

Lighthouse Client Success Stories

Creating Alignment:
A Time 1 – Time 2 Study of the Impact of
Implementing Key Alignment Steps

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Overview

In 2000 Memorial Hospital¹ approached Lighthouse Associates Consulting to assist the organization as it attempted to improve both its operational success and employee morale. The organization had been in a situation of declining financial performance brought on by decreased reimbursement, increased supply costs, and increased wages and salaries. Even though the organization's volume was steadily increasing, its overall profitability was not. In fact the current financial trend line showed a crossover point from positive margins to negative margins in 18 to 24 months.

To compound this problem, the organization's patient satisfaction scores as measured by a nationally known patient survey company had declined from about the 60th percentile to below the 50th percentile when compared to a peer group of other hospitals. At the same time employee morale seemed on the decline as employees were increasingly concerned about the future of their jobs in light of decreasing patient satisfaction scores and decreasing financial performance. Numerous other hospitals in the region had already reduced their staffing levels, eliminated programs, and laid-off large numbers of employees.

The Problem

The organization's senior executives knew that there was little they could do about the declining reimbursement levels and increasing costs of needed supplies. They did however know that patient mix and supply utilization were factors that they could influence that would directly impact reimbursement and profitability. These executives also believed that there was a direct link between employee morale and patient satisfaction.

The leadership team also understood that to affect patient mix and supply utilization would require the involvement of staff from all areas of the hospital. They knew that their efforts would only be successful if front-line employees were on board with the goals of the organization and understood their part in the achievement of the goals.

The Methodology

As we discussed in the article ["The Art of Organizational Alignment"](#), there are nine key steps to creating an aligned organization. Fortunately these steps can take advantage of systems already in place in the organization if they are available. For Memorial Hospital, we actually added two steps; a pretest and a post-test to determine the impact of the changes on employee perceptions and morale.

At Memorial the organization already had in place a well established mission, vision, and set of values. They also had in place a strong methodology for annual performance reviews for non-management employees. What was lacking were well

¹ At the request of our client, a fictitious name is being used in this report. To learn more about this case study contact Lighthouse Associates Consulting.

defined division and department goals, well defined executive/managerial accountability statements, and a process for periodic operational reviews of the performance of divisions and departments. In addition, there was no clear link in the minds of some employees between their performance standards and the goals of their department and the organization.

The work plan included the following:

	Task	Time Frame
1.0	Conduct time 1 employee opinion survey	Month 1 – 4
2.0	Develop specific division and departmental goals directly linked to organizational goals	Month 5 – 6
3.0	Develop accountability standards for executive and managers	Month 7 – 12
3.1	Develop accountability standards for all executive and division heads	Month 7 – 9
3.2	Develop accountability standards for all department heads and other managers	Month 10 – 12
4.0	Rewrite employee performance standards to directly support the departments annual goals	Month 7 – 12
4.0	Implement accountability statements for new fiscal year	Month 13
5.0	Develop division and department level operational review processes	Month 13 – Month 18
5.1	Develop division level operational review process	Month 13 – 15
5.2	Develop department level operational review process	Month 16 – 18
6.0	Begin division operational reviews	Month 15
7.0	Begin departmental operational reviews	Month 18
8.0	Conduct annual performance reviews using new employee performance standards	Month 25
9.0	Award annual employee performance bonuses	Month 26
10.0	Perform annual executive/managerial accountability reviews using new executive/managerial accountability standards	Month 28
11.0	Award annual executive/managerial performance bonuses	Month 29
12.0	Conduct time 2 employee opinion survey	Month 32-36

Results

The entire project took 36 months to complete, including the pre- and post-test. At the end of the year 3 the following results were found:

Measure	End of year 0	End of year 3	Improvement
Net Operating Revenue	\$475 million	\$652 million	37%
Net Operating Margin	1.7%	4.8%	282%
Patient Satisfaction Survey (percentile position within industry comparison group)	46 th percentile	78 th percentile	32 percentile points
Employee Opinion Survey (percentile comparison within industry comparison group)			
Satisfaction with senior management	48 th percentile	63 rd percentile	25 percentile points
Satisfaction with department management	35 th percentile	75 th percentile	40 percentile points
Organizational alignment measures ²	28 th percentile	81 st percentile	53 percentile points
Number of departments meeting their annual goals	Unknown	86%	
Number of employees rated as acceptable or better on their performance reviews	99%	79%	
Number of employees rated as excellent or better on their performance reviews	78%	30%	
Number of executives/managers achieving their accountability standards	Unknown	79%	

Clearly the organization was able to achieve significant operational improvements as a result of creating a more clear alignment between employees and their departments and between departments and the overall organization. The reduction in the number of employees rated as acceptable and excellent or better reflects an increase in the relevance and effectiveness of the evaluation programs, and was considered by the organization to be a positive result. Similar results are found in virtually every organization that moves from a state of misalignment to alignment.

² Organizational alignment measures test employees' understanding of the organization's mission, vision, values and goals, their roles in the organization, and how their jobs impact the success of their department and the overall organization.

To learn more about creating a successfully aligned organization please contact Lighthouse Associates Consulting. One of our senior consultants will be able to discuss your current situation and assist you in performing an assessment of your current level of alignment.

Lighthouse Associates Consulting, is a management consulting firm using advanced employee relations and human resources techniques to assist organizations to achieve their mission and objectives through the implementation of integrated management systems that create alignment and operational accountability throughout the organization.

For more information contact Lighthouse Associates Consulting at 317.578.0150 or via email at jdunlap@lighthouseassociates.com.