

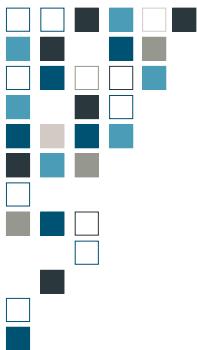
# TRANSFORMING INTO A GREAT WORKPLACE

## Scripps Health Case Study

“When we needed to turn around our business performance, we put together a strategy to partner with Great Place to Work®.”

Vic Buzachero  
Corporate Senior Vice President  
Scripps Health





## WHAT DOES IT TAKE TO TURN AROUND A LARGE HOSPITAL SYSTEM CHARACTERIZED BY OPERATING LOSSES, HIGH TURNOVER, LABOR SHORTAGES, UNION AND LEGISLATIVE RISK?

Chris Van Gorder knows: he encountered this environment when he became the CEO of Scripps Health in 2000. Since then, Scripps Health has seen drastic improvements in financial performance, turnover rates, and employee morale. Over the past 11 years, employee results have improved by 54 percent while the system has realized over \$100 million in cost savings. They accomplished this turnaround by not only focusing on the system's financial performance, but also by making a commitment to transform the workplace culture.

### Challenges Facing Scripps Health

#### Financial

- Operating losses > \$20 million/year
- Exposure to capitation
- State-mandated \$600 million expense for earth quake retrofits
- Escalating medical technology costs
- Insufficient cash on hand to meet requirements of bond covenant

#### Branding & Competition

- Losing market share
- Scripps Clinic physicians practice going bankrupt

#### Workforce

- New CEO rebuilding management team
- Vote of no confidence from physicians
- 17-20% average turnover; 30% turnover in first year
- Labor shortage leading to:
  - Exorbitant premium labor costs to meet CA-mandated nurse-to-patient ratios
  - Risk of clinic closure if unable to meet mandated 24-hour staffing ratios
- Targeted by labor organizations in corporate campaign
- HR not performing – inconsistent practices, competition between sites
- Low employee trust in leadership
- Employees were struggling on personal level: national average of Employee Assistance Programs penetration is 9-10%; Scripps employees were using at over 25%



Scripps Health is a not-for-profit, community-based healthcare system with four acute care hospitals and 23 clinic locations in San Diego, California. Healthcare is provided and supported throughout the Scripps system by over 13,000 employees and more than 2,600 affiliated physicians.

When Chris Van Gorder accepted the CEO position in 2000, it was clear that a major turnaround was needed. The hospital system was experiencing business-threatening financial and workforce problems, including operating losses in excess of \$20 million a year, insufficient cash on-hand, and an increasingly adversarial relationship between its sites and with its physicians. Labor shortages put Scripps at risk of being out of compliance with strict California-mandated nursing-patient ratios and threatened clinic closure, and Scripps found itself increasingly targeted by powerful local labor organizations in a corporate campaign for unionization. Radical changes were needed to survive.

"When we knew we needed to turnaround our business performance, we put together a strategy around workforce," says Vic Buzachero, Corporate Senior Vice President, "and part of it was to work with Great Place to Work® using their benchmarks and approach." He continues:

"We benchmarked against the Great Place to Work concept not because we necessarily wanted to be on the '100 Best' list, but because benchmarking against the best would do four things for us:

First, if we did that, we would attract staff and retain people and we needed to staff our organization.

Secondly, because successfully attracting staff and retaining people would reduce our labor cost. We could move 17 percent to 18 percent of premium labor expense down rather significantly to an appropriate benchmark, since we were paying about 10 percent more than we should for our labor.

Third, this is an outstanding preventative labor relations strategy. Our perspective is not 'unions are bad.' Our CEO just doesn't think they're necessary if management is doing the sorts

of things it should be doing and creating the environment it should, so our perspective is that Great Place to Work is an excellent preventative labor relations strategy.

Finally, we wanted to engage our people to improve our performance. You know, we had a hospital with patient satisfaction in the 10<sup>th</sup> percentile on the national level. That means 90 percent of the other hospitals in the country had better patient satisfaction. That doesn't exactly go with the Scripps brand, and the same problems held in other areas of performance."

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In response, Great Place to Work developed a multifaceted consulting package to meet Scripps' objectives. "It was important that any partnership support the executive team's existing Alignment, Accountability, Communication and Leadership strategy," says Marcus Erb, a Senior Consultant and Senior Research Partner part of the ongoing team partnering with Scripps, "so attention was paid to designing a project that would provide Scripps with system-wide as well as manager-specific data that could be used in their performance management programs, and in leveraging the employee survey as a highly credible feedback mechanism."



As a result, Great Place to Work® provided Scripps:

- A system-wide survey assessment of all employees using Great Place to Work® methodology
- Survey customizations to link this initiative with existing Scripps performance metrics
- Analysis of results and recommendations for the three to four highest-gain areas to improve, specific to the leadership group of each individual site as well as the system overall
- 700 department manager reports customized to aid in action planning and performance accountability
- Benchmarking and selected best practices from successful “100 Best” companies
- Annual presentation of results to the management team with facilitated discussion of critical points, participation in leadership team meetings, and employee focus groups.

## PAVING THE WAY FOR CHANGE

The first year Great Place to Work conducted its analysis and created baseline metrics, results were not strong. Just over half (58%) of employees thought Scripps was consistently a great place to work, and results pointed to particular problems with the quality of communication and employees' concerns with compensation and benefits.

Several key indicators of healthy engagement and productivity were compromised as well, including people's reports of the frequency of cooperation, people's willingness to go above and beyond to get work done, and their belief in the meaningful impact of their work. There was significant variability across the Scripps system, so Great Place to Work segmented Scripps' results and produced site-specific recommendations that allowed Scripps to identify specific managers and sites with best practices within the Scripps network that could be applied system-wide, as well as to hold managers accountable for poor performance.

“I was shocked at our scores and comments the first time we got them,” says CEO Chris Van Gorder. “I read through each one of the comments,

and thought, this is terrible. But fortunately when you are scoring as low as we were, you don't have to do much to get better — and we didn't. We started getting incrementally better, and it's been coming along really well.”

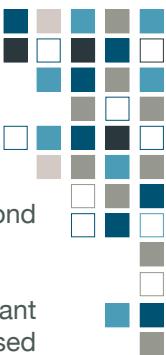
“If you have been your people's advocate, have been credible and honest with them, and have trust with them...they will surround you and take care of and protect you. That's what we are doing in this organization.”

Chris Van Gorder  
CEO  
Scripps Health

Each year Great Place to Work analyzed Scripps' performance and recommended limited areas to focus improvements on in the forthcoming year. Great Place to Work's approach focused on building Scripps' capabilities and providing the framework and data that HR and the executive team needed to own this initiative themselves.

Beyond the core assessment and improvement recommendations Great Place to Work provided, the scope of the engagement adapted to the annual challenges and budget constraints Scripps faced that year, sometimes including management training to aid with internal communications and leadership skill-building, and sometimes including redesigned, cost-saving reports.

Each year, Scripps rigorously committed to a limited number of priorities. Scripps management married its strict accountability to making progress on workforce goals with a realistic scope of commitments and timeline for making change. This long-term view came straight from Van Gorder, who says, “Getting there first is not the thing. The secret is to get there.”



## SUSTAINED IMPROVEMENT, LONG-TERM SUCCESS

Today, Scripps is in a radically different place. System-wide Great Place to Work® scores have increased by 54% of their original results. First-year turnover decreased from 30 percent to 11.7 percent, well below Saratoga Institute's national benchmark of 18.1 percent. The organization made the "100 Best" list for the first time in 2008, and has maintained this benchmark for the last six consecutive years.

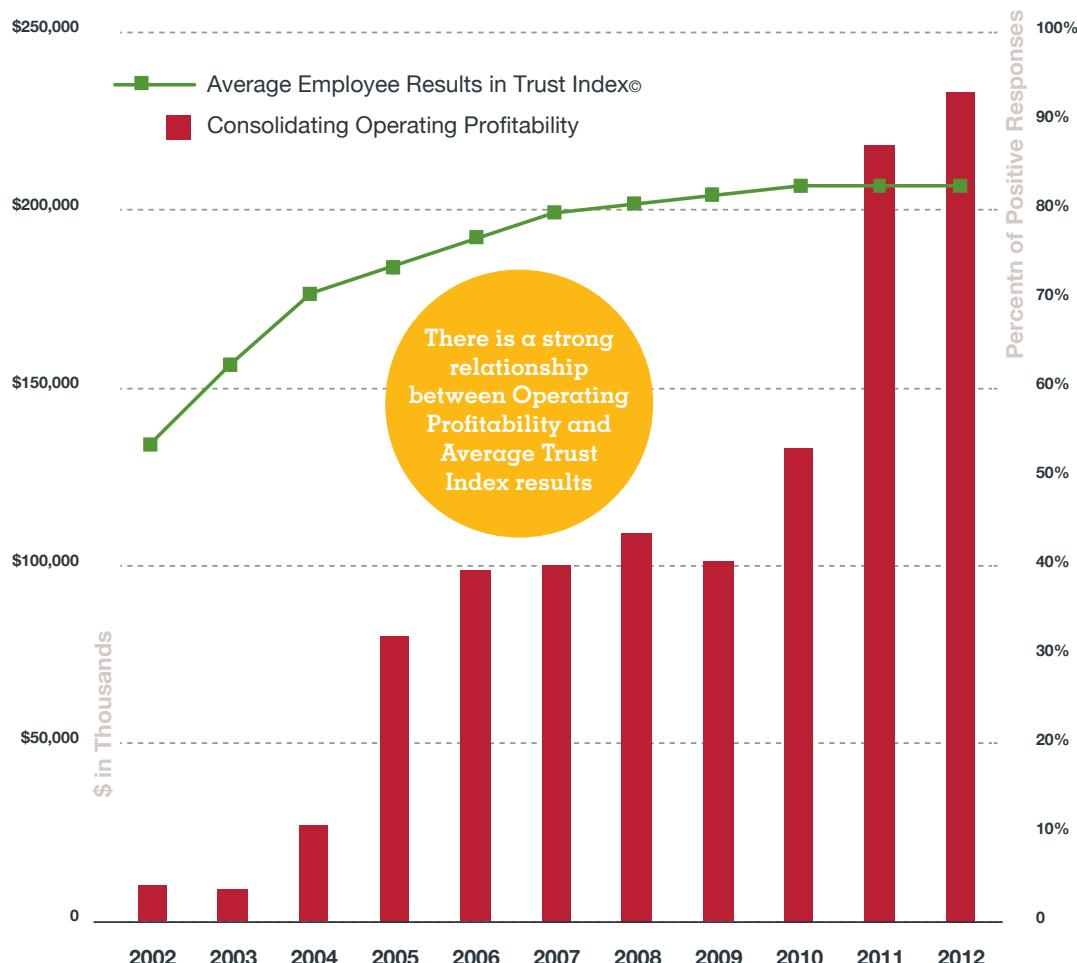
As workplace results have increased, Scripps has also realized drastically improved business performance. For instance, a key industry business metric, Days Cash on Hand, nearly tripled from 72 days to 205. This gave Scripps the necessary financial strength to withstand the government's

90-day payment cycles and improve its bond ratings.

Scripps' success can be attributed to the significant savings realized due to specific decreased workforce expenses. Between 2003 and 2012 they reduced their spending on premium labor rates for per diem labor by 38 percent, realizing over \$100 million dollars in cumulative savings on expenses.

Furthermore, as Scripps dug into their Great Place to Work® survey data, they found a relationship between individual managers' performance on key business indicators and their Great Place to Work® results. The indicators helped Buzachero to maintain Board support for its workplace initiatives

## Scripps Health Performance





with members who are otherwise inclined to view them as “too soft” and gave Buzachero actionable data on which to base corrective action. Scripps found that when they distribute individual managers’ performance into quartiles, managers in the top quartile of Great Place to Work® results perform better than those at the bottom quartile. The departments lead by top quartile managers achieve budget targets more consistently, experience two-thirds less turnover, and have patient satisfaction levels up to 30 percentiles above their peers.

More qualitatively, managers and employees agree that Scripps is a better place to work—it’s one in which the vast majority of employees actually look forward to coming to work, and can consistently count on each other to cooperate, work as a team, and give extra when needed. Employees trust their leadership and believe that they sincerely care about them, which Van Gorder believes goes

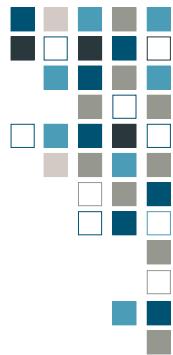
right to the bottom line. Says Buzachero about the internal credibility gain and benefit of being audited by Great Place to Work: “When we say we are doing all we can for employees, they know it’s true.”

Scripps has faced, and continues to face, significant challenges and pressures on its business. Rather than be an impediment to their success, Scripps’ focus on creating a great place to work for its employees have helped them meet the significant challenges of positively mobilizing 13,206 employees spread across multiple independent sites, complying with California’s strict healthcare regulations and navigating the industry’s heavily unionized landscape. As Scripps faces continued pressure on patient satisfaction scores and healthcare reform, leaders are committed to facing these challenges by creating a culture based on trust with their employees and a great place to work.

## Comparing Manager Performance

	Top Quartile	Mid-High Quartile	Mid-Low Quartile	Bottom Quartile
Turnover	9.6%	9.7%	10.4%	11.3%
Premium Pay	4.4%	6.0%	6.5%	8.9%
Productivity	101.7	100.4	97.7	99.5
Budget Variance	-2.3%	2.1%	0.4%	-0.3%

*Scripps aligns Great Place to Work® metrics to their performance management system, and has found that managers in the top quartile of Great Place to Work® results perform better than those at the bottom quartile on many key indicators, including voluntary turnover, employee productivity, and negative budget variance.*



## About Great Place to Work®

Great Place to Work is the leading authority on high-trust, high-performance workplace cultures. Our insight and expertise is based on 25 years of work with thousands of companies and research drawn from over 10 million employee surveys.

We use adaptable, customizable tools modeled on the dimensions of trust found in great workplaces, to design tailored solutions for organizations that put people first and believe that people drive superior business performance. Our advisory service, best workplace benchmarks and leadership development programs, help companies build trust-based relationships to nurture a culture that fosters sustainable business success.

Great Place to Work® produces 45 great workplace lists around the world and the FORTUNE 100 Best Companies to Work For list here in the United States. Our ongoing research validates that great workplaces are more successful businesses and provides us with the framework and expertise to help companies transform their workplace cultures.

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