Aligning Incentives

Creating a Performance-Based Culture in Your Organization

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One of the hottest topics in home care is the anticipated introduction of Medicare "Pay-for-Performance" or "P4P". Over the next few years, it's highly likely that a share of Medicare's reimbursement to home health care agencies will be based on our clinical quality outcomes. Home care is likely to be among the first in all of health care to make the move to P4P. This is, in large part, due to our OASIS data providing outcomes data that isn't yet widely available from other types of health care providers.

Regardless of how you label it, our customers, ranging from Medicare and managed care payers to hospital and physician referral sources as well as private pay consumers will increasingly base their choice of home care agency on certain outcomes deemed as desirable or valuable to them.   Whether the outcome measured is patient satisfaction, hospital readmission rates or net margin, what we do and how we do it will be watched much more closely. Our key stakeholders will hold us increasingly accountable for our performance.

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Critical to this challenge is creating a performance based culture in our organizations. Achieving agency outcomes begins with aligning the expectations of each individual employee with agency goals. Here at Partners Home Care (PHC), we're in the middle of a 3-5 year process to create a comprehensive system that outlines the strategy of the organization and then translates that into tangible, actionable accountabilities for employees at all levels.

Such a framework must lay out a clear plan according to the following 4 components:

1. Start with a clear strategy and organization values.

2. Engage middle management to help operationalize the vision.

3. Create an integrated performance system to clarify accountabilities in every corner of the organization.

4. Develop a measurement system that allows for tracking progress against the goals.

Start with a clear strategy and organization values

The first step toward building a high performance culture was to clearly articulate our strategy and values for PHC. The financial goals for the organization were the primary starting point for the strategic plan, but they represent only one aspect of a broad challenge. In order to truly define the goals for the organization, we believed a more dynamic plan, one that would also set the direction for our relationships with our customers and community, our process improvement needs, and our culture, was an imperative.

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Strategic Components
Financial
Customers and Community
Process Improvement
Culture/People

To begin the strategic planning process, the Executive Team attended a two day off-site retreat. The retreat enabled the team to define PHC's goals and strategic initiatives for the next several years along with a series of organization values that indicate how we expect to behave as a team. To ensure that accountability for the plan was broadly shared, each Executive Team member became the executive sponsor for a specific set of goals. This enabled us to get the first level of accountability for each area of strategic importance. This first step resulted in a robust strategy based on a series of goals in each of four key strategic components or perspectives that had universal buy-in from the Executive Team. It also established clear accountabilities for each team member.

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Organization Values

Excellence
Service
People
Innovation
Collaboration

During the retreat, we also identified how we would achieve those goals by articulating the fundamental values that would guide organizational behavior and create an environment where people not only wanted to come to work but where they could also thrive. We identified a series of values and drafted detailed definitions of each one. The aim was to take something intangible like values and make it more tangible, actionable, and measurable.

All too often, this is where the journey ends for many companies: Strategic plans sit on the shelves, and values become hollow words displayed on the walls. In order to build a performance based culture, however, we knew that we needed to find a way to align the entire organization behind our strategy and values. For PHC, this was the next step in our journey.

Engage middle management to help operationalize the vision

After the Executive Team's work to define the organization we wanted to become, we needed a way to bring the strategy and values to life. As Larry Bossidy and Ram Charan point out in their book, Execution, "When companies fail to deliver on their promises, the most frequent explanation is that the CEO's strategy was wrong. But the strategy by itself if not often the cause. Strategies most often fail because they aren't executed well."

Engaging our middle management to help drive the strategy was a critical step toward creating the broad based ownership we needed to successfully execute our strategy. Involving our managers in the process helped build the support we needed. First, they had the opportunity to review the strategic plan and values. They provided input as to what needed to be added, deleted, and simply changed. Based on their input, we revised and finalized the strategy and values.

Second, each manager developed an Individual Plan based on the overall direction established by the strategic plan. These individual plans include a description of the key activities and deliverables for any strategic initiatives in which the manager is involved. These individual plans help ensure that the managers are aligning their priorities with the strategy, and establish a broad base of accountability for delivering on the organization's goals.

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Creating Accountability for Execution

Strategic Plan			
Perspective	**Goals**	**Measure**	**Initiatives**
Process	Expand Capacity	Number of admissions	Implement Telemonitoring

Individual Plan: COO				
Perspective	**Goals**	**Initiative**	**Key Activities**	**Deliverables**
Process	Expand Capacity	Implement Telemonitoring	Implement Telemonitoring agency wide and achieve 300 unit goal	Telemonitoring implemented agency wide

Individual Plan: Regional Director				
Perspective	**Goals**	**Initiative**	**Key Activities**	**Deliverables**
Process	Expand Capacity	Implement Telemonitoring	Communicate with staff and implement 100 telemonitoing units	Telemonitoring implemented at the regional level

Individual Plan: Team Manager				
Perspective	**Goals**	**Initiative**	**Key Activities**	**Deliverables**
Process	Expand Capacity	Implement Telemonitoring	Educate staff and Implement 30 telemonitoring units	Telemonitoring implemented at the team level

We recently acted out an example of how this individual planning process is helping us to align our entire leadership team with the strategy of the organization. At a quarterly Leadership Team meeting, our COO presented an example from her individual plan. A major initiative in the "Process Improvement" perspective is to integrate telemonitoring as a standard of practice throughout PHC to achieve our goal of expanding our capacity to meet the increasing demand for our services. A key activity for the COO is to coordinate the plan for PHC-wide communication, implementation, and measurement of progress to this goal. The measure was based on the number of patients served by our program director shared her key activities in this area that included developing policies, procedures and protocols for telemonitoring. The exercise was slated to end there, but it didn't. The program director then called on the staff educators for their role in training and on the quality staff to address patient outcomes and utilization management for our telemonitoring program. Next, our financial leaders got up in turn to speak to their role in budgeting, billing and financial analysis. Human resources was called up next for their essential role in revising a variety of job descriptions to include key job accountabilities related to telemonitoring and in recruiting staff with the necessary skills and experience.

Eventually, every member of our Leadership Team and every manager in our organization, including marketing, intake, office support, development, and private services, stood to explain where she or he fit

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into this single strategic initiative. What an eye opener! In just ten minutes, we had a very visual, physical demonstration of the alignment we achieved!

Create an Integrated Performance System to clarify accountabilities in every corner of the organization

To reinforce the importance of alignment and ensure that every employee felt ownership for our success, we created an integrated performance management system. This system provides clear goals and performance plans that are based on the strategy, and a series of behavioral standards relative to the corporate values for each individual in the organization.

The performance appraisal was the key tool in this system that needed to be overhauled to align with the strategy and values. This tool became the cornerstone of assessing accountabilities and behaviors to enable PHC to achieve a culture of performance. Section 1 of the appraisal lists the job accountabilities for the position. To establish the job accountabilities for each position in the organization, the managers participated in a series of focus groups and provided the key input for each position's job accountabilities as they relate to the four factors of the strategic plan.

Many organizations assess how well an employee carries out a set of tasks, but this appraisal was designed to evaluate how well an employee delivers the products and services for their internal and external customers. And more importantly, standardized measurement criteria were identified for each area of accountability. This ensures we know the acceptable standard of performance for each product or service and enables us to shift the performance discussion from evaluating compliance with carrying out a series of tasks to assessing how well an employee is delivering outcomes that are aligned with the agency's strategy.

The second section of the evaluation outlines the behavioral standards that define the organization values. An advisory team of managers helped define specific measurable standards to help translate the high level concepts into more concrete and observable behaviors. These behavioral standards are integrated into every single employee's appraisal, from the President to the Receptionist. Each behavioral standard is now actionable and measurable in a way that helps the managers and employees assess how well they are living the values and where they need improvement.

The final section of the evaluation is focused on performance planning. This section provides an opportunity to outline individual goals for the upcoming year. The guidelines establish that a goal must be set for at least one job accountability and one behavioral standard so that we know each person is working not only on what they must accomplish, but how they will carry it out.

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This appraisal has resulted in a combined job description/performance appraisal that integrates the strategy and values at a tangible, actionable level for each and every employee. It represents a fundamental mind shift for the managers in what is important to assess about performance and provides them with a basis for articulating the true meaning of a performance based culture.

Develop a measurement system that allows us to track progress based on the goals

Defining the strategy and values was a critical step, but without a means of measuring progress against the plan, how would we know if we were getting closer? We defined a performance scorecard to provide the executive team with broad based feedback on all aspects of the strategic plan. It consists of a series of measures for each strategic area of the plan including culture, process improvement, customer and community, and financial results. It is reviewed quarterly with the executive team and the results are shared with the entire workforce. One of the key benefits of this tool is that it allows us to reinforce the agency's strategy on a regular basis and engage the organization in a meaningful discussion about our progress toward our goals.

Next Steps

Our journey doesn't end here. We have clearly established the direction, and begun to build the momentum needed to transform the agency to a high performance culture. In order to build on these successes we will continue to focus on supporting the Executive Team, middle managers, and employees to act in ways that support the strategy and values. In the shorter term, we will align compensation programs with the strategic direction. And we are in process of designing an integrated curriculum for managers to support them in their critical leadership roles now and in the future. As Thomas Edison said, "innovation is 10 percent inspiration and 90 percent perspiration." We have achieved the inspiration part, and our hard work must now continue.

Resource:
Bossidy, Larry and Charan, Ram. Execution, *The Discipline of Getting Things Done,* Crown Business, NY; 2002; p15.

About Us
Tandem Solutions is a unique professional services firm that helps our clients achieve individual and organizational potential. Unlike many firms that simply "outsource" projects or deliver training, we work "in tandem" with our clients to help them improve performance and create business value.

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