

The Value of This Book

CONSULTANT'S TIP

Be engaged. A typical project can last 12 months, and staying engaged for the duration is critical. This is not the consulting firm's project; it is the client's project. The client needs to be involved in each facet to drive change and ensure sustainability. Executive engagement is particularly important for workforce consulting. Department managers will take their lead from their director, who in turn will take their lead from their vice president. If that vice president is not a driving force for the project, success will be limited because the project will not be a priority.

—*Director, labor consulting*

THIS BOOK IS a guide for hospital and health systems executives who are considering the need for a consulting engagement. If you are like most hospital leaders, you dislike the idea of paying for an expensive consulting project. There is the anxiety that you may not really need consultants; and if you do need them, they may not give you good value for your money. You feel at a disadvantage because you are unfamiliar with the consulting industry. You have no way of knowing whether the claims a consulting firm makes are true or a quoted price is fair. You also dread the sales pitch because you fear you will be pressured into paying too much and buying

all sorts of unneeded extras. Finally, you are scared of the damage a catastrophic engagement could do to your organization and your credibility as a leader.

These are valid concerns. Although most consulting firms are proud of the service they deliver and all live or die by references from satisfied clients, caveat emptor—buyer beware—applies. Management consulting services are not regulated like hospital services. Anybody can be an “expert.” And consultants provide even less price transparency than most hospitals offer. Aggravating the information gap for buyers is a common phenomenon of denial: After spending heavily on a widely publicized but unsuccessful consulting engagement, many hospital leaders are loath to admit that their engagement was a disappointment. They may not agree to serve as a consulting firm’s reference, of course, but they also may not be inclined to warn the next unsuspecting client.

I wrote this book to decrease discomfort and risk with consulting engagements. My premise is that you the client can determine the success or failure of your consulting project. If you enter it unprepared and disengaged, you will be disappointed. If you educate yourself and take responsibility for ensuring the success of the engagement, you will see transformative results.

Simply put, this book can help you become an expert on the experts, a master of successful engagements. It will educate you on when to hire consultants, how to choose the right consultants, how to lead your engagement to a successful conclusion, and how to ensure that the improvements stick after the consultants leave. In this book, I describe the mindset and culture of consultants, the inner workings of consulting firms, the drivers of successful engagements, the causes of failure, and techniques to maximize the value of your engagement, including how to negotiate prices. Each chapter also includes case studies and tips that I collected from 40 frontline consultants.

There are many different types of business management consulting engagements, such as information technology, marketing,

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Success occurs when senior leaders commit to the engagement. They need to communicate its mission, value, and goals to all internal stakeholders—including physicians—with a strong message to get on board and partner with the consultants . . . or have a valid reason why they cannot.

—*Senior managing consultant, perioperative services*

mergers and acquisitions, and strategy. This book focuses on management consulting for hospitals and health systems. However, because management consulting for hospitals encompasses a wide variety of subspecialties and because all consulting engagements share common themes, the lessons here are applicable to almost all types of consulting (even beyond healthcare).

First, a few words to clarify the term “management consulting.” Here is a definition that I like, suggested by educator and development consultant Milan Kubr (International Labour Office 2002, p. 4):

A method of assisting organizations and executives to improve management and business practices, as well as individual and organizational performance. . . . Ideally, the consultant should choose approaches and methods that uncover and help understand both the technical and the human issues involved, and that help the client to act on both of them.

With hospitals, comprehensive performance improvement engagements range broadly. Usually, they aim to strengthen financial performance by improving key areas such as revenue cycle, labor, patient flow, human resources, physician practice management, clinical variation, perioperative services, and nursing. Comprehensive performance improvement comprises subspecialty-consulting

engagements typically aimed at improving hospital finances by improving operations.

There are two hallmarks of comprehensive performance improvement engagements for hospitals:

1. They typically are about improving finances even when the immediate focus is on quality or service.
2. Being comprehensive, they simultaneously encompass multiple specialty areas. They need to be comprehensive because only engagements that capture the complexity of hospitals can improve their finances in a sustainable manner. Some engagements target only one area, such as the operating room or the emergency department (ED), but such narrow engagements will reveal the need for broader efforts if the hospital is to achieve deep and lasting change. For example, it is impossible to improve ED throughput without also improving other areas such as the laboratory, imaging department, bed management, and nurse staffing.

CASE 1

A national consulting firm performed a comprehensive performance improvement engagement for a hospital in California. The hospital, “St. John’s,” was founded in 1900 by reverend sisters; it now has 500 beds, 2,700 employees, and 680 staff physicians. Between 2011 and 2013, the hospital saw a 4.8 percent decline in inpatient admissions with a 6.0 percent increase in less-well-reimbursed outpatient



CASE 1 *(continued)*

visits. As a result, St. John's had a negative 4.7 percent operating margin by December 2013. The CEO tried various internal fixes, but eventually the hospital's health system leaders asked her to bring in consultants.

The CEO chose a consulting firm that was already working successfully elsewhere in the system. This engagement included a three-month diagnostic assessment phase when five subspecialty consulting teams identified opportunities for financial improvement in their domains, followed by a nine-month implementation phase when the consultants put their recommendations into motion. At the end of the assessment, the teams identified a low-dollar amount that would be relatively easy to achieve, a middle amount that was difficult but attainable, and a high amount achievable only with extreme difficulty. The hospital and consulting firm settled on a middle target of \$18.3 million as the financial improvement goal and the basis for a negotiated implementation price that would render an acceptable return on investment (ROI). They also agreed on an incentive payment to motivate the consulting firm to exceed the \$18.3 million.

The engagement went very well. By the end of 12 months, the consulting firm had helped the hospital hit its high target. Just as important, the hospital leadership team appreciated that the firm had, throughout the implementation, stayed true to the faith-based hospital's values. Indeed, at the end of the engagement, an initially skeptical hospital executive sent an e-mail to the firm praising the engagement and the consultants as the best he had ever worked with.

LESSONS

1 Wait until the end of an assessment before deciding on the financial target. This way, the consultants can fully assess the financial opportunity. Choosing a financial target beforehand may lead employees and physicians to fear that the consultants will sacrifice quality to hit an unrealistic target.

2 The success of this engagement shows that hiring consultants can be one of the best decisions you make as a leader. Most leaders experience only a few large consulting engagements in their careers and therefore lack the understanding necessary to maximize their chances of having a St John's-type engagement. This book will help you achieve that depth of understanding.

3 Although this engagement turned out well, it is generally not a good idea for a CEO to wait so long that a board or regional leader directs the CEO to hire a consulting firm. Depending on who actually interviews and hires the firm, this dynamic can create a situation where the consulting firm views the board or regional leader—rather than the hospital CEO—as its boss. In such cases, the assessment may tacitly include determining whether the CEO is part of the problem or part of the solution.

Consider this book your first investment in the success of your large consulting engagement. Consult it constantly on the journey. In fact, read this book before you decide whether to engage consultants because it might persuade you *not* to engage them. Either way, investing just a couple of hours of your time now may save a lot of money for your organization later. If you are embarking on an engagement, read the book and then make it a must-read for the leaders who report to you.

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Clients get their best out of consulting services when (1) they admit they have a problem, communicate this problem to their leaders, and make the case for hiring outside experts to fix the problem, and (2) they agree to be all in—not half in, not 88 percent in—but all in. They do not give up their right to challenge the way we consultants solve a problem, but they should follow our methodologies. And when we state that they have a problem leader who is a barrier to success, they must be willing to make crucial changes. This total commitment should be addressed in the boardroom before a single consultant is deployed.

—*Managing consultant, human resources*

ENGAGEMENT CHECKLIST

► Do you have a bias against consultants?

If you do, then reflect on the reason. If your concerns include those I outlined in the opening paragraph of this chapter, then this book should help calm those fears. If you don't believe consultants are worth the money, consider the fact that pretty much all the hospitals you respect use consultants. It is improbable that they are all wrong. Be open-minded and avoid the mistake of waiting too long to ask for help.

► Can you invest the time and attention to detail to manage an engagement?

If not, then appoint a respected and detail-minded executive to serve as the engagement leader from your (the client's) side. You must still stay involved, but your designated executive can give the hands-on leadership that is essential for success.

► **Are you worried about what the consultants will find or recommend?**

There is nothing to be concerned about here. When you are a full partner with the consultants and help them implement change, the consultants can be your biggest champions. They can also work with you to avoid changes that could damage the organization.

REFERENCE

International Labour Office. 2002. "Management Consulting in Perspective." In *Management Consulting: A Guide to the Profession*, fourth edition, edited by M. Klubr. Geneva: International Labour Association.