient, the organization and the community. I believe in involving our various professionals in all aspects of the operations — the cross-education builds trust and, ultimately, the best decisions for all."

In this case, arming the staff with information and involving them in the business decisions was vital to securing the endorsement of the professional staff for the business plan and to accepting the "capital expenditure diet" that he put in place to begin to get the losses under control.

Van Gorder says that he continues to give the group a financial report each month to keep its members informed.

Making tough decisions

Reversing the loss position was not easy. By 2001, Scripps Health was losing more than \$20 million annually. In addition to resolving the personnel problems, Van Gorder made some tough financial decisions to improve the bot-

tom line.

"I prioritized patient safety when deciding where to spend money and where to hold back," he says. "Unless it affected patient safety, I decided to hold back."

Van Gorder sold two skilled nursing facilities that were losing money so that he could narrow the focus and put the small capital expenditure budget toward the needs of the hospitals and clinics.

"I had to close a hospital that was losing money in east San Diego County, and that was a tough decision because it was the last hospital going east with an emergency room," Van Gorder says.

While he made progress with the physician groups and the employees, not everyone was on board with his strategy, and Van Gorder says that he had to change out some of the executives who did not agree with his plan to return to a strong balance sheet. This type of tough love is part of his philosophy when it comes to managing the financial performance of the campus

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Chris Van Gorder, president and CEO, Scripps Health

managers.

Van Gorder says that the trend in health care is to have a good year followed by a bad year, and that trend contributes to a sense of instability among the staff and exacerbates their anger about budget cuts. He says he had to impress upon his management team that he was serious about the need for performance.

“When it comes to hitting the financial plan, I tell my executives, ‘You may miss it once, but if you miss it again, you won’t be here,’” Van Gorder says. “I need for them to make those numbers.

“I have three core beliefs when it comes to performance management.

You have to want responsibility, authority and accountability, and as a leader, you have to give them all three.”

Building internal competencies

As Van Gorder continued to identify the issues and problems that were standing in the way of profitability, he noticed that Scripps had been spending a great deal of money on external consultants without measurable results.

“I created an internal project management team because I felt that we were poor at deploying business plans,” he says.

One improvement realized by the project management team was the acquisi-

tion of Scripps Clinic, a move that angered independent physicians across the system because it involved the investment of their money. To make matters worse, the clinic was losing more than \$2 million per month when it was acquired.

Van Gorder says the internal project management team coached the clinic leadership team to make tough decisions and to use data analysis to develop service metrics and to benchmark their performance against comparable clinics. When held to a stronger set of performance marks, the clinic’s bottom line reversed, and it is now making \$1 million per month.



The Van Gorder file

The development of an internal talent pool has been another part of the strategic plan aimed at building internal competencies. Van Gorder accomplished this by creating the Scripps Leadership Academy, which provides training programs for middle managers. The school has graduated more than 150 new leaders since its inception six years ago.

As a testimony to Van Gorder's work on personnel problems, Scripps has been recognized as a top employer for workers over the age of 50 by AARP, a recognition that Van Gorder says he wasn't seeking but that has come as a result of the improved work environment.

Future challenges

Van Gorder still has challenges to overcome. In the last year, he and his team have instituted a reinvestment campaign, armed with the rejuvenated financial support of \$30 million from their base of philanthropic constituents and the consummation of a \$150 million bond transaction that received an "A" rating from Moody's, Standard & Poor's and Fitch based on the strength of the financial balance sheet.

There are still labor problems to deal with, and a state-mandated seismic upgrade will require an investment of \$280 million to meet the new compliance standards.

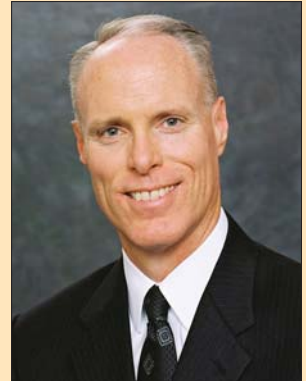
Van Gorder is now leading a campaign that includes \$1.6 billion in facilities and technologies upgrades over the next decade to be financed through operating revenue, philanthropy and borrowing.

And he still insists that he is a lucky man. Perhaps that mindset will continue to be one of his keys to succeeding in a difficult industry.

"I would never have anticipated being able to get this position," Van Gorder says. "It's a combination of hard work, smarts, but also a lot of luck. Any executive who doesn't say that isn't being honest."

Born: Pasadena

Education: Bachelor of arts degree, California State University, Los Angeles; master's of public administration/health services administration, University of Southern California; Wharton System CEO Program, University of Pennsylvania



What is the most important business lesson you've learned?

I have learned to listen and to trust my subordinates. I woke up one day and found that I had become a micromanager because my span of control had become so large. Now I know to promote the best people and to trust them.

Van Gorder on his leadership style: I have a participatory style that I call situational flexible. In a crisis, I will use a very direct style, and I need to because lives are at stake. When I have the time, I prefer a transparent, open kind of style. I was a believer in transparency before it was sexy.

Van Gorder on managing the competition between business units: I don't want to diffuse or spread internal competition between business units — that would not be in the interest of the public good as a tax-exempt health care organization.

On the contrary, I try to defuse competition on a regular basis so we maximize the use of resources. To defuse competition, I included each of my chief executives in the membership of my Executive Cabinet.

This cabinet meets on a weekly basis to manage, as a team, the operations and strategic initiatives for the entire health care system. The involvement of the chief executives with this dynamic team has resulted in a significant reduction in internal competition as the group manages the affairs of the entire system, as opposed to managing in silos.

HOW TO REACH: Scripps Health, www.scrippshealth.org