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## Performance Management in Health Care: Rx for Change

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Wednesday, February 18, 2004

In a recent DDI survey, 70 percent of 742 organizations reported that “establishing a culture of performance and accountability” was a top business priority. Many organizations across a variety of industries are discovering that aligning individual staff performance with organizational strategy helps create more engaged, accountable, productive people. That’s the lure of effective performance management systems.

Perhaps one of the most difficult industries in which to implement effective performance management practices is health care. Health care grew as a cottage industry with very few formalized practices or techniques 100 years ago to its current state as a complex and, at least in clinical terms, a highly technologically advanced industry.

Unfortunately, health care HR and business practices haven’t kept pace with the great advances in science and medicine. In health care, performance management of clinical and other staff has been limited to compliance with “check-off” lists from the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). That compliance focuses on the minimal requirements for patient-facing employees to do their job. Once a box on the form is checked, it is assumed that since the task (*what was done*) was accomplished, the manner, or *how it was performed*, was satisfactory. Too often this is not the case.

In previous decades, health care institutions enjoyed relatively few restrictions on revenue and were not forced to look hard at business realities, such as productivity, efficiency, and effectiveness of its people. The Balanced Budget Act of 1997 and its tight hold on Medicare and Medicaid dollars changed everything. The new law left many organizations in a financial bind, looking to squeeze costs out of their systems...only to find there is nothing left to squeeze. In search of profitability, health care leaders now are turning their attention to managing staff performance. They also are realizing that improved staff performance leads to enhanced patient satisfaction, reduces medical errors, improves clinical excellence, and increases both provider and employer of choice rankings. However, asking staff to do more work faster and better, plus aligning clinical tasks with organizational goals, remains a totally foreign concept to most health care

workers.

### **The Compliance Culture**

There are several reasons why implementing performance management systems in your health care organization can be challenging:

- There is a “you know what your job is, so do it” culture—a focus on the technical, task-oriented aspects of jobs with the presumption that if you know *what* to do, you know *how* to do it.
- There is a culture of embarrassment and criticism—most health care managers do not know how to give constructive feedback, probably never received constructive feedback themselves, and, therefore, perpetuate a “feedback equals criticism” dynamic. Workers only hear about their performance when they have done something wrong. Traditionally, health care and medicine have used embarrassment to correct clinical staff behavior with the result that staff do not volunteer mistakes to their managers in order to learn, but rather to hide mistakes as effectively as they can.
- Ironically, given the previous statements, many health care leaders fear that attempting to manage performance will upset their direct reports to the point that they will quit. This is especially true for some nursing leaders, who feel they cannot afford to lose another nurse. It also prevents these nursing leaders from looking too closely into subordinate job performances.
- There is a tremendous disconnect between the business goals, objectives, and strategies of the health care organization and what is done on a daily basis. Health care workers are focused on tasks and do not see how the tactical supports the strategic. Health care management has not been good at communicating organizational goals down through the ranks to every worker. As a result, many staff toil throughout the day feeling their actions have no impact on the hospital’s success.
- Most nursing leaders have an overwhelming number of direct reports. It is common, for instance, for a nursing director in a large urban hospital to be in charge of two or three departments with 70 or more assigned nurses. These nurses work three shifts each day and some come to work only as needed (PRN). As such, it is difficult for the nursing director to even *see and talk* with all direct reports, much less meet with them to discuss performance.

### **Performance Management Rx**

Given these realities, what can you do to ensure that your employees and

staff perform at top levels? How can you implement a process for managing performance?

Here's a basic prescription for effective health care performance management:

1. Top management has to be absolutely committed to performance management as a way to achieve business goals. That commitment must extend over the long haul. Senior leaders also must be visibly involved in the performance management process and model its use for everyone else.
2. All levels of health care leadership must adopt a different view of their people. Health care staff and employees must be seen as key contributors, not just task-performing individuals. This begins with aligning business goals with individual roles, and then communicating widely and frequently the organizational value of all individual contributors.
3. The performance management system has to be simple and easy to use. It should be aligned with JCAHO and other regulatory requirements, clearly linked with business goals, and include ready-to-use templates that define job responsibilities and performance measures.
4. Key data sources and result areas must be defined in measurable terms (goals should be specific, measurable, attainable, relevant, and time bound).
5. Health care managers and leaders need leadership training to help them learn skills in coaching (specific, balanced, timely feedback), creating performance plans, and conducting performance reviews. Do not assume they can do this—no one ever did it for them.
6. Clear and well-communicated performance rewards and consequences must be established and enforced.

Health care is in a tough spot in 2004. Given the large population of aging Baby Boomers and their well-known expectations for high service, the U.S. health care industry is about to be severely tested. Health care organizations can no longer rely on the willingness of government and insurance companies to pay for any billings they receive. The only recourse is for health care to begin to see itself as the business it is and begin to run its operations accordingly—starting with the effective performance management of its people.

