

Five Critical Strategies for Achieving Operational Efficiency

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In a recent report that summarizes the reasons that hospitals undertake construction projects, “operational efficiency and patient flow” are cited as the most common objectives (Carpenter 2004). Intuitively, improvements in operating efficiency should flow from more modern and efficient building systems, streamlined clinical and business processes, more appropriate departmental adjacencies, and enhanced clinical and information technologies.

Research conducted by TriBrook Healthcare Consultants in 2003 shows that expected improvements in operational efficiency are often achieved in replacement facilities but that such enhancements are not obtained in *all* cases and are often attributable as much to increased service volumes as they are to fundamental positive changes in service delivery systems (Hosking and Jarvis 2003). In light of this evidence, healthcare leaders should adopt a proactive and disciplined approach to facility planning and activation to achieve operational objectives and to set the stage for sustained high performance.

CRITICAL STRATEGIES

Our experience in working with client organizations through their planning and implementation of a number of facility replacement projects reveals five specific strategies that are essential for an organization that is targeting improved operational efficiency. These strategies are commonly used in successful projects.

1. *Establish a clear and compelling vision and expectation for the facility project.* Top leadership should work on this strategy prior to launching an organizational initiative to plan a replacement hospital. Best practice in this regard consists of three related elements. First is the creation of a clear vision for the future facility; this vision describes the purpose of the project and the manner in which it aligns with the organization’s larger mission and vision. Second is the development of a comprehensive set of six to eight guiding principles; the principles then translate the vision into specific strategic and operational objectives.

Third is the establishment of specific performance targets for the future facility; these targets should be expressed in terms of customer and employee

satisfaction, market share, resource productivity measures, clinical outcomes, and other measures that are of specific relevance to the mission of the organization. Both metric and qualitative performance targets will serve as a critical "specification" for the new facility and should guide and direct all operations and facility planning activities.

2. *Assess current operations to identify opportunities for improvement.* Gaps between current performance and industry benchmarks and better practices should be identified, documented, and targeted for improvement. Some improvement opportunities will be addressed within the context of the facility project; others, not dependent on facility solutions, can be incorporated into the organization's ongoing performance improvement process.

A critical aspect of the assessment effort is a thorough understanding of the organization's existing cost structure. Having a meaningful grasp of fixed and variable operating costs at a line-item level within each cost center will enable leadership to

- pinpoint opportunities for improvement in relation to industry benchmarks,
- establish overall performance improvement targets for the new facility, and
- accurately project the impact of future service volumes and workloads on operating costs.

3. *Undertake a structured, operations-driven facility planning process.* This strategy is aimed at defining the future operating model for the new facility, and it should be undertaken prior to initiating space planning and facility design activities. In our practice, the process is staffed by functionally oriented, multidisciplinary planning teams and is generally completed over an eight- to ten-week time frame. The sequence of the four major work steps is as follows:

- Define key operational concepts. These concepts often relate to front-end patient processes (such as institutionwide plans for scheduling and registration), use of information technology, creation of service delivery zones (including on-stage and off-stage concepts), aspects of the clinical care delivery model, and systems for supply acquisition and distribution.
- Establish vision and plan performance for each major functional area. This process takes into account the needs and expectations of key customers, scope and type of services to be offered, industry best practices, assessment results, and desired performance outcomes.
- Design critical processes within each major function. This design incorporates patient flows and work flows, key support processes, functional interrelationships, required physical adjacencies, and patient throughput requirements.
- Identify critical enablers for each major process. Enablers can consist of human resources, facilities, clinical and information technologies, organizational culture, and departmental interrelationships.

One key to success in this strategy is that at each step of the above process, the planning team loops back to the guiding principles and organizational performance objectives. This ensures that functional plans are aligned and will enable the achievement of organizational goals. On completion of this four-step process, the various planning elements are synthesized within an operating program that serves as a key input to the functional space planning process.

4. *Foster broad participation and ownership in the planning process.* This strategy entails promoting and establishing a sense of ownership among the organization's key internal and external stakeholders. Each organization will develop a communication and change-enablement strategy that is unique to its particular culture (Burnett 2004). However, specific tactics that have proved effective for our clients include the following:

- Use multidisciplinary planning groups to drive operational and facility plans. In our experience, the ideal size of a planning group is between 8 and 12 members and the group represents functional area leadership, medical staff, frontline staff, and enabling resources such as information technology, human resources, and materials management.
- Create a structured communication plan that details all relevant internal and external constituencies and that lays out, over time, the specific communication strategies and message points that apply to each group.
- Involve staff in external benchmarking and site visits to identify best practices for key processes. This not only underscores the importance of their input but it also stimulates thinking and enables them to see past existing barriers.
- Use intranet and Internet resources to communicate the project vision, guiding principles, performance objectives, project milestones, and plans.
- Conduct forums and focus groups with both community stakeholders and employees to provide information regarding the project, promote the organization and the facility project, and gain input regarding opportunities for improvement.
- Regularly present plans to the medical staff (through departmental meetings, general medical staff meetings, and open forums) and ask for their input.

The participative approach should continue throughout the facility planning process and should escalate during planning for detailed operations design and facility activation. Measuring the effectiveness of these efforts using appropriate metrics allows leadership to appropriately assess and course-correct the strategy.

5. *Maintain a focus on the hospital's existing strategic growth and performance improvement agenda.* A facility replacement project, and the time and energy required for successful execution, can easily distract an organization from pursuing its ongoing strategic growth initiatives and performance improvement plans.

An important responsibility of top leadership is to maintain focus on current initiatives in the face of the important and exciting work associated with the facility project. Ongoing efforts to improve patient satisfaction, employee morale, and labor productivity, for example, can quickly backslide if management attention is redirected for even a short period.

Because longer-term performance targets (some of which are likely incorporated into the future facility's pro forma operating plans) generally depend on continuous performance improvement and growth, diligence in managing to short-term goals is imperative.

CONCLUSION

Our experience shows that well-managed facility replacement projects can result in improved operational efficiencies in the range of 6 percent to 8 percent of total operating costs. An organization's ability to achieve these improvements, however, depends in large part on successful execution of a set of integrated planning, implementation, and change-enabling strategies. Effective execution of these strategies requires a strong project champion supported by a highly aligned leadership team.

The effort must be a sustained one, as the time frame for planning and developing a hospital replacement project can extend three to four years beyond the "go forward" decision. This time frame provides ample opportunity for an organization to lose its sense of clarity regarding initial performance targets and improvement plans, the rationale for new processes, and even the overarching purpose of the facility project itself. Gaining operating efficiencies through a hospital redevelopment project requires a strong and sustained sense of purpose on the part of top leadership.

References

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