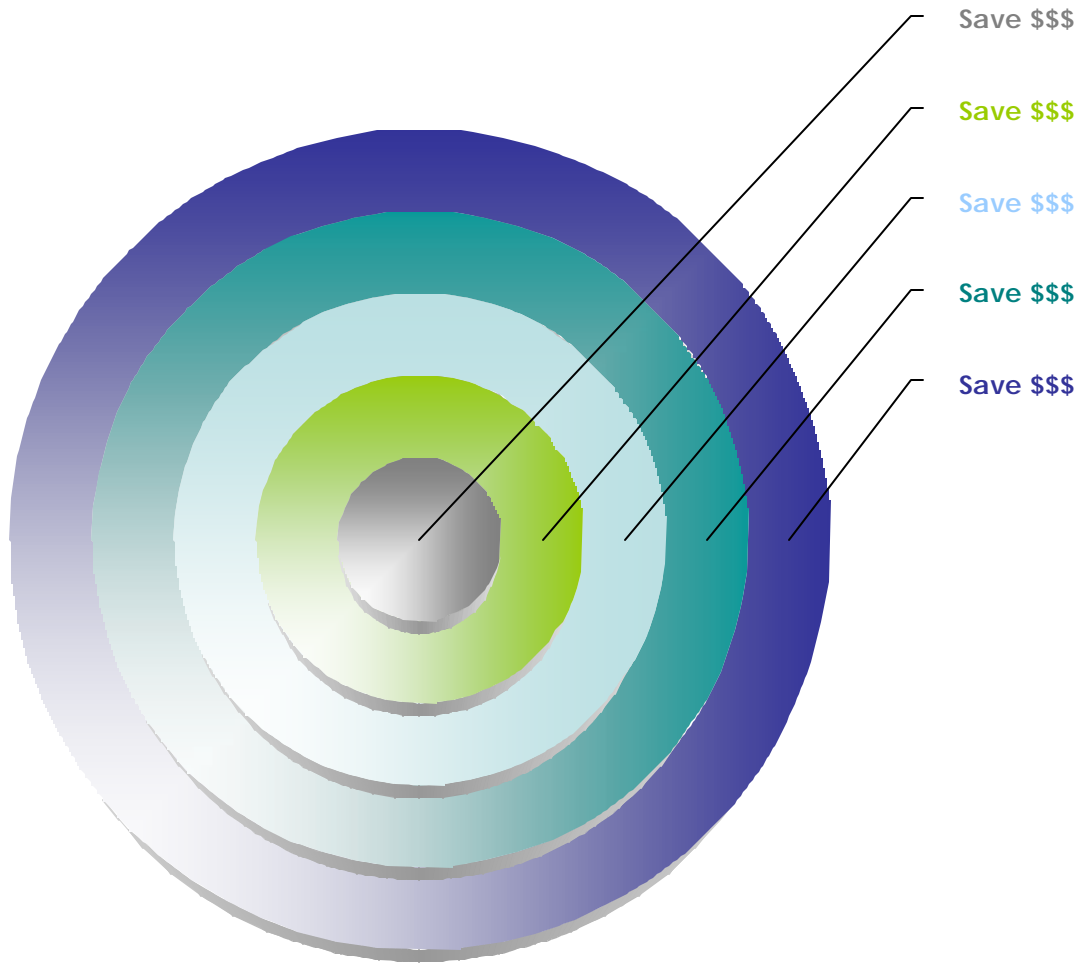


# Your Targeted Blueprint for Supply Chain Management Success



## ***Healthcare Executives Educational Series***

*If you think your healthcare organization is currently saving all that it can, you are wrong. At this moment, your organization has as much as six to nine percent in invisible costs that could be cut from your supply chain. Saving money is actually easier than you might suspect with the right kind of analysis, teamwork and action. So, come along as a leading authority on supply value analysis walks you through the steps to saving your healthcare organization [MORE](#).*

**By Robert T. Yoki, President  
Of Strategic Value Analysis in Healthcare**



**Copyright 2005 by The HCP Group, Ltd.**

Skippack, PA 19474

800-220-4274

StrategicValueAnalysis.com

**Published by**

**Strategic Value Analysis in Healthcare**

A Division of the HCP Group, Ltd.

Box 939, Skippack, PA 19474

*All rights reserved. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of the author.*

*Your Targeted Blueprint for Supply Chain Management Success is dedicated to my supportive and patient wife Pat, whom I love dearly*

## About the Author



Robert T. Yokl

Robert T. Yokl, President of Strategic Value Analysis in Healthcare, is the Healthcare Industry's leading authority on Supply Value Analysis. Mr. Yokl has over 30 years of experience as a healthcare materiel manager and supply chain consultant. Furthermore, he has worked with over 200 of the nation's foremost hospitals and 24 healthcare systems.

Over the last 20 years, Mr. Yokl has trained 3,600 department heads and managers in his patented Strategic Value Analysis™ System. He has assisted hospitals as small as 19 beds and as large as 1,500 beds in developing and implementing their own supply value analysis programs. He has proudly helped companies save over \$337 million.

Mr. Yokl is the program leader of the award winning Certified Value Analysis Practitioner Training, Certified Value Analysis Train-The-Trainer programs and is co-developer of the nation's number one supply value analysis software, which has been designed to functionally analyze, plan, implement, measure and report improvements in supply chain management.

*Other Books, CDs & Videos by Robert T. Yokl*

**Strategic Value Analysis: The #1 Smart Strategy for Taking Cost out  
of a Healthcare Organization's Supply/Value Chain**

**The Ultimate Value Analysis System  
Discover the Savings System That You Can Use Right Now to Become  
An Expert in Value Analysis. Double, Triple (or More!) Your Savings  
Results With This Insightful Savings Guide**

**Certified Value Analysis Practitioner (CVAP) Program 6-CD Audio and  
Visual Training Program**

**Strategic Value Analysis: Savings Beyond Price  
CD and Video**

**The 10 Biggest Mistakes Buyers Make and  
How to Avoid Them**

**A Guide to Hospital Records Management**




## Introduction

It is understood that healthcare organizations want to save money, beyond price, but reducing these invisible costs is an impossible task without the right kind of counterintuitive thinking, advanced training and masterful execution. Unfortunately, many organizations do not invest in on-going training and education, and they assume that appointing committees to cut spending is effective supply chain management.

These organizations then pay the price, literally, for sticking with the same old supply chain management methods. Of course, with the right attitude, commitment and desire to change your strategic course, your healthcare organization can start mining new sources of saving today that you once thought was impossible. This book is an introduction to doing just that.

Do not say you were not given fair warning. Changing the way an organization runs its supply chain management teams is difficult. You will encounter resistance, both from employees, who may not understand the importance of a more targeted supply chain management, and from managers who might not want to change their current way of doing things. Such resistance, though, should not stop you from taking that first step...and then a second and a third.

As you read this very understandable text, you should begin to see areas where your healthcare organization both falls short and excels in supply chain management.



At the end of most sections, activity questions have been provided to help you determine what changes your healthcare organization needs. Furthermore, these question blocks allow you to think of what targeted supply chain management really will mean to your organization. Complete the questions and use them as a starting point for organizing your thoughts. You can feel free to discuss your particular organization's supply chain management with Strategic Value Analysis in Healthcare. Mr. Yokl is always happy to help healthcare organizations figure out better ways to reduce unnecessary expenses and save more money.

But for now, get ready to start the fast track to reducing your supply chain expenses!




## Changing Times Require Change in Strategic Direction

Dr. Thomas R. Prince of Northwestern University gives us a stern warning when he says, “an annual return (total margin) of more than **6%** is necessary to sustain...(a) healthcare entity’s mission.” This annual return is necessary for increases in salaries and benefits. It also helps healthcare organizations keep up with technology demands, introduce new procedures and services, and replace old equipment and buildings.

Yet, healthcare organizations’ nationwide average total margins are running about **1.8% or less**. More importantly, if a healthcare organization plans to only breakeven annually (which many do), it almost certainly finds that its financial infrastructure erodes so much that it becomes impossible to provide needed services for the community; worse still, the organization may slide slowly into bankruptcy.

Hospitals must do better than break-even or simply cut back a few percentage points each year if they are to pay for future increases in staffing, equipment and new technology. Unfortunately, additional monies will not come from your patient revenues (which are fast becoming flat or weak at best). This is true of non-patient revenues such as cafeteria and gift shop sales and building rentals and investments, because their growth potential is limited in today’s healthcare marketplace.

For example, a hospital cafeteria usually does a fixed amount of business with those people who are staying nearby because of sick




loved ones. A hospital cafeteria is not like a McDonald's or Wendy's, which can run promotions to bring in additional business. Similarly, land is very expensive, so a healthcare organization cannot simply decide to build out or lease space to doctors or other practitioners if no such space is available. In addition, it is expensive to renovate land and a hassle to deal with local building and zoning codes. Therefore, healthcare organizations are limited in what they can do with their land and office buildings, because of the financial and labor costs.

Looking to the future, most experts envision even deeper cuts in Medicare and Medicaid reimbursement and continued skyrocketing pharmaceutical and malpractice costs. In addition, an increasing demand for new technologies will further negatively affect hospitals' margins for years to come.

Healthcare organizations must then depend on the financial resources of debt bonds, bank financing and accumulated surpluses as life preservers. What is alarming is that such financing has become more impractical, non-existent or difficult to maintain without adequate margins.

So, where does your healthcare organization go from here to survive and thrive in the 21st century? There is only one area left in the vineyard that represents about 35% to 45% of a healthcare organization's operating costs. I am referring to an area that can be easily harvested to improve a hospital's total margins by as much as **6% to 9%** within *eighteen* months if you know where to look for these improvements, and then organize to capture savings.



What I am talking about are those **invisible costs** or unnecessary supply chain costs in your healthcare organization's operating budget. Examples of invisible costs are a linen service worker who decides to return all linens delivered to your contract laundry daily because they have another hospital's name imprinted on them, thereby costing your hospital \$151,296 annually in unnecessary linen costs. Or your hospital standardizes on a \$6.59 feature rich intravenous set, when a \$1.94 set will meet your customers' requirements reliably. Or your hospital rents \$193,492 in specialty rental beds annually, when, with new policies and procedures to manage these purchases, you now only need to spend \$73,329. Essentially, these invisible costs eat away at your margins.

Unfortunately, healthcare organizations have been challenged with the identification, classification and quantification of these invisible costs that they have not been able to decide what can actually be cut.

What healthcare organizations are missing in their management toolbox is a strategic and revolutionary approach to supply chain cost management, which we call *Strategic Value Analysis™*. This breakthrough approach creates new behaviors, organizational structures and other critical adaptations that improve a healthcare organization's viability to control its supply chain expenses. A Strategic Value Analysis™ plan has many similarities to the strategic long-range planning process in that it is a systematic and defined planning process. This plan enables a healthcare organization to identify the gaps in its supply chain management strategies and



tactics, and to devise new strategies for reducing and controlling supply chain costs.

The Strategic Value Analysis™ plan begins with defining your vision, mission, values, perspective, objectives, measurement, baseline, targets, strategies, tactics and timelines for success. Begin also by determining what your aspirations are one, two and five years out. To do so, you must be able to answer the following questions (blanks are provided for your convenience if you want to answer the questions now, but you may wish to read the entire text before answering):

- What supply chain savings and quality goals are real and achievable at your healthcare organization?

---

---


- What policies and procedures are required to align them with your new, renewed or reinvented supply chain management program?

---

---

- What steps need to be taken to develop value teams that will be creative enough to meet the challenges of your supply value analysis program? \_\_\_\_\_

---

- 
- What problems or hurdles can we anticipate that would threaten the success of our supply value analysis program? \_\_\_\_\_  
\_\_\_\_\_

- And where do we get started? \_\_\_\_\_  
\_\_\_\_\_

This planning process positions your supply value analysis program to be successful, whereas just letting supply value analysis happen in an unplanned and disorganized manner is both useless and costly in the long term. If developed properly, a supply value analysis plan will provide you with a road map for your program and give you a defined direction to follow over the next three to five years.

Controlling costs can dramatically increase weak margins consistently over time, whereas the one-time initiative of tightening budget controls is not typically a long-term savings solution.

Essentially, if you are doing the same things you have always done to reduce supply chain expenses and you are getting the same results, you need to **think and do differently**. Such new thinking and new changes will help your healthcare organization survive and thrive in the 21st century.



## Strategic Value Analysis™ Activity #1

1. List three invisible costs in your supply chain:

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_

2. How have you addressed these issues; what was the result?

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_




## Think and Do Differently

With the introduction of the supply chain management concept a few years ago, healthcare organizations thought all they had to do to reduce their supply chain costs was to put together a committee or a few teams that would be in charge of finding ways to save money. **Healthcare organizations mistakenly thought the savings would just flow as a matter of course!**

What really happened is that commitment soon waned and resistance to change raised its ugly head and these saving initiatives fizzled, stalled or hit the wall altogether. To reverse the negative effects of such flawed thinking, progressive healthcare organizations need to:

1. Change their culture
2. Reorganize to save
3. Change their focus from price thinking to function, customer and quality thinking
4. Adopt innovative and revolutionary strategies, tactics, tools and techniques to create positive behaviors and outcomes

This reversal can only happen, if and when, healthcare organizations decide to change strategic direction. You cannot continue to do the same things in your supply chain management activities and magically achieve different results. Healthcare organizations that have achieved superior outcomes with their supply chain performance **think and do differently** than healthcare




organizations that have average performance. In fact, superior performing organizations do four things differently:

**First**, they adopt new functional models for the evaluation and selection of the millions of dollars in products, services and technology purchases that they commit to annually. A functional model starts with a blank piece of paper to define the primary, secondary and aesthetic functions (or its reason for being) of the product, service or technology under investigation. The reason for this exercise is that the more you understand the functions the more opportunities arise to dramatically reduce the cost of the product, service or commodity by substituting and or in some cases eliminating an element of the product, service or technology with an equal of better product, service or technology.

New functional models provide a standardized, value-based process that removes the time and costs of your employees winging it. Such new models also inaugurate a high quality decision-making process, which requires your department heads and managers to evaluate all of the products, services and technologies that they purchase. Thus, managers think through the buying process in an entirely new and cost-effective way.

**Second**, superior performing healthcare organizations create new organizational structures and rules that are team-based. These team-based models enable organizations to engage all of their department heads and managers in making savings happen, since these individuals actually manage and control their organizations' budgets.



An example of an effective team-based structure is a value analysis team that is comprised of the suitably qualified people, who answer to an accountable, responsible team leader. When a team has all its wheels pulling in the same direction, it is much more likely to succeed.

**Third**, these superior performing healthcare organizations change their culture from price thinking to function, customer and quality thinking, which streamlines and reinvents their product, service and technology evaluation/selection process. Employees should not merely be thinking, “How much does this product cost?” but rather “What is absolutely, positively functionally required to meet our customers’ needs and desires and how can we meet these requirements at the lowest possible total cost?”

By changing from price thinking to function, customer and quality thinking, clinicians become willing partners in their supply chain initiatives because they are not pushed or pulled in the wrong direction by traditional product evaluation techniques and tactics. Of course, cultural change is necessary so that sustainable supply chain savings can flow easily and consistently without turf battles.

**Fourth**, superior organizations employ the latest technologies, so that their department heads and managers can plan, organize, analyze, track, and document their value studies. At the same time, these organizations utilize the new technology to guide them in the search for lower cost alternatives to the products, services and technologies that they now purchase.

Above all, these superior performing supply chain organizations optimize their supply chain successes through a never-ending search for enhancements and improvements in their supply chain. Success to them is not just a destination, but a never-ending journey.



### **Strategic Value Analysis™ Activity #2**

**1. Changing culture is difficult. What problems can you foresee impeding culture change in your own organization (stubborn managers, lazy employees, etc.)?**

---

---

---

**2. How might you overcome these obstacles?**

---

---

---

**3. Could any result from overcoming such obstacles possibly have an adverse affect on your health care organization?**

---

---

---




## A Never-Ending Journey

As previously mentioned, when superior performers in healthcare organizations talk about their supply chain successes, they talk of their successes in terms of *“Superior performance is not a sometime thing or a one-time thing, but a never-ending journey.”*

In fact, such organizations never expect to reach perfection with supply chain management, because they are always on an endless quest to enhance and improve their savings. Therefore, I cannot drive the following message home enough: If you are to move from average to superior supply chain performance, you will need to think and do differently like those few, but elite, healthcare organizations that get it, live it and are very proud to be called leaders in supply chain management.

Start with a focus on training. Most healthcare organizations believe that training their department heads and managers in supply chain cost management is a luxury that they just cannot afford. Yet, a 2004 published research study by Laurie Bassi and Daniel McMurrer of Knowledge Asset Management, has proven that the “people payoff” of training can be as high as **35.7%** (total annual return) for healthcare organizations just like yours. The Bassi and McMurrer research also conclusively documented that the higher the investments an organization makes in its people, the more often the organization enjoys extraordinary performance from its people. There has been much empirical data over the years that support the Bassi and McMurrer conclusion that training is the prescription for higher performance. If you still believe that you can




generate dramatic supply chain savings without training your department heads and managers, you are in for a staggering awakening.

Specifically, your supply chain expense management performance training should start with “unfreezing” your department heads’ and managers’ current buying habits (price and aesthetics orientation). By price and aesthetics orientation: rather than starting with a “blank piece of paper” to determine their functional requirements for any purchase, they are obsessed with finding the best price and aesthetic features (nice, pleasant, desirable, but not always needed) for the products, services and technologies they are purchasing. Thus, putting the cart before the horse!

Unfreezing is the ability to train on replacing old habits with new buying habits (function, customer and quality orientation), so you begin focusing on the three critical factors in every purchasing decision:

1. **Function** - deciding on the functional requirements or intended purpose of the purchase.
2. **Customer** - deciding on the unique functional requirements that are absolutely positively needed or desired by your customers.
3. **Quality** - deciding on the distinguishing characteristics required by your customers (size, shape, speed, length, thickness, etc.).




The new buying habits should then become part of the term “refreezing”, which occurs when new buying habits are encouraged through a rewards and recognition program.

The lesson learned from Bassi and McMurrer’s research is that if you want to boost your savings returns tenfold over the long term, you must train your department heads and managers in the art and science of Value Analysis. Doing so will permanently reinvent the way you manage and control your supply chain expenses.

Most healthcare organizations have not invested **one dollar** in training for their department heads and managers on how to manage and control their supply chain expenses. This lack of training is especially foolish, considering that supply chain expenses represent **35% to 45%** of a healthcare organization’s budget. Hospitals, however, will routinely spend thousands of dollars training their department heads and managers on how to operate a new computer system the hospital has just purchased. Highly effective healthcare organizations “Put First Things First ” as Stephen Covey would tell us, by investing training dollars in their most important asset...their people.

Healthcare organizations next train staff in their second highest expense category, supply chain expenses, so that employees can reach extraordinary performance in this operations area. A new trend that I am observing in healthcare management today is the hiring of value analysis directors, managers and coordinators to establish and manage healthcare organizations’ value analysis



programs. Once on board, these new hires are then given the charge, *"OK— go save us money!"*

Larry Miles, the father of value analysis, counsels us that an individual who will be filling the positions of value analysis director, manager or coordinator requires a minimum of 40 hours of classroom instruction and 40 hours of on-the-job training, leading and coaching value teams before he/she can become proficient as a value analysis practitioner. Think about your organization. Do new hires for the noted positions have the necessary credentials?

As if that is not enough, these new hires should also be experienced value analysis trainers, because 80% of what a value analysis practitioner does is training, coaching, consulting and facilitating value teams so they can grow and quickly reach peak performance. Do your organization's new hire(s) for value analysis positions also have these credentials? If new hire(s) do not have the qualifications outlined in this section, why not?



### **Strategic Value Analysis™ Activity #3**

**1. In the last year, how much has your health care organization invested in supply chain training for your department heads and managers?**

---

**2. Is this training/education ongoing?**

---

**3. On which topics or issues would you like to see your managers and employees trained?**

---

**4. What factors influence your decision in hiring a new supply value analysis professional?**

---

**5. How might that process be improved?**

---




## Putting First Things First

Since the starting salary for the positions we are talking about could range from \$65,000 to \$100,000 annually, I believe that highly effective healthcare organizations should “Put First Things First ” by investing training dollars in their most important asset ...people. For a value analysis practitioner/trainer, this training investment means that the individuals in these “people sensitive” positions must know how to **expertly and skillfully**:

- **Plan, organize, lead and direct the organization’s supply value analysis program** without pushing or pulling their clinicians in the wrong direction.
- **Train the organization’s value team leaders** and members in the art and science of value analysis and team-building, so that performance improves.
- **Deploy, facilitate, consult and coach the organization’s value teams** to generate prompt action and peak performance.
- **Administer, maintain and sustain the organization’s supply value analysis program** over the long term by cultivating commitment, discipline and order.

The mastery of these basic learning objectives by your value analysis director, manager or coordinator is to ensure that no key element of your value analysis program will be overlooked, neglected, ignored, forgotten or eliminated because no-one had the skills to manage the critical functions for your supply value analysis program.



It has been my observation that healthcare organizations who have not invested in the education and training of their value analysis directors, managers and coordinators have found irreparable and stunted growth in their supply value analysis program, which caused irreversible financial losses. After a year or two, a hospital or systems' executive management team might watch its anticipated savings machine come to a sputtering, coughing and wheezing end, because the director, manager or coordinator did not know what he/she should have known.

*This however is just part of the story!* To their amazement, executive management then finds out that their supply value analysis program administration cost was **\$200,000 annually** (sum of salaries, time expended and resources utilized), but that it only garnered meager savings and quality gains. Ignorance, blindness or naiveté can most certainly be hazardous to your healthcare organization's financial health. If you hire individuals who do not have the requisite and essential training in the art and science of value analysis to lead these mission-critical programs, it can inhibit the growth and maturity of your supply value analysis program.



### Strategic Value Analysis™ Activity #4

1. Do you believe that your supply value analysis managers can help your health care organization save more money without the requisite skills and training?

---

2. If the answer is no, what should be done about this?

---

---

---

---




## Supply Chain Professionals Must Persuade, Lead and Coach to Effect Change

A Medical Director at a Midwest hospital recently told a reporter from the *Wall Street Journal* that, "(Clinicians) don't want to be told how to do things, especially the older providers, the baby boomers. They don't want to hear about new fangled ideas". The director continued, quoting one of his colleagues by saying that the prevalent thought pattern in healthcare organizations is, "Why change when things are working pretty well around here?" Such thinking is a very common response to change at most healthcare organizations today, so how do you make necessary and needed change happen?

We have to look at **resistance to change** as a natural reaction that must **FIRST** be addressed by change agents so that staff will not fear or avoid positive change. I believe that resistance to change is a built-in primal response. This resistance is a necessary safeguard to prevent us from irrational behavior. Otherwise, we would all be walking/talking Evel Knievels, which would disrupt our world's discipline and order. There is hope in overcoming this resistance in your healthcare organization. The antidote to resistance is that our clinicians need to:


1. Expect the change
2. Participate in the change
3. Feel the change is necessary



The late, great professor and consultant George S. Odiorne said, "Most people like those changes that they cause to happen, for they are adapting as they create the change". When people participate in making decisions, they make their expert contribution, they have an ownership of the plan. Thus, they often are able to prevent the kinds of errors that grow out of ignorance. They also acquire more enthusiasm for the decision, or at least have some of their serious reservations removed, and accordingly work more diligently to make the decision work in practice.

Following Odiorne's advice is exactly how to influence change resisters and avoid fighting against them. It is high time that supply chain professionals drop their old change management models, which are **not** working, and learn to persuade, lead by example, coach to effect change and influence the decision-makers. This new paradigm can best be achieved when supply chain professionals empower their department heads and managers to lead their healthcare organization's supply chain management initiatives. An organization's supply chain management teams must first be organized, though, into value teams.

Next, in order for value teams to realize their quest for peak performance, supply chain professionals must fill new roles as consultants, coaches, trainers, and facilitators to the value teams. A supply chain professional should not merely assume the position of team leader for the value teams. These new roles for supply chain professionals are a major shift in philosophy, principles and practices for those individuals who only love the ego gratification of leading their own value teams. Unfortunately, old school value



team management left little or no motivation for department heads and managers to realize breakthrough results.

**Times are changing, and so should you!** The time has come to retrain or even weed out supply chain professionals whose egos are standing in the way of effective change. If you really want your healthcare organization to make great leaps forward in the art of change management, you must commit yourself to seeing through new supply chain management techniques.

### **Strategic Value Analysis™ Activity #5**

- 1. Describe how a past change in the health care organization was made easier for you.**

- 
- 2. What might you do to empower your value team members, so that they do not fear or fight against needed supply chain management changes?**
-




## Three New Roles that Supply Chain Professionals Must Fill to Make “Gigantic” Savings Happen

Supply chain professionals fill many roles (negotiators, sourcing managers, evaluators, legalists, gatekeepers, value analyst, reclamation and salvage administrators, quality control specialists, etc.). If you are looking for higher and deeper supply chain savings, then your supply chain professionals must fill three new roles: those of the coach, the facilitator and the consultant. Changing the way you handle your savings initiatives is as important as identifying savings opportunities.

For decades, supply chain professionals have led the way in supply chain savings initiatives with much success and acclaim. Now that senior management is looking for deeper supply chain savings, it is about making department heads and managers winners. There are two reasons that this role shifting is necessary:

1. Supply chain professionals no longer have the time, knowledge or resources to make “gigantic” savings happen
2. When supply chain professionals lead a savings initiative, the commitment and ownership of department managers is reduced by 30% to 50%

A much better way to lead is to coach, facilitate and consult with your department heads and managers, who should be organized into value teams, so that they can make savings happen themselves. Your supply chain professional now needs to develop these new skills, so that he/she can guide value teams made up of



department heads and managers by showing them how to move in the right direction, versus pushing or pulling them in the wrong direction. Developing these new skills include:

- Setting challenging goals
- Asking effective questions rather than giving instructions or commands
- Ensuring that a value team looks at as many functional alternatives as possible before making a final value judgment
- Facilitating the feedback and assessment processes improve a value team's performance


These techniques are only the building blocks for coaching, facilitating and consulting value teams, but they are great first steps. Certainly, there is a growing need for supply chain professionals to develop coaching, facilitating and consulting skills so that managing people, processes and performance makes "gigantic" savings happen. By learning these leadership skills, your supply chain managers will generate prompt action and peak performance from your value team.



## Strategic Value Analysis™ Activity #6

Identify specific supply chain managers whom you think would be successful at employing the skill set discussed:

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_
- e) \_\_\_\_\_




## Why You Need a Strategic Value Analysis™ Plan to Establish, Renew or Reinvent Your Supply Chain Management Program

Thomas Carlyle said, “Nothing is more terrible than activity without insight”, which is how most healthcare organizations launch their supply chain management programs. Typically, there is a great deal of activity, but little or no vision or perspective. Likewise, strategies, measurement and timelines for success are generally also missing. This lack of planning is the reason why most supply chain programs happen in an unplanned and disorganized manner.

Of all of the false steps that I have observed when healthcare organizations establish, renew or reinvent their value analysis programs, the most egregious mistake has been the absence of a Strategic Value Analysis™ planning process when they are preparing to launch their supply value analysis program.

One common problem that I have consistently seen in supply value analysis programs is when teams start with a great amount of unstructured activity. Because of the lack of insight and planning, such activity-induced plans only generate meager savings, and, along the way, frustrate participants who are involved in the supply value analysis program. This frustration is borne out of knowledge that these plans are not organized and structured to save.

**Do not make this mistake!** By developing a Strategic Value Analysis™ Plan prior to launching your new, renewed or reinvented supply chain Management program, you will discover the most



advantageous means and methods available to ensure the success of your supply chain management program.

To increase your probability of success, you need to conscientiously develop a road map to be followed over the next three to five years by your value team(s) to establish, renew or reinvent your supply chain management program.

The term “strategic planning” is not a new term in management’s vocabulary; it is derived from military usage and the need for on-going assessment and self-appraisal of an organization’s strengths, weaknesses, opportunities and threats. Strategic planning is a systematic and defined planning process, which ultimately leads to employing the appropriate strategies, tactics and solutions that are necessary to enable any business (profit or non-profit) to adapt to change in an ever-changing marketplace.

The result of such a planning process is a clear vision of where your organization should focus its energies and resources in the short, intermediate and long term to meet the stated mission and objectives. Updating an organization’s strategic plan on an annual basis enables an organization to react quickly to changes.

**Strategic Value Analysis™ Activity #7**

**List and describe two examples of when poor planning cost your health care organization money.**

- a) \_\_\_\_\_
- b) \_\_\_\_\_



## Creating High Performance Value Teams That Really Work


Ever since the concept of teaming was introduced in the 1990's to achieve organizational goals, teaming gurus told us that if a team's focus was on soft skills like togetherness, consensus, communications, conflict management and other interpersonal skills you could and would create high performance teams.

Unfortunately, this advice has not borne out to be completely true. In fact, what we have found to be true after forming, training, coaching and facilitating the deployment of *over one hundred* value teams for our clients in the past fifteen years is that focusing on these soft skills will more often hold the team back from high performance.

In contrast, what we have found that works in creating high performance value teams is:

***Getting the right people with the right incentives looking at the right things with the right performance-focused processes, and the right leadership and discipline to stay the course.***

All winning value teams are a combination of attitude, talent and traits matched with the right leadership and incentives to give them the right vision and objectives. Successful value teams are also comprised of members who have a "can do" attitude and who take responsibility for their actions and pride in their accomplishments.




Therefore, ideal competencies for outstanding value team leaders and members need to be identified. For example, team members should be analytical, organized, reliable, enthusiastic, computer literate and flexible.

It is imperative, however, that if you are to get the right people with the right competencies on your value team that you do not depend solely on titles or years of seniority when appointing value team members. If you do select value team members based on such artificial measures of success, you may miss out on savings by not selecting the **best-qualified** employees for the value team. Remember, just because someone has been with a company for 20 years does not necessarily mean that she has the right competencies for this special work. Conversely, just because someone entered the healthcare field in the last five years does not mean that he would not be the perfect candidate for your value team.

Quality teams are needed, because typically value teams spend most of their limited time evaluating and selecting new or renewal GPO contracts when they should be focusing their efforts on looking at the high costs spent in their healthcare organizations. If new and renewal GPO contracts are of such volume to warrant it, there should be a value team designated for this purpose only. This way, your other value teams can focus on brainstorming money-saving options for your healthcare organization.

There is also a tendency for value teams to be inundated with requests from department heads and managers for new purchases,



which is a symptom of ineffective or disastrous supply chain management. For hospitals experiencing this problem, I recommend establishing an ad-hoc committee to review the reasons for these out-of control requests. Usually the reason is a cultural tendency to buy everything that is requested, because *“We have always done it this way”*.

**Strategic Value Analysis™ Activity #8**

**1. List three ways in which you might motivate your value teams?**

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_

**2. What steps can you take to better enable your value teams to search out and eliminate invisible costs?**

\_\_\_\_\_  
\_\_\_\_\_



## The Right Performance Focused Processes

Most healthcare organizations currently “wing-it” with their value teams processes. Value analysis teams’ processes are informal, non-scientific or systematic, and they are not geared toward outcome-based performance goals and objectives (measurable savings or quality gains). Worse, healthcare organizations reinventing the wheel with each value study they conduct.

To create really effective and performance-oriented value teams you must have a function-oriented, repeatable process to drive out all waste and inefficiency in your supply chain. Furthermore, you must create a team-based performance model that is outcome-based, not activity-based. By activity-based, I mean there are quite a few activities, such as attending meetings and creating reports, that take up a great deal of productive time, but offer little or no results for the efforts.



## The Right Leadership and Discipline to Stay the Course

Every teams' performance looks great at the starting gate (when teams are being formed and for the first few meetings), but can quickly deteriorate into an unruly horde of undisciplined individuals who do not come to meetings, do not do their assigned work or who simply drop off the radar screen altogether. This is the story of many value team initiatives, due to the lack of leadership and discipline imposed by team leaders. It is the responsibility of team leaders to hold their team members accountable for their actions and performance outcomes.

All great value teams have a great performance ethic, which sets them apart from failed value teams. This performance ethic is brought about by strong team leadership. Strong team leaders are role models for their team. They attend every meeting, identify weaknesses in team performance, challenge negativity and are available when team members need them.



## **Strategic Value Analysis™ Activity #9**

**1. How do you define accountability?**

---

**2. How does your health care organization define accountability?**

---

**3. In addition to the qualities noted in this section, what other qualities do you think a team leader should possess and express?**


---



## The Power of Focus and Achieving the Next Level of Savings Performance

It has been my experience that if healthcare organizations concentrate on five key elements of their value analysis program, they can propel their value teams to the next level of savings performance without undue stress or strain. Those five areas on which to focus are:

- **Consistency** or the ability of your value teams to maintain high standards with minimal variation from the norm. Simply stated, this means that your value studies need to be of the highest quality and follow a prescribed methodology from which you do not deviate.
- **Discipline** directed at the performance of your value team members. Are members missing or coming late to meetings? Are members completing their value studies on time or just going through the motions? Discipline means ensuring that your team members obey the rules (if you do not have any rules, you had better start making them!). When they do not follow the rules, discipline means teaching them to and punishing them if they do not comply.
- **Outcomes** that concentrate your value team efforts on measurable **quantitative and qualitative** results — the bigger the better. Without measurable results, you will not know when you have reached your targeted savings or how to make mid-course corrections to meet your stated objectives.
- **Process** or a series of steps that your team members consistently follow when they are evaluating and selecting



the “best value” product, service or technologies for your healthcare organization. Make sure that the steps are standardized and distributed to all, so everyone is not just doing their own thing.

- **Maintenance** of your value team’s activities. It may sound simple, but making sure that your minutes and agendas are sent to your team members before meetings ensures good communications. Open and consistent communications that are shared with all team members ensure that everyone has the tools and training required to perform value studies without artificial barriers.

If you consistently focus on these five areas of value team performance, you will make giant leaps forward in your team’s performance and, you will see the results in just a very short time period.



## Three Little-Known Secrets for Supply Chain Savings Sustainability

There is a new war being fought every day inside our nation's healthcare organizations. These organizations fight to find and sustain new supply chain savings just to keep pace with inflation, new capital expenditures and increases in salaries, benefits and malpractice insurance.

If you are serious about winning this war, you must familiarize yourself with the three little-known secrets for supply chain savings sustainability:

- **A Committed Culture**

The first critical success factor in winning this war is having all levels of your healthcare organization's management committed to attacking and rooting out waste and inefficiency in your supply chain. This commitment can only be achieved by continuing education on attacking supply chain expenses. Moreover, your managers must practice what they learn about Strategic Value Analysis™.

- **Discipline and Order**

Without discipline and order (or making people follow the rules of engagement), no "money-saving" system can be sustained for very long. Simply stated, discipline and order means holding your senior management and department heads individually and mutually accountable for their team's efforts in reducing your supply chain expenses. That is not all discipline and order means in a committed culture. Your senior management and department heads will be required



to attend frequent team meetings, and between these meetings, they must do the difficult work of finding and rooting out supply chain excesses. In doing so, they will be required to set aside the requisite time to allocate resources and initiate steps to capitalize on these savings opportunities.

- **Ongoing Maintenance**

Maintenance is the work that your team leaders need to do regularly to keep your “money saving” system in superior working order. The frequent management practice of benign neglect quickly leads to system breakdowns. Maintenance means honing in on your team members’ feelings, actions and methods of doing work by having frequent contact with them.

These three little-known secrets for supply chain expense sustainability should be your starting point for building a “money-saving” system that works year in and year out to generate savings for your healthcare organization.

**Strategic Value Analysis™ Activity #10**

**How can you promote more cost-effective supply chain management by understanding and employing the three little known secrets discussed above?**

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_




## How to Employ Strategic Supply Chain Benchmarking for Peak Performance

The benchmarking focal point today for most healthcare supply chain organizations is price. By focusing on price, however, healthcare organizations ignore the enormous benefits of benchmarking strategies, goals and innovations. This predisposition to benchmark price is the missing link between your healthcare organization having peak supply chain performance and “just good enough” performance.

Almost daily, I talk to CFOs who are extremely dissatisfied not with their material managers’ price performance, but with their strategic performance. What they tell me is that they are not looking for their material managers to obtain a better price (a given with your membership in GPOs) but instead to continuously develop better strategies, goals and innovations that can dramatically reduce the hospital’s supply chain costs while improving productivity and efficiency.

Most importantly, CEOs, COOs and CFOs want their material managers to provide the leadership that is required to implement these new strategic initiatives.

Strategic benchmarking is not a fixation on numbers, metrics, processes and procedures, but a focus on the development of strategies, goals and innovations that can provide you with a quantum leap forward in your supply chain performance.



For example, one health system I recently talked to is investigating the employment of wireless radio frequency tags (RFT) to manage and control their movable medical equipment (pumps, wheels chairs, beds, IV poles, etc.).

If successful, this health system's new RFT strategy will dramatically reduce the organization's total costs and improve the effectiveness of managing movable inventory. The new RFT strategy will not merely knock off a few savings percentage points by some other low-tech means.

Your healthcare organization can also make these types of breakthroughs, not just in the healthcare industry but also in other industries by benchmarking strategies, goals and innovations. For starters, you can ask your healthcare organization's president for permission to write a letter to each of your board of directors, requesting a field visit to their companies to learn about their strategies, goals and innovations. This experience alone should generate some big ideas for you and your healthcare organization.

You can then have your material managers visit your distributors and manufacturers to spawn new strategic performance ideas. The list could go on and on, but I will stop here, since finding new strategies, goals and innovations is as easy as saying, "1-2-3, Go" if your hospital or system is serious about becoming a healthcare leader in supply chain management.



## Strategic Value Analysis™ Activity #11

What do you think can be done to spawn new strategic performance ideas?

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_



### Strategic Performance: Material Managers Goal

Now you know what your material managers should be doing to establish and implement strategic performance initiatives. What does this mean to your healthcare organization?

By setting the bar even higher for your material managers' performance, you are telling them to look at the big picture, so they can:

- Align their own goals with those of the hospitals
- Introduce new technological innovations that define them and your healthcare organization as industry leaders
- Recalibrate their measurements to ensure that your healthcare organization is always at the top of the game.

These new standards for your material managers' peak performance can only be achieved if managers and their value teams are focused on your strategies, tactics, goals and objectives.

**Strategic Value Analysis™ Activity #12**

**What measures can you take to make sure that your value teams are constantly evolving?**

a) \_\_\_\_\_

b) \_\_\_\_\_

c) \_\_\_\_\_



## Conclusion

Essentially this is the essence of the Strategic Value Analysis™ Plan that SVAH has patented and currently promotes. Of course, we realize that making any type of strategic change cannot happen overnight and without the cooperation of your staff.

This overview was intended to demonstrate that with the right kind of planning, leadership and training, invisible costs can be substantially reduced. It does not have to be a time-consuming or hassling process.

If you want more information on how, specifically, your organization can reduce its costs we urge you to contact Mr. Yokl. By seeking more in-depth guidance, you can find out exactly which steps your organization needs to take and which areas where your organization is doing well.

***You have everything to win (save) and nothing to lose (spend)!***

---