

LEADING THROUGH THE ECONOMIC STORM

CEOs Must Identify Talent and Seek Best Practices During Troubled Times

EDITOR'S NOTE

The following two articles, "Leading Through the Economic Storm" and "Financial Strategies for Weathering the Economic Downturn," while not aimed exclusively, or even primarily, at Catholic health care leaders, contain information we believe will be useful to health care leaders coping with our troubled economy. Readers wishing to supplement this information with articles offering a theological perspective are invited to review "Budgeting as Theological Reflection"

(Health Progress January-February 2004, pp. 15-17), by Sr. Patricia Talone, CHA's vice president, mission services, with a response by Michael D. Rowe, vice president, finance, and chief financial officer, Sisters of Charity of Leavenworth Health System, and "A Values-Guided Downsizing" (Health Progress, March-April, 2002, pp. 39-42), also by Sr. Talone. Both articles are available online at www.chausa.org, in the Health Progress archives.



BY DENNIS PANKRATZ

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Every day the headlines bring us the increasingly deflating news — "budgets cut," "employees cut," "hospitals slammed by credit crisis." The financial market crisis is making its way through the health care industry, and administrators are feeling the effects. In addition to the extreme financial pressures facing hospital executives, dealing with the myriad leadership and people issues is one of the biggest threats in a recessionary environment. Once thought recession-proof, the health care industry is not immune to the current economic turmoil. Economists indicate this downturn will have a much broader impact on U.S. health care than past recessions had.

Faith-based hospitals and health systems have the additional burden of facing these economic challenges while maintaining a strong commitment to their missions. Although mission may exacerbate the challenge, it also provides a culture and an environment that is more conducive to dealing with today's financial hardships. An organization that is imbued with a greater sense of purpose is better able to withstand the vagaries of a down cycle and, in fact, is positioned nicely to gain a competitive advantage.

As all hospitals and health systems work

through the financial crisis, prepared organizations will take advantage of the moment and shift their focus from crisis management to opportunity. And leaders must not forget that one of the most important components in making sure their organization remains healthy and survives is the talent already in place. With strong talent, CEOs can plan for the short-term downturn while continuing to strive for the long-term strategic goals.

So how do you bolster your leadership effectiveness? How do you retain your best talent and leadership? How do you work through the short-term crisis and maintain your long-term strategic goals? The following practices offer practical advice on how you can leverage your human capital — especially during a down economy.

COMMUNICATING IN TOUGH TIMES

A challenge many leaders face during a time of crisis is remembering that communication is key. When employees are bombarded daily with news of the country's economic woes, the overall mood of the organization suffers. Therefore, CEOs who are good communicators need to become great communicators, and CEOs who do not think of themselves as good communicators need to find ways to improve. It is imperative

that your team is on your side, and providing them with as much information as possible on a frequent basis will help alleviate fears. Although care must be taken to not overwhelm with too much information, transparency is key. Even if the news isn't good, sharing what you know will help employees stay focused. If you are honest, straightforward and sincere, you will build loyalty and ensure that your team is willing to be a part of the solution.

FOCUSING ON COMPETITIVE ADVANTAGE

A natural response to dealing with a recessionary economy is to wait it out. Strategically, however, that is not the best move. Your competitive advantage in a downturn is your internal talent. This is the time to do rigorous corporate analysis of talent from CEO to manager-level, identifying as well as assessing the "promotability" of specific employees.

Even before the recession hit, leaders in the U.S. workforce were concerned about shifting workforce demographics. Many older workers entered retirement, leaving a void in executive suites. In addition, the X, Y and Millennial generations are comfortable moving from one employer to the next, as well as across industries, making it difficult to develop new talent.

All is not lost, however. The economic downturn offers opportunities to help ensure that the organization's internal talent remains your competitive advantage. Now, more than ever, hospital executives should formulate a plan to ensure their organizations stay strong talent-wise in good and bad economic times.

Executives nearing retirement may find it necessary to postpone their plans and remain with the organization for a few more years. CEOs should look at this as a time to make thoughtful succession plans. This is also a good time to tap into those long-time employees and learn as much from them as possible. Organizations risk losing institutional memory as a result of retirements, and should take this time to capture as much information as possible.

Recent retirees may also be willing to re-enter the workforce. Such an additional pool of talent could be a tremendous resource to health care organizations. Seasoned professionals can help see organizations through the economic downturn while maintaining the highest level of care and quality.

A recent informal benchmarking study of health care organizations identified several components of an active succession planning process:

- Develop a relationship with the local university's school of public health to develop a feeder system of graduate-level health care executives
- Work closely with professional associations that offer certification programs to identify, develop and mentor talent
- Partner with an external firm to conduct a formal executive coaching program
- Identify high-potential employees and create a development program for them
- Develop a learning center and invite other executives from the community to participate alongside employees as a way to share the value of the learning center, defer costs and identify potential new hires
- Utilize performance management systems, leadership profile questionnaires and other tools to identify, measure and focus on improving bench strength
- Take advantage of quarterly or annual reviews to refresh contingency plans for potential successors
- Strengthen internal training with assistance from outside experts

During an economic downturn, training programs and other talent development programs tend to be stalled. But to sustain the organization and keep motivation high, it is imperative to maintain some version of these components. Engaging the existing workforce and taking advantage of opportunities the economy has created are critical to sustaining the organization's annual objectives and maintaining a competitive advantage.

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SHORING UP PERSONNEL

Leaders who have prepared for the downturn will be looking to take advantage of opportunities, and opportunities are out there. When key projects get shelved and investment streams dry up, top employees begin looking for other opportunities. They want to do leading-edge work, and savvy organizations will take the opportunity to acquire them. This makes it a buyer's market for top talent, presenting an occasion for executives to bolster their teams.

Conversely, organizations that are not paying

attention may see a departure of key talent and be left with a disproportionate number of “B” employees — those who have fewer options outside of their current employment. Key employees — those in highly specialized roles, leadership positions and the go-to staffers — represent the biggest flight risk, making it essential that CEOs keep them engaged, motivated and refreshed.

Another reason good employees may leave is added stress. Economic challenges lead to consolidation, making it likely that more work is being done by fewer people. It cannot be stressed enough that in a time of economic hardship, communication can be your best weapon in ensuring your employees are on board and willing to go the extra mile for the organization. Celebrating successes can go a long way in boosting morale.

More broadly, developing awareness of your organization’s strengths and weaknesses in terms of its depth and breadth of talent is important for any healthy organization, and it can’t be overlooked now.

MAINTAINING LONG-TERM GOALS

Organizations that have been smart about managing their resources can take advantage of the downward economy by making strategic moves. But even a short-term crisis can waylay the unprepared organization, making it difficult to focus on long-term strategic goals. Although it is natural during a crisis to focus on the short term, savvy CEOs will focus on actions that will provide the fastest results in the current environment without disregarding long-term strategies.

The current financial crisis also presents opportunities that can be leveraged to significantly advance strategic objectives. CEOs should:

- Review strategic focus and strategies.
- Understand the trends and upcoming events (e.g., components of a stimulus package such as help to states for Medicare/Medicaid, health care technology investment plans, and health care reform.).
- Review your core competencies and determine areas where you can best leverage them to enhance your position; identify competencies you should acquire during the down market when top talent may be more readily available.
- Redefine your strategic focus and strategies.
- Develop an aggressive time-phased execution plan with benchmarks.

- Assign your top talent to these projects to provide challenging opportunities and help retain them in your organization.

- Monitor execution and provide frequent feedback.

Smart organizations will implement multi-pronged approaches in order to gain significant strategic advantages. By reorienting resources, you will be able to take advantage of the opportunities that present themselves and successfully rise above the financial market crisis.

EYEING THE BRIGHT SPOTS

As the health care industry faces significant economic challenges in 2009 and beyond, CEOs will be called upon like never before to meet those challenges head-on, all while delivering the best health care possible.

Fortunately, even during these dramatic times, we can find some bright spots. According to the Bureau of Labor Statistics, health care experienced a net gain of 419,000 jobs in 2008, and its growth outlook continues to be strong through 2016. And, as of press time, the proposed \$827 billion economic stimulus plan in Congress committed \$153.3 billion for health care programs, including \$20 billion on health information technology.

The road to economic recovery may be frustratingly slow, but faith-based hospitals and health system leaders who take advantage of opportunities available now will be well positioned for growth and further opportunities as the economy stabilizes and regains strength. ■



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