

Entrepreneurial Leadership: Leading in Times of Change

April 20, 2009

Defining an Entrepreneur

A person who organizes and manages
an enterprise with
considerable initiative and risk

Two Sides of Entrepreneurship

- Steve Bjelich. CEO of an innovative and aggressive health system, that takes risks and improves the level of care available to their community.
- David Miller. Founder of a consulting and information products firm that has grown by taking risks and creating new products that deliver value to organizations.

Why is this Topic Important?

- Times of change always spawn the greatest breakthroughs.
- Numerous opportunities exist for creative solutions in the healthcare industry.
- Organizations that grow through risk taking and aggressive action are better performers.
- Those who perpetuate the past are sitting ducks.

Why is this Topic Important?

- Young leaders need exposure to this thought process and orientation.
- Some students will discover that working in institutions or other bureaucracies is not a good fit.
- Growing your own business is a great alternative career path.
- Figuring out how to grow is a lot of fun, whether in a start-up or established institution.

How Does an Entrepreneurial Leader Operate Differently?

Entrepreneurial

- Focused on revenue & expenses
- Focused on unmet needs
- Decisive
- Exploit opportunities created by change
- Always pushing

Not Entrepreneurial

- Focused on expenses
- Focus on internal operations
- Paralyzed by analysis
- Play defense in the face of change
- Tap dancing through life

Peeling the Entrepreneurial Onion

- Awareness and Curiosity
- Constant learner
- Always questioning assumptions
- Creative thinker
- Ability to assimilate and find commonalities among seemingly divergent ideas
- Strategic alliance builder
- Confident risk taker

How Entrepreneurs Craft Strategies that Work?

- Makes decisions quickly, timely, cheaply
- Business founders who spent a long time in study, reflection, and planning were no more likely to survive than those with no planning.

Source: *“How Entrepreneurs Craft Strategies That Work”*, Harvard Business Review, March-April 1994

How Entrepreneurs Craft Strategies that Work?

- Recognizes that returns from analysis diminish rapidly.
- By the time an opportunity is investigated fully, it may no longer exist.

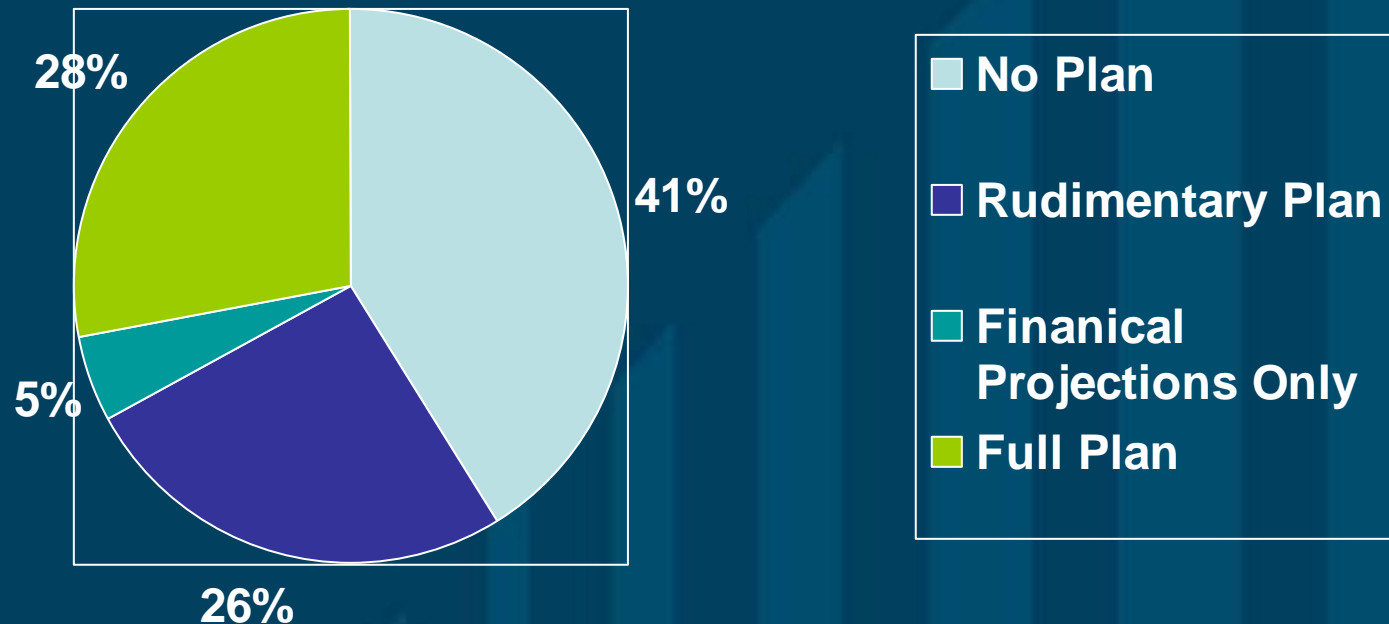
Source: *“How Entrepreneurs Craft Strategies That Work”*, Harvard Business Review, March-April 1994

How Entrepreneurs Craft Strategies that Work?

- Three guidelines for success:
 - Screen opportunities quickly
 - Be frugal in your analysis
 - Integrate action and analysis

Source: *“How Entrepreneurs Craft Strategies That Work”*, Harvard Business Review, March-April 1994

Does Business Planning Pay?



Note: Sample of Inc. Magazine 500 Fastest Growing Private Companies

How Do You Get “Buy-In” to an Entrepreneurial Approach?

Board & Medical Staff

- Producing results
- Embracing their creative ideas

Employees

- Incentives
- Evaluations, requiring this behavior
- Employee selection
- Weeding out the wrong people

Where Do Entrepreneurial Ideas Come From?

- Experience. Insights gained through your career, or thorough process knowledge.
- Tough Questions. Client questions that take a lot of thought to answer.
- Flash of Insight. Rarely.

Where Do Entrepreneurs Get Their Ideas?

- Replicated or modified an idea encountered through previous employment (71%)
- Built temporary or casual job into a business (7%)
- Wanted as an individual consumer (6%)
- Discovered through systematic research for opportunities (4%)

Source: 100 founders of Inc. Magazine 500 fastest growing private companies

Hospital vs. Private Enterprise

Hospital	Privately Held Company
Advantage built on assets and hustle	Hustle the key ingredient
Hard to divest unprofitable lines	Must be good at walking away from losers
Risky because work at the pleasure of board and medical staff	In some ways less risky, work at the pleasure of multiple customers

Case Studies

- Saint Francis Health System
- Healthcare Strategy Group

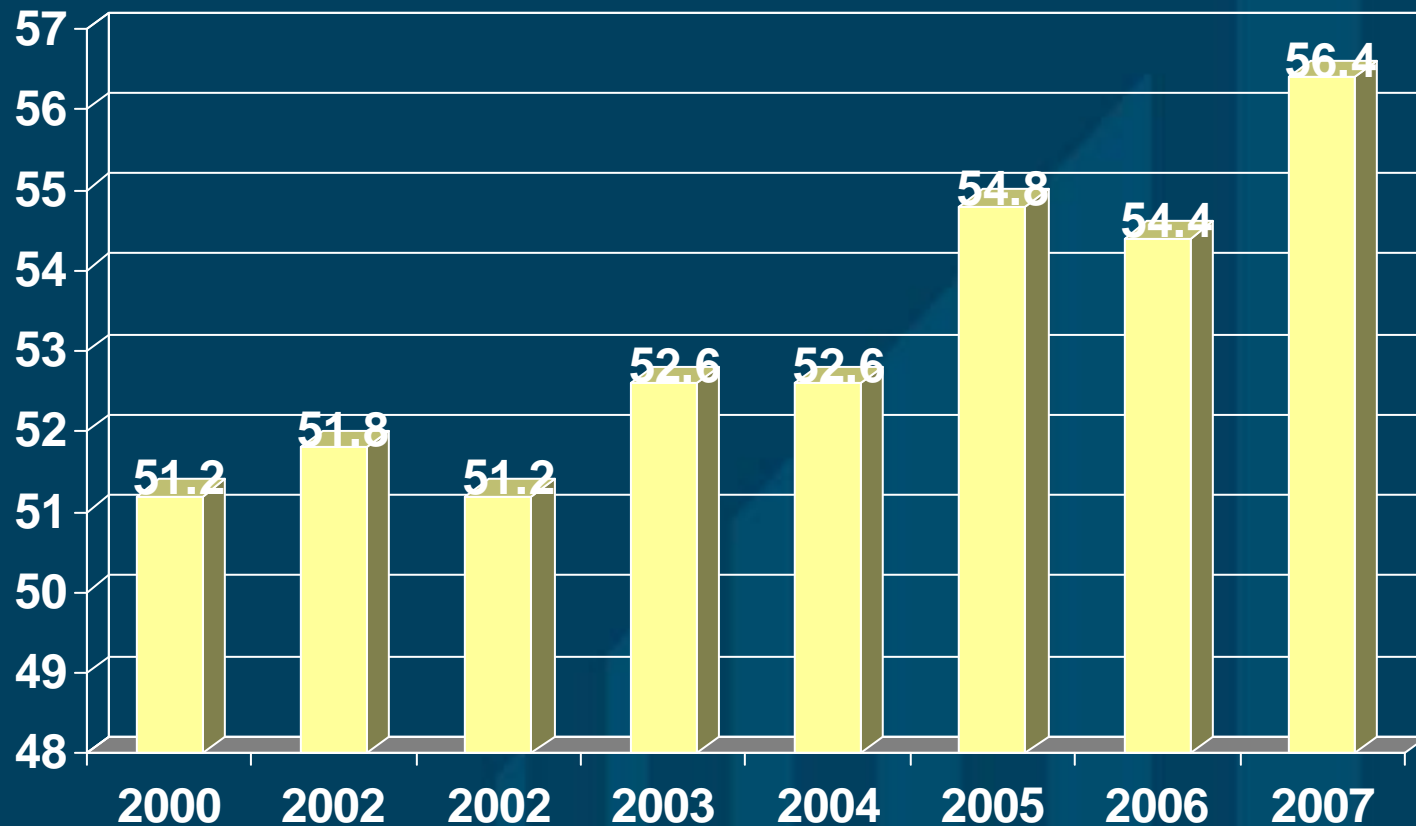
Saint Francis Health System Results

- IP Market share increases of ___ points over last 7 years for common services
- Operating margins average 9.36% over last five years.
- Revenue growth of 12% annually in last five years
- Press-Ganey patient satisfaction in the 90th percentile for the last five years, for inpatients and ER

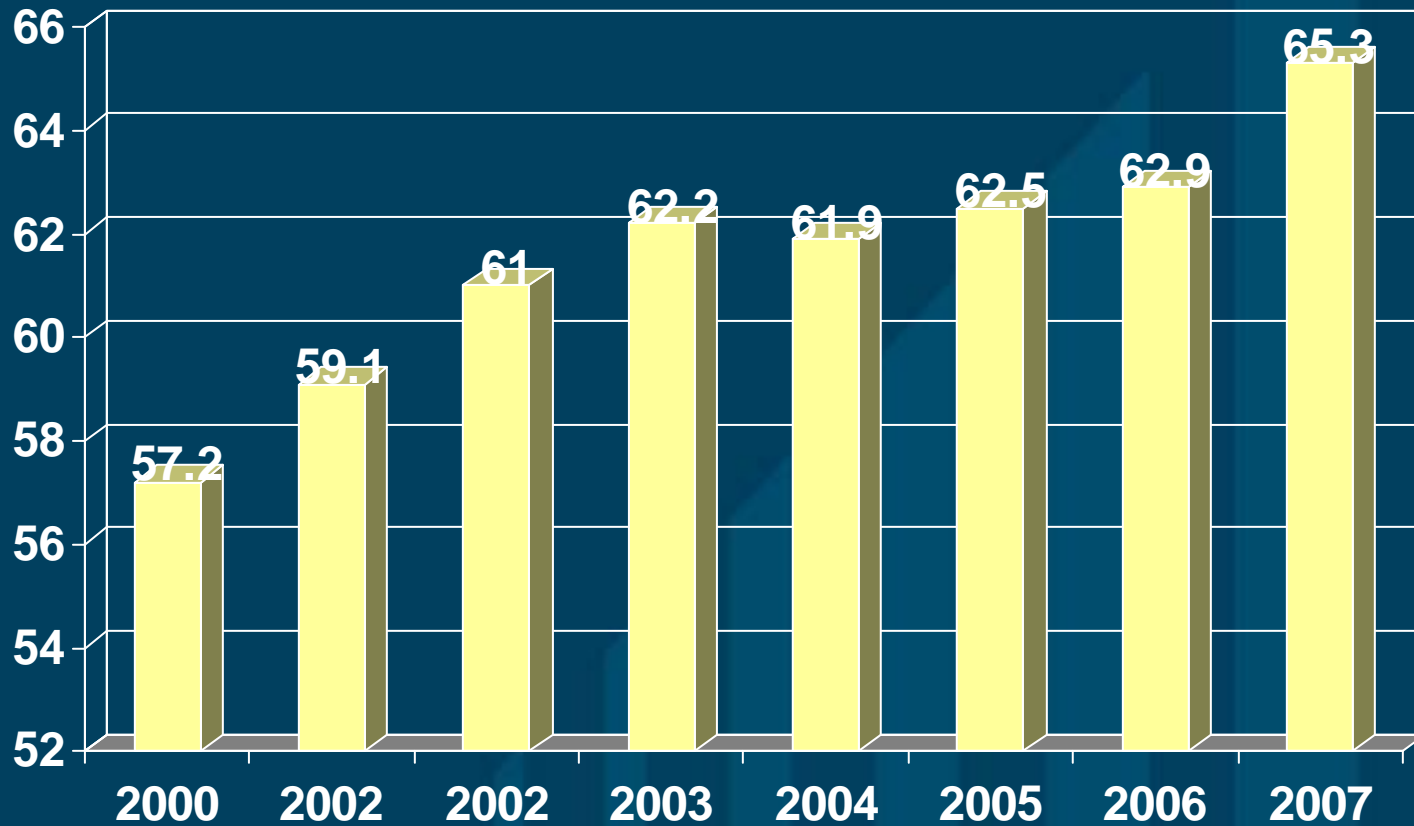
Saint Francis Health System Market

- Population of 242,000 in the primary and secondary markets
- Including tertiary counties, population is 650,000 in five states
- Major competitor across town
- Barnes is the regional tertiary competitor
- Eight physician owned surgical centers and two physician owned imaging centers in the community

SFMC Total Market Share vs. SE Acute Care Admissions



SFMC Tertiary Market Share vs. SE Acute Care Admissions



Saint Francis Health System

Entrepreneurship In Core Business

- Employee gainsharing to incent desired patient interactions
- Contractual subsidy for anesthesiologists to guarantee OR coverage, well before such subsidies became the trend
- Creating only heart hospital in southeast Missouri
- Aggressively promoting physicians and services

Saint Francis Health System

Entrepreneurship In Core Business

- Focusing on needs of referring doctors to grow business substantially in the outlying market
- Development of cancer center
- Development of MOB and targeting PCPs of competing hospital for occupancy

Saint Francis Health System

Entrepreneurship Outside Core Business

- Co-signing loan for physician create LTAC, in which hospital owns 30%
- Developed state of the art Health and Wellness Center
- Joint venturing outpatient center with 39 member physician group in town 80 miles away

Principles Behind SFMC Success

- Aggressiveness
- Openness and honesty with physicians
- Physician have easy access to leaders
- Commit to telling your story in the community
- Hard work

FY 2010 Budget and Business Plan builds upon

- Builds upon
 - Strategic Plan – FY 2010 – 2012
 - Strategic Financial Plan
 - Strategic Marketing Plan
 - Strategic Information Systems Plan
 - Strategic Human Resources Plan

FY 2010 Budget and Business Plan

- Develops SBU Goals and Objectives
 - Cardiovascular Service Line
 - Cancer Service Line
 - Neurosciences Service Line
 - Occupational Medicine Service Line
 - Orthopaedic Service Line
 - Women and Children's Service Lines

These Plans Drive

- Revenue & volume budget
- Operating expense budget
- Labor budget
- Capital budget

Accountability Through

- Strategic Initiatives - Updates (monthly)
- Budget Variance Reporting (monthly)
- Labor Productivity Variance Reporting (every 2 weeks)

Accountability Through

- Quarterly Reviews with CEO, CFO, CMO, CNO, VP Professional Services, SBU Directors
 - Cancer
 - Cardiovascular
 - Orthopaedic
 - Neurosciences
 - Physician Practices

Accountability Through

- Annual Reviews
 - Individual performance appraisals
 - Annual Board - Medical Staff – Administrative Retreat
 - Becomes a component
 - Next Strategic Plan
 - Along with input – key stakeholders

Healthcare Strategy Group

- Averaging 40%+ growth over last three years
- 75% repeat business
- Growth driven by three issues:
 - Client service
 - Educationally focused marketing through newsletters and webcasts
 - Articulation of the concept of physician alignment strategy and focus in that niche

Principles Behind HSG Success

- Client service
- Expanding our knowledge and the client's knowledge
- Practical, real world solutions
- Growth is required, it is what makes the company work
- Thoroughness
- LISTEN to identify products and services that would make the client's life easier

Advice for Early Careerists

- Learn about the industry
- Select an employer that is entrepreneurial
 - Growing (it is all about revenue)
 - Creative
 - Study what firm incents in compensation plans
- Recognize that you may not be able to accomplish much from a lower position and in a stagnant environment.
- Creating business case may not be possible if culture not supportive

Advice for Early Careerists

Ask yourself these question:

- How can you better meet the needs of your customers?
- How do patients get to the organization and how can I increase that flow of patients?
- How do referral patterns work?

Student Questions

Q. How does entrepreneurial leadership differ between consulting practices, industry settings, and within hospitals/traditional healthcare settings?

A. Most difficult within traditional hospital setting.

- Entrepreneur is not the owner
- Community assets to protect
- Board that may or may not be supportive
- Most hospitals have lots of inertia
- Not a requirement for keeping your job

Student Question

- Q. What trends or changes are on the horizon that will affect entrepreneurial leadership?
- A. Lots. Recognize that most entrepreneurial change and related fortunes are built during times of change.

Key Trends

- Rising Costs
- Changing Reimbursement
- Workforce Shortages
- Physician Shortages
- Physician / Hospital Alignment
- Quality Imperatives
- Capital Crunch
- Reform

Opportunities Created by Rising Costs

- Tools to help consumers find the lowest price
- Tools to help providers package and promote prices
- Benefit designs that save employers money
- Benefit designs that drive consumers to particular providers

Opportunities Created by Rising Costs

- Changes to the setting of care
 - Employer based providers
 - Retail based providers
 - Home based services
 - Internet access to providers
- IT tools to help consumers select efficient doctors
- IT tools to help consumers decide if care is appropriate

Opportunities Created by Rising Costs

- Holistic and wellness programs to help individuals manage their health
- Niche players to offer services at a lower price than hospitals
- Concierge medicine, which removes patients from volume driven practices
- Contracting software to help providers determine fair prices in the face of insurer pressures

Student Questions

Q. How does the perceived rigidity of some organizations make this a challenge?

A. Rigidity in the face of needed change is not consistent with entrepreneurship. If you have the chance, stay away from organizations that are rigid in the face of market demands.

Rigidity concerning expectation of senior leaders and values is another issue. Both of our organizations have rigid expectations for our employees

Student Questions

Q. Differences / similarities / importance of non-CEO entrepreneurial leadership?

A. Less possible the further down the organization you go. Large financial risks not likely to be tolerated. Maybe cut your teeth on big process improvements or other innovation that improve patient care or patient experiences.

Student Questions

Q. What changes can new leaders/ managers expect given the state of the economy & government changes under the Obama administration?

A. Economic pressure will create challenges:

- Reduce discretionary spending
- Losses in stock market will reduce capital spending
- Pressure on physician will lead to greater integration, including employment

Student Questions

- A. But also, decreased number of uninsured will increase demand:
- Demand for primary care will grow
 - Will likely change the allocation of training dollars from specialties to PCPs
 - Will drive upward the use of mid-level providers
 - Will increase the importance of throughput in practice setting
 - Will change profitability of certain service lines or geographic locations

Student Questions

A. Also, stimulus bills increases the opportunity in IT

- Demand for EMRs should grow dramatically
- Opportunities in:
 - Hardware
 - Software
 - System optimization

A. Comparative effectiveness research, cost and quality transparency, gainsharing, all create opportunities

Student Questions

Q. What do bosses and CEOs expect from new graduates?

A. It varies. But the bottom line is they expect results. They expect you not to create problems. The better organizations expect you to think, challenge, and develop creative solutions. But if that is your desire, you may be better off avoiding a big, bureaucratic hospital

Questions and Discussion